

StarGlory Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8213



**[ANNUAL REPORT
2019/20]**

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Huang Chao
Mr. Wu Xiaowen (appointed on 21 May 2019)
Mr. Zheng Hua (resigned on 21 May 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yee Ping Michael
Mr. Deng Guozhen
Mr. Zeng Shiquan

COMPANY SECRETARY

Ms. Lam Kit Yan *FCPA*

COMPLIANCE OFFICER

Mr. Huang Chao

AUDIT COMMITTEE

Mr. Chan Yee Ping Michael (*Chairman*)
Mr. Deng Guozhen
Mr. Zeng Shiquan

REMUNERATION COMMITTEE

Mr. Deng Guozhen (*Chairman*)
Mr. Huang Chao
Mr. Chan Yee Ping Michael

NOMINATION COMMITTEE

Mr. Huang Chao (*Chairman*)
Mr. Chan Yee Ping Michael
Mr. Zeng Shiquan

CORPORATE GOVERNANCE COMMITTEE

Mr. Chan Yee Ping Michael (*Chairman*)
Mr. Huang Chao
Mr. Zeng Shiquan

AUTHORIZED REPRESENTATIVES

Mr. Huang Chao
Ms. Lam Kit Yan *FCPA*

PRINCIPAL BANKER

The Bank of East Asia Limited

AUDITOR

PKF Hong Kong Limited
Certified Public Accountants
26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East, Wanchai
Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY'S WEBSITE ADDRESS

www.stargloryhcl.com

GEM STOCK CODE

8213

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the **"Board"**) of StarGlory Holdings Company Limited (the **"Company"**), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively referred to as the **"Group"** or **"StarGlory"**) for the year ended 31 March 2020 (the **"Reporting Period"**).

The Reporting Period was challenging for the food and beverage industry and the Group. The global financial market was clouded with uncertainties of trade wars, geopolitical tensions and global economic slowdown. Although the first phase of the trade agreement between China and the US was signed in January 2020, the novel coronavirus (**"COVID-19"**) epidemic hit hard on the manufacturing and trade activities, further fueling apprehension over the global economy.

As to the local market, affected by months of unabating social unrest and COVID-19 outbreak, the economy of Hong Kong plunged into deep recession, with the gross domestic product (**"GDP"**) in first quarter of 2020 shrinking significantly by 8.9% year-on-year, marking the city's steepest GDP decline on record. Increasingly fierce competition was witnessed in the food and beverage industry as tourist arrivals sharply declined and Hong Kong residents avoided dining out, prompting pay cuts, job shedding and even shop closures in the industry, which in turn intensifying and accelerating market integration.

Although the food and beverage industry struggled in this "cold winter", the Group was committed to providing customers with a diverse spectrum of cuisine and optimising our multi-brand network in Mainland China and Hong Kong, including Italian Tomato, Ginza Bairin ("銀座梅林"), Shirokuma Curry ("白熊咖喱") and Enmaru ("炎丸"). In good times and bad, the Group consistently and steadfastly delivers great quality Japanese food, heartfelt service and comfortable dining environment. To enhance business development and strengthen competitiveness, the Group strategically reviewed and restructured its business operations in Mainland China and Hong Kong.

In response to COVID-19 outbreak, the Group adopted certain precautionary measures, namely segregated seats, mandatory mask-wearing and body temperature checks of staff and customers, etc. Further, to reduce the impact of COVID-19 outbreak on its income, the Group has offered discounts on takeaway meals and strengthened business relationships with food delivery service providers.

As a strong market player with successful and distinct brand identity, the Group's business operations were not severely impacted from January to March 2020. However, the public gathering limit issued by the Hong Kong Government in April cast doubt on the industry's future and posed yet another challenge to the Group's operations. Fortunately, aided by the relief measures and Anti-epidemic Fund announced by the Hong Kong Government, it is believed that the food and beverage market will recover when economic and social activities resume as soon as practicable. According to Mr. Paul Chan, Financial Secretary of the Hong Kong SAR Government, the city's economy is expected to bottom out in the third quarter of 2020, whereby we are optimistic that market environment will also gradually improve when tourist arrivals return to normal level and demand from customer picks up.

Chairman's Statement

In addition, the Group relishes the ample opportunities in the current market. In view of the profound reforms in national medical system, increasing healthcare awareness and growing demand for medical service in China, the Group believes that the development of the new business on healthcare industry represents a positive context to diversify its business portfolio and broaden its revenue base under the current challenging operating environment, with the ultimate goal of enhancing the Group's long-term competitiveness, thus achieving better returns for its shareholders and investors.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all shareholders and customers for their continuous support during the past year, as well as the management and all staff for their efforts and dedication to our development. In 2020, the Group will continue to seize market opportunities and steer towards sustainable development and growth, with a view to creating greater value for our shareholders, customers and employees, and to building a better future together.

Huang Chao

Chairman

Hong Kong, 23 June 2020



Corporate Governance Report

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the Code Provisions under the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules (the “**CG Code**”) throughout the financial year ended 31 March 2020.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the financial year ended 31 March 2020, the Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's Directors have complied with such required standard of dealings and its code of conduct regarding Directors' securities transactions.

THE BOARD

Board of Directors

The Board currently consists of five members including two executive Directors, namely Mr. Huang Chao and Mr. Wu Xiaowen, and three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan. Save as disclosed in the section headed “Directors and Senior Management” on pages 41 to 45 of this annual report, there is no other relationship between the Board members.

The Company complied at all times during the financial year ended 31 March 2020 with the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors and has arranged appropriate insurance cover for the Directors.

Mr. Chan Yee Ping Michael, being the independent non-executive Director, possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. All independent non-executive Directors bring their wealth of experience to the Board and serve the important function of advising the management on strategy development to ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of the shareholders and the Company as a whole. None of the independent non-executive Directors has any business or financial interests with the Group and all independent non-executive Directors confirmed their independence to the Group as at 31 March 2020 in accordance with Rule 5.09 of the GEM Listing Rules.

Corporate Governance Report

THE BOARD (cont'd)

Board of Directors (cont'd)

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Despite that, pursuant to the articles of association of the Company, at every annual general meeting of the Company, 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 exceeding one-third) shall retire from office by rotation, provided that the chairman of the Board and/or the managing director of the Company shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Mr. Huang Chao being the chairman of the Board (the “**Chairman**”) of the Board, is subject to retirement by rotation. As such, the Board considers that sufficient measures have been taken to serve the purpose of Code Provision A.4.2 under the CG Code.

Executive Directors

The executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group’s management team in accordance with the directions set by the Board and are responsible for ensuring that a proper internal control system is in place and that the Group’s business conforms with the applicable laws and regulations.

Independent non-executive Directors

Independent non-executive Directors serve an important function of advising the management on strategy development and ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole.

Mr. Chan Yee Ping Michael and Mr. Deng Guozhen, being the independent non-executive Directors who were appointed on 8 November 2016 have signed a letter for renewal of appointment for a term of one year ending on 7 November 2020 with the Company, unless terminated earlier by either side by giving the other not less than one month’s prior written notice and subject to retirement by rotation and re-election at the Company’s annual general meetings in accordance with the articles of association of the Company.

Mr. Zeng Shiquan, being the independent non-executive Director of the Company who was appointed on 28 March 2018 has signed a letter for renewal of appointment for a term of one year ending on 27 March 2021 with the Company, unless terminated earlier by either side by giving the other not less than one month’s prior written notice and subject to retirement by rotation and re-election at the Company’s annual general meetings in accordance with the articles of association of the Company.

Corporate Governance Report

THE BOARD (cont'd)

Independent non-executive Directors (cont'd)

The commencement dates of the appointment for each of the independent non-executive Directors are as follows:

Independent non-executive Directors	Commencement Date
Mr. Chan Yee Ping Michael	Initially appointed on 8 November 2016
Mr. Deng Guozhen	Initially appointed on 8 November 2016
Mr. Zeng Shiquan	Initially appointed on 28 March 2018

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The chairman's responsibility is to manage the Board while the chief executive officer's is to manage the business of the Group.

During the year ended 31 March 2020, Mr. Huang Chao was the Chairman of the Board responsible for managing the Board, providing leadership for the Board and ensuring good corporate governance practices and procedures are established, while during the period from 1 April 2019 to 21 May 2019 and from 21 May 2019 to 31 March 2020, Mr. Zheng Hua and Mr. Wu Xiaowen, respectively, focused on daily management of the businesses of the Group, and implemented such objectives, policies, strategies and business plans as approved and instructed by the Board. The roles of the Chairman and chief executive were segregated and are not exercised by the same individual during the Reporting Period. As such, the Board considers that sufficient measures have been taken to serve the purpose of Code Provision A.2.1 under the CG Code.

AUDIT COMMITTEE

The Company had established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprised of three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Deng Guozhen and Mr. Zeng Shiquan. Mr. Chan Yee Ping Michael currently serves as the chairman of the Audit Committee and he possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

Corporate Governance Report

AUDIT COMMITTEE (cont'd)

A total of four Audit Committee meetings were held during the financial year ended 31 March 2020 to review and discuss the annual, quarterly and interim results and financial statements of the Group respectively. The adequacy of the Company's policies and procedures regarding financial reporting, risk management and internal control systems were also discussed. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues that the Audit Committee considers necessary. The external auditor of the Group may request a meeting with the Audit Committee if they consider necessary.

The authorities of the Audit Committee include (1) investigation of any activity within its terms of reference; (2) seeking any information it requires from any employee; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

The main duties of the Audit Committee include but not limited to the followings:

- To consider the selection and appointment of the external auditor, the audit fee, and any question concerning the resignation or dismissal of the external auditor;
- To discuss with the external auditor the nature and scope of the audit;
- To review and monitor the external auditor's independence and the objectivity and the effectiveness of the audit process in accordance with applicable standards;
- To develop and implement policy on the engagement of external auditor to supply non-audit services;
- To review the Group's quarterly, interim and annual financial statements and results respectively before submitting to the Board;
- To discuss any problems and reservations arising from the final audits and any matters that the external auditor may wish to discuss;
- To review the Group's statement on risk management and internal control systems prior to its endorsement by the Board;
- To consider the major findings of any internal investigation and the management's response;
- To consider other topics, as determined by the Board; and
- To review arrangements that employees of the Company and its subsidiaries can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters.

Corporate Governance Report

AUDIT COMMITTEE (cont'd)

Throughout the year under review, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results, risk management and the internal control systems of the Group. As regards external auditor's remuneration, audit service was provided by the Group's external auditor during the year under review.

CORPORATE GOVERNANCE FUNCTION

The Company has established the Corporate Governance Committee with written terms of reference in compliance with Code Provision D.3.1 under Appendix 15 of the GEM Listing Rules. Mr. Chan Yee Ping Michael currently serves as the chairman of the Corporate Governance Committee of the Company and Mr. Huang Chao and Mr. Zeng Shiquan have been appointed as members of the Corporate Governance Committee.

The main duties of the Corporate Governance Committee are as follows:

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of the Directors and the senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct applicable to the Directors and the employees of the Group;
- To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report as required under the GEM Listing Rules;
- To direct and supervise the investigation into any matter brought to the Committee's attention within the scope of its duties;
- To review annually and recommend to the Board changes as necessary to the terms of reference of the Board and its committees; and
- To make any other recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed.

During the Reporting Period, the Corporate Governance Committee held a meeting to discuss the above.

Corporate Governance Report

DIRECTORS' ATTENDANCE AT BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Set out below are the attendance records of all the Directors at the Company's board meetings, board committee meetings and general meetings held during the year ended 31 March 2020:

	No. of meetings attended/No. of meetings held					
	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Corporate Governance Committee Meetings	General Meetings
Executive Directors						
Mr. Huang Chao (<i>Chairman</i>)	6/6	N/A	2/2	2/2	1/1	1/1
Mr. Wu Xiaowen (appointed on 21 May 2019)	6/6	N/A	N/A	N/A	N/A	1/1
Mr. Zheng Hua (resigned on 21 May 2019)	0/0	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors						
Mr. Chan Yee Ping Michael	8/8	4/4	2/2	2/2	1/1	1/1
Mr. Deng Guozhen	8/8	4/4	N/A	2/2	N/A	1/1
Mr. Zeng Shiquan	8/8	4/4	2/2	N/A	1/1	1/1

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the Code Provision A.6.5 under Appendix 15 of the GEM Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Company is committed to arrange suitable training to all Directors for their continuous professional development. Newly appointed Directors will receive guideline and reference materials to enable them to familiarize with the Group's business operations and Board's policies. Directors are briefed and updated from time to time to ensure that he/she is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group.

Reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses. The Company has provided training and reading materials on regulatory updates to the Directors for their reference and studies.

During the Reporting Period, all Directors have participated in continuing professional development by watching training broadcasts arranged by the Company with emphasis on the roles, functions and duties of a director of a listed company and reading relevant materials on topics related to corporate governance and regulatory matters.

Corporate Governance Report

CONTINUING PROFESSIONAL DEVELOPMENT (cont'd)

A summary of training received by the Directors since 1 April 2019 up to 31 March 2020 is as follow:

Board members	Type of training
Executive Directors	
Mr. Huang Chao	A, B, C
Mr. Wu Xiaowen (appointed on 21 May 2019)	A, B, C
Mr. Zheng Hua (resigned on 21 May 2019)	B, C
Independent non-executive Directors	
Mr. Chan Yee Ping Michael	A, B, C
Mr. Deng Guozhen	A, B, C
Mr. Zeng Shiquan	A, B, C

A: attending training course

B: watching training broadcasts

C: reading materials relating to the economy, general business, corporate governance and directors' duties and responsibilities

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with Code Provision B.1.2 under Appendix 15 of the GEM Listing Rules. Mr. Deng Guozhen currently serves as the chairman of the Remuneration Committee of the Company and Mr. Huang Chao and Mr. Chan Yee Ping Michael have been appointed as members of the Remuneration Committee.

Pursuant to Code Provision B.1.2(c) under Appendix 15 of the GEM Listing Rules, the Company has adopted the model in which the Remuneration Committee will make recommendations to the Board on the remuneration packages of individual executive Director and senior management. The principal responsibilities of the Remuneration Committee include but not limited to the followings:

- To make recommendations to the Board on the remuneration packages of individual executive Director(s) and senior management;
- To evaluate the performance of all Directors and senior management and make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

Corporate Governance Report

REMUNERATION COMMITTEE (cont'd)

- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- To review annually the appropriateness and relevance of the remuneration policy;
- To administer the Company's share option schemes as they apply to Directors and/or senior management; and
- To make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed.

The emoluments of the executive Directors and senior management are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. No Director is involved in deciding his own remuneration. Details of the Directors' emoluments are set out in note 7 to the consolidated financial statements.

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographical details are set out in the section headed "Directors and Senior Management" on pages 41 to 45 of this annual report, for the year ended 31 March 2020 are set out below:

Remuneration band(s)	Number of individuals
Nil – HK\$1,000,000	3
HK\$1,000,001 – HK\$1,500,000	2

Meetings of the Remuneration Committee shall be held at least once a year. During the financial year ended 31 March 2020, two meetings were held to review and discuss the remuneration and appointment of the Directors and senior management.

Corporate Governance Report

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with Code Provision A.5.2 under Appendix 15 of the GEM Listing Rules. Mr. Huang Chao has been appointed as the chairman of the Nomination Committee. The members of the Nomination Committee comprise of two non-executive Directors, namely Mr. Chan Yee Ping Michael and Mr. Zeng Shiquan.

The principal responsibilities of the Nomination Committee include but not limited to the followings:

- To review the structure, size and composition (including but not limited to skills, knowledge, gender, age, culture, educational background, professional experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- To identify individuals suitably qualified to become Directors and select or make recommendations to the Board in this regard;
- To assess the independence of independent non-executive Directors having regards to the requirements under the GEM Listing Rules;
- To ensure that no Director or any of his/her associates is involved in approving his/her or any of his associates' nomination;
- To make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors, in particular the chairman and chief executive of the Company; and
- To make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed;
- To develop and maintain a policy for the nomination of board members which includes the nomination procedures and the process and criteria adopted by the Committee to identify, select and recommend candidates for directorship during the year, and to review periodically and disclose in the Company's corporate governance report the policy and the progress made towards achieving the objectives set in the policy. The Committee should ensure that the selection process is transparent and fair, and that it considers a broad range of candidates who are outside the Board's circle of contacts and in accordance with the Company's diversity policy; and
- To develop and maintain a policy concerning diversity of board members and to review periodically and disclose the policy on diversity or a summary of the policy in the Company's corporate governance report.

Corporate Governance Report

NOMINATION COMMITTEE (cont'd)

Board Diversity Policy

Pursuant to the CG Code, the Board has adopted a board diversity policy since August 2013. The Company recognizes and embraces the benefits of having a diverse Board, and regards increasing diversity at Board level as an essential element in maintaining a competitive advantage. All Board appointments are made on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will discuss annually to achieve diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the Reporting Period, the Nomination Committee held two meetings to review the structure, size, composition, diversity of the Board and nomination of director. It also reviewed the re-election of the Directors by rotation, as well as the independency of the independent non-executive Directors.

AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the Reporting Period is presented as follows:

	Fee amount
	HK\$'000
Audit services	754
Non-audit services	83
	837



Corporate Governance Report

FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, quarterly and interim reports and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2020. Statements of Directors' responsibilities for preparing the financial statements and the external auditor's reporting responsibilities are set out in the Independent Auditor's Report as contained in this annual report.

The Company's external auditor, without qualifying their opinion, draw the users' attention to note 2(e) to the consolidated financial statements indicating the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Please refer to the paragraph headed "Material Uncertainty Related to Going Concern" in the section headed "Independent Auditor's Report" on page 56 of this annual report. The Directors, taking into account of the factors setting out in note 2(e) to the consolidated financial statements, are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis.

COMPANY SECRETARY

Ms. Lam Kit Yan was appointed as the company secretary of the Company and one of its authorized representatives on 8 November 2016. She has duly complied with the relevant professional training requirements of the GEM Listing Rules during the year under review. The biographical details of Ms. Lam Kit Yan are set out on page 45 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems to safeguard the interests of the shareholders of the Company and the Group's assets. The Board also acknowledges its responsibility for overseeing the Group's risk management, financing reporting, and internal control systems on an ongoing basis and reviewing their effectiveness at least annually through the Audit Committee. These systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance mechanisms and risk management functions, and the resourcing of the finance and internal audit functions. Appropriate controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. During the Reporting Period, the Company has engaged external consultants to perform a review of the effectiveness of the Group's risk management and internal control systems for the Group.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

The Group's risk management process starts with identifying the major risks associated with its business, market, and industry in the ordinary course of business. The Group adopts a control and risk self-assessment methodology and continuously assesses and manages its risk profile on a regular basis. This is a continuous process of identifying, evaluating, prioritizing, managing, and monitoring of the risks that the Group faces. The risks are categorized into strategic risks, operational risks, financial risks, and compliance risks. Depending on the likelihood and potential impacts of the relevant risks exposed to the Group, the management prioritize the risks and either take immediate mitigating actions, devise contingency plan, or conduct periodic review in accordance with the contingency plan. All operating departments are responsible for identifying and analyzing the risks associated with their respective functions, preparing risk mitigation plans and reporting status of risk management. The external consultants are responsible for coordinating and advising on matters in relation to risk management matters of the Group, while the Audit Committee and ultimately the Board will supervise the implementation of the Group's risk management procedures and measures.

For internal audit, a risk-based approach is adopted by the external consultants. The three-year internal audit plan is subject to review annually, and it covers major activities and processes of the Group's businesses. The results of these internal audit activities are communicated to the Audit Committee and key members of senior management of the Group. Internal audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee and senior management of the Group. The internal audit review included making enquiries with the appropriate management and the key process owners and performing tests of controls to identify major risks and control deficiencies and making recommendations for improving and strengthening the internal control system to the Audit Committee for approval. The review covered all material controls, including financial, operational and compliance controls. No material issues on the Group's internal control system have been identified in the reviewed areas and reported to the Audit Committee.

The Board, through the Audit Committee, had conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2020 and the Board considered the systems were effective and adequate. The Board also reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programs, on the Group's accounting, financial reporting, and internal audit functions.

Corporate Governance Report

PROCEDURE AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

SHAREHOLDERS’ RIGHTS

Convening an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition and send to the Company’s head office and principal place of business in Hong Kong (details of which are set out in the section headed “Corporate Information” on page 3 of this annual report) to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requested shareholder(s) (“**Requested Shareholders**”) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requested Shareholders as a result of the failure of the Board shall be reimbursed to the Requested Shareholders by the Company.

Enquiries to the Board

Shareholders may at any time make a request in writing with his/her/its detailed contact information and send to the Company’s head office and principal place of business in Hong Kong (details of which are set out in the section headed “Corporate Information” on page 3 of this annual report) for the Company’s information, to the extent such information is publicly available to the company secretary of the Company who is responsible for forwarding communications relating to matters within the Board and ordinary business matters, such as suggestions, inquiries and customer complaints, to the Board.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (cont'd)

Putting forward proposals at a general meeting

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meetings. The proposals shall be sent to the company secretary of the Company by a written requisition with his/her/its detailed contact information to the Company's head office and principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" on page 3 of this annual report). Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening an extraordinary general meeting" above.

INVESTOR RELATIONS

During the Reporting Period, there had been no significant change in the Company's constitutional documents.

LOOKING FORWARD

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



Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is to outline the performances on environmental, social and governance (“**ESG**”) aspects of the Group (“**ESG Report**”). This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) under Appendix 20 to the GEM Listing Rules and the provisions of “comply or explain” set out therein.

This ESG report covers the Group’s overall performance, risks, strategies, measures and commitment in terms of quality of workplace environment, environmental protection, operating practice and community involvement for the business operations of the Group during the Reporting Period.

During the Reporting Period, the Group was principally engaged in provision of food and beverage services in the Greater China Region, including the restaurants, café and cake shops under the Japanese brand of Italian Tomato, the Japanese Tonkatsu under the brand of Ginza Bairin (“銀座梅林”), the Japanese curry specialty stores under the brand of Shirokuma Curry (“白熊咖喱”) and the Japanese izakaya under the brand of Enmaru (“炎丸”). As at 31 March 2020, we have 28 shops in Hong Kong and 6 shops in the People’s Republic of China (the “PRC”). Therefore, unless otherwise stated, this ESG Report mainly covers the above operations. All information comes from the official documents or statistic reports of the Group.

The Board is responsible for evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

For information about corporate governance structure of the Group and other relevant disclosure, please refer to section for headed “Corporate Governance Report” on pages 6 to 19 of this annual report.

MATERIALITY ASSESSMENT

Management and employees of the Group participated in preparing this ESG Report and assessing and reviewing its operating practices with regards to environment, social and governance aspects, as well as how these operating practices are material to our business operations and stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

As the owner of multiple restaurant brands, we aim to provide customers with supreme tastes, impressive quality service and pleasant dining experiences. Corporate social responsibility (“**CSR**”) is an integral part of our business strategy and the Board of Directors supports our CSR commitment. We are devoted to running our business in a manner that is economically, socially and environmentally sustainable while balancing the interests of various internal or external stakeholders and providing reliable and valuable services to the society.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The Group's stakeholders are entities or individuals that can reasonably be expected to be significantly affected by the Group's activities, or whose actions can reasonably be expected to affect the ability of the Group to implement its strategies or achieve its objectives.

The Group's principal stakeholders include its shareholders, loan and debt holders, customers, employees and suppliers. The Group's other stakeholders include government agencies, regulatory bodies, trade associations, public media and local communities etc.

When making decisions about the content of this ESG report, as well as our approach to a topic with material environmental and social impacts, the Group's management considered the reasonable expectations and interests of the Group's stakeholders, an understanding of which was obtained through engaging our stakeholders.

We understand that stakeholder engagement plays a pivotal role to our continuous effort in improving our ESG standard. Therefore, we have built and maintained various communication channels for our shareholders, customers, employees, suppliers, other stakeholders and all interested parties. We also endeavour to provide our stakeholders with clear information about our approaches to business operation and ESG issues. These include, but without limitation to, statutory announcements, circulars, financial reports, shareholders' meetings, corporate websites and electronic correspondences, meetings with our loans and debts providers, on-going customer satisfaction surveys, standing customer feedback and complaint channels, employee interviews and job satisfaction surveys, and meetings and communications with our suppliers.

STAKEHOLDER OPINION

We welcome opinions on the Group's approaches on the environmental, social, and governance aspects upon reading the ESG Report. Please share with us in writing and send them to the Company's head office and principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" on page 3 of this annual report) to the Board or the secretary of the Company.

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT

We are mindful of the environmental impact of our business operations. We are committed to complying with relevant environmental laws, including the Air Pollution Control Ordinance (《空氣污染管制條例》), Water Pollution Control Ordinance (《水污染管制條例》), Waste Disposal Ordinance (《廢物處置條例》), Public Health and Municipal Services Ordinance (《公眾衛生及市政條例》) and so on.

We enhance our environmental control through inclusion of environmental considerations in our daily operation and raising the environmental awareness amongst our employees. The Group has formulated series of environmental rules and requires its employees to strictly comply with them. The Group's internal environmental policies and measures align with industry standards. We will also keep abreast of any changes in relevant laws and make necessary revision to our internal guidelines.

During the Reporting Period, there was no incident of non-compliance with local relevant environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

Emissions

1. *Air Pollution – Greenhouse Gas*

The Group's principal business operations do not involve activities that directly emit greenhouse gas (“**GHG**”) or other air pollutants. However, insignificant as it may be, indirect emission of GHG is generated from our daily operations through fuel consumption of vehicles, electricity and heat consumptions during our business processes to produce and deliver products to customers and in the Group's general administration.

To reduce our carbon footprint, we endeavour to lower energy consumption by keeping monthly record of consumption level for each business entities and closely monitoring emission level. Meanwhile, we encourage employees to switch off idling lights, kitchen appliances and other electronic appliances, and improve efficiency of consumption of resources.

Meanwhile, the Group constantly repairs and replaces its kitchen appliances and other electronic appliances, as well as vehicles, so as to prevent excess emission of exhaust gas caused by malfunction of machines, and reduces fuel and electricity consumption. All of the Group's operations comply with the relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions.

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (cont'd)

Emissions (cont'd)

2. *Waste Management*

Wastes are considered hazardous if they may pose a substantial harm to human health or the environment when being improperly treated, stored, or transported. They are usually toxic, corrosive or persistent in the environment. Examples include wastes with a high content of chemicals or heavy metals, such as discarded vehicle batteries, plating wastes, pesticides, paints, solvents, fluorescent bulbs, lubricant oil, lead, mercury or zinc etc.; biological waste such as microbiological, animal, human blood and blood products; and radioactive wastes.

Handling processes for all wastes generated from production and daily operations are in strict compliance with internal guidelines. While the Group does not discharge hazardous wastes, papers, packaging, food waste and other non-hazardous wastes are the major waste from our restaurant operations and the Group's general administration. In general, recycling and reuse of waste are encouraged under feasible circumstances, while food waste is collected and handled by professional service providers. Internal guidelines are in place to promote efficiency in consuming resources and reducing waste.

Use of Resources

The Company and its various subsidiaries strictly comply with relevant local laws and regulations on environmental protection, set internal guidelines and measures for this purpose, and work in line with the rules of the office buildings, in order to achieve energy saving and consumption reduction, minimizing negative environmental impact of our business operation. There is no issue in sourcing water that is fit for purpose as the Group considers its water consumption level reasonable. And, as the Group is principally engaged in provision of food and beverage services, data of packaging material used for finished products with reference to per unit produced is not quite applicable to the Group. During the Reporting Period, we have taken various measures, including:

- Using natural sunlight, adjusting the indoor lighting and switching off all idling lights, kitchen appliances and other electronic devices;
- Using LED lighting system to reduce power consumption;
- Maintaining a suitable indoor air temperature;
- Promoting use of telephone and video conference system to reduce the need of business travel;
- Reducing use of plastic products, disposable utensils and cutlery, foamed polystyrene containers, aluminium foil containers, paper tray liner, cups and lids; and
- Recycling and reusing paper, encouraging double-sided printing.

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (cont'd)

Environment and Natural Resources

Natural resources are considered renewable as if they are replenished by the environment over relatively short periods of time or are almost of unlimited supply. Examples include solar, wind, forests, biomass and most plants and animals. Natural resources are considered as non-renewable resources if cannot be easily replenished by the environment or are of limited supply. Examples include most minerals, metal ores, fossil fuels, natural gas and groundwater.

Despite the fact that the Group's major operations have no significant impact on the environment and natural resources, we, as a responsible corporate, are committed to minimizing such negative impact, and assessing environmental risks induced by our operations, in order to formulate relevant measures.

1. *Raising Awareness*

Besides reinforcing environmental measures, the Group also strives to raise employees' awareness of protecting the environment, including issuing internal guidance from time to time and sharing of information about green office initiatives.

2. *Protecting Biodiversity*

We understand the significance of protecting the biodiversity as it boosts ecosystem productivity where each species, no matter how small, plays an important role. Hence, it is our goal that our food ingredients are sustainable. For example, certain seafood is purchased from sustainable fishery labelled by MSC (Marine Stewardship Council).

Set out below is the environmental data highlights :

			Financial year 2019/2020	Financial year 2018/2019
Indirect GHG emission	Electricity consumption (CO2e)	kg	1,380,690	1,939,817
	Gas consumption (CO2e)	kg	88,947	553,485
Consumption of resources	Electricity	kWh	2,050,530	2,880,916
	Recycled oil	litre	13,104	16,474
	Water	m ³	14,586	31,925
	Gas	MJ	148,246	922,475

* The environmental data above covers only the Group's operations in Hong Kong as we were unable to collect relevant statistics from the operations in the PRC in a complete manner during the Reporting Period

Environmental, Social and Governance Report

SOCIAL ASPECT

Employment and Labour Practices

Employment

As at 31 March 2020, we had 192 employees (2019: 174 employees) in Hong Kong and 83 (2019: 130 employees) employees outside Hong Kong. They are critical to maintaining our competitiveness. We strive to provide them with the work environment where they are respected with satisfaction. Our employees are allowed to learn, grow and succeed at work. Such philosophy has been included in our human resources policies.

Employment contracts set out all the conditions of work including compensation, working time, rest periods, holidays, disciplinary and dismissal practices, maternity and paternity protection, equal opportunity, diversity, anti-discrimination, the workplace environment, occupational health and safety and other benefits and welfare etc, with a view to mitigate the Group's exposure to labour issues and protect employees' rights.

The Employment Ordinance (《僱傭條例》) of Hong Kong, the Labour Law of the PRC (《中華人民共和國勞動法》), Employment Contracts of the PRC (《中華人民共和國勞動合同法》) and other relevant laws and regulations should be upheld.

To cope with the increasing turnover rate of employees arising from intensified market competition, we regularly review our staff remuneration level and improve staff welfare. Such increasing turnover rate has also contributed to a higher proportion of part-time employees in our workforce.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that pose a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

1. Equal Opportunities and Diversity

As the employees of the Group are one of the key stakeholders, diversity and equal opportunity form part of our people strategy. We do not enforce any restrictive guidelines on a particular gender of staff employment.

Our employment practices support the building of an inclusive work environment free from discrimination such as gender, age, nationality, sexual orientation, family status, race or religion. Each employee has an equal job opportunity.

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Employment and Labour Practices (cont'd)

Employment (cont'd)

2. Employee Communication

We value opinions from our staff. We ensure that discontent and grievances from work are heard and handled in a fair and appropriate manner. Employees are also encouraged to share their views and aspirations concerning their career and the Group's development.

3. Dismissal

For situations in which an employee has violated the Group's regulations or performed consistently below an acceptable level, a range of procedures to terminate his/her employment contract have been established. Terms and conditions for dismissal are outlined in employment contracts.

Health and Safety

Employees' rights to a healthy and safe workplace are widely recognized and various laws and regulations administered by government agencies and voluntary standards advocated by non-government organizations are in place to protect employees' health and safety. Employees' health and safety issues can be resulted from the use of unsafe equipment, machinery, processes, and practices. They can also be resulted from the use of dangerous substances, such as chemical, physical and biological agents.

To prevent employees' health and safety impacts, it is the Group's policy to require staff at all levels (i) to always be alert to health and safety concerns in the workplace; (ii) to report and communicate all health and safety concerns in the workplace on a timely basis; and (iii) to adhere to all applicable safety laws, regulations and standards.

1. Work Safety

It is a priority that we ensure the health and safety of customers and employees at our restaurants. The Group fully complies with the Occupational Safety and Health Ordinance (《職業安全及健康條例》). Along with internal policies and procedures, the Group has implemented various measures to ensure employees' safety at work. These measures include regular inspections of restaurant and kitchen areas, reviewing of internal safety control systems to identify any risks.

To enhance employees' awareness of occupational health and safety, the Group provides internal and external training and safety meetings for employees. We also participate in fire drills held by different departments or organizations regularly.

Throughout our operations, we encourage our employees, through constant communication, to escalate any risks promptly so that they can be addressed as they arise.

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Employment and Labour Practices (cont'd)

Health and Safety (cont'd)

2. Employee Care

We have been encouraging our employees to achieve work-life balance. We aspire that our employees are able to value physical and mental health as we strive to create a harmonious working environment to help relieve their stress. Meanwhile, we provide our employees with information about health and safety to improve their health consciousness.

During the Reporting Period, the Group did not have any non-compliance with laws and regulations in respect of employees' health and safety that have a significant impact on the Group.

Development and Training

We consider the growth of our employees as the key to sustainable business growth. We provide employees with a nurturing environment and career development opportunities, including skills development and job training. To promote employees' satisfaction, it is the Group's policy to provide employees with sufficient in-house training courses; whilst encouraging staff members to attend relevant external training programs to support career development.

Training on obligations, duties and responsibilities of directors and senior management of publicly listed companies are also in place. This training is in line with the Securities and Futures Ordinance and the GEM Listing Rules.

We encourage promotion within the Group. All employees enjoy equal opportunities of promotion as their work performance are appraised regularly.

Labour Standard

The Group's internal rules and labour system are made in strict adherence to the Employment Ordinance (《僱傭條例》) and the Labour Law of the PRC (《中華人民共和國勞動法》) and other applicable laws and regulations. All recruitment processes and promotion activities are closely monitored under the Group's human resources management scheme to prevent child labour, forced labour, or any discrimination by race, religion, age or disability. The Group will conduct investigations, punishment or dismissal of relevant employees immediately when any non-compliance is discovered. If necessary, the Group will further improve the labour mechanism against illegal behaviors.

During the Reporting Period, there was no child or forced labour in the Group's operations.



Environmental, Social and Governance Report

OPERATING PRACTICES

Supply Chain Management

The suppliers of the Group mainly supplied us with food ingredients, such as meat, seafood, dried food and vegetables. We did not witness any significant change in geographical locations of suppliers. Our suppliers are mainly from Hong Kong and the PRC.

The Group might be indirectly involved with environmental or social impacts as a result of its business relationships with its suppliers. To prevent negative environmental and social impacts in the Group's supply chain, it is the Group's policy to select suppliers which have considerations on the social and environment protections as well as comply with the laws, rules and regulations stipulated in the Group's operating regions.

The Group has developed procurement and payables related policies to implement strict standards and procedures in supplier selection. In choosing the to choose, we take several standards into considerations, including quality and safety of food products and materials, delivery time, stable supply, track record, hygiene of food producing facilities, and so on.

We promote fair and open competition, aiming to develop long-term relationship based on mutual trust. We keep a close eye on procurement made by our staff and forbid any practices that are against business ethics. Business relationship with suppliers and business partners are handled and monitored carefully in avoidance of transfer of interests or exploitation of suppliers.

Product Responsibility

Maintaining food safety and quality are integral parts of building strong brands and reputation which contribute significantly to the success of the Group's operations. As such, with strengthened internal guidelines to regulate hygiene and sanitary level, our food safety standards focus illness prevention, restaurant food safety and regulation adherence in day-to-day restaurant operations.

Operating great restaurants that meet the highest food safety standards is the core of our commitment. From food procurement, to food preparation and serving our customers, we are dedicated to offering high-quality dining experience to our customers.

With the Group's sustainable approach to implement its values through food safety, customer care and supply chain management, the Group believes our brands will have bright and promising future.

Environmental, Social and Governance Report

OPERATING PRACTICES (cont'd)

Product Responsibility (cont'd)

1. *Customers' Satisfaction*

To improve customers' satisfaction, it is our policy to respond and handle customer's complaints in a timely manner. Customers' feedbacks on food quality, dining experience and customer service are valuable driving forces to motivate us to work better. To facilitate communication with customers, there are customer feedback forms in our restaurants which encompass food quality, service standard, hygiene condition and the customers' overall dining experience.

2. *Advertising and Labelling*

We carry out marketing and promotional works in an appropriate manner to attract customers. We have been in compliance with all applicable laws and standards enacted by the government and industry associations. We ensure that consumers are provided with sufficient and accurate information on our services to make informed choices.

During the Reporting Period, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters.

Anti-corruption

Corruption refers to practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. Corruption is broadly linked to negative environmental and social impacts, such as damage to the environment, abuse of democracy, misallocation of government investments, and undermining the rule of law.

The Group is expected by the marketplace, international norms, and stakeholders to demonstrate its adherence to integrity, governance, and responsible business practices. The Group's resistance to corruption involves using effective strategies to detect and deter corruption and contributes to our honest business culture. The Group complies with all relevant anti-corruption laws and regulations, such as the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong, the Criminal Law of the PRC (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》). We have formulated, and strictly implemented our anti-corruption control system.



Environmental, Social and Governance Report

OPERATING PRACTICES (cont'd)

Whistle-blowing policy

The Group encourages its employees, suppliers, customers and other stakeholders to report any misconduct. We will promptly carry out inspection and take necessary measures to protect the identity of the whistleblower.

During the Reporting Period, we had not identified any non-compliance in relation to corruption, bribery, extortion, fraud and money laundering, which had a significant impact on the Group. The Group will regularly review its internal anti-corruption system and improve it when necessary.

COMMUNITY

Community Investment

Based in Hong Kong, the Group has strived to “reward the community” in different ways. The Group values its corporate social responsibility by dedicating to improve its staff awareness in community care.

The Group proactively seeks to promote the spirit of corporate social responsibility within the Group by organizing or participating in appropriate community activities. Through these events, we encourage our employees to contribute to the community so as to help the persons in need and improve the relationship among staff members, enterprise and the community.

Management Discussion and Analysis

The Group's audited revenue for the year ended 31 March 2020 amounted to approximately HK\$188.1 million (2019: approximately HK\$251.8 million), representing a decrease of approximately 25.3% compared with the last financial year. Net loss attributable to owners of the Company decreased by approximately HK\$52.9 million to approximately HK\$23.0 million compared with the last financial year. The substantial decrease in net loss was mainly attributable to (i) the Group reviewed the performance of restaurants and consolidated under-performing restaurants to further enhance the structure and reduce unnecessary expenses during the third and fourth quarter period from 1 October 2019 to 31 March 2020 (the "**Third and Fourth Quarter Period**"); (ii) as to Hong Kong market, our business was not as severely affected by the social movement as compared with our peers during the Third and Fourth Quarter Period; (iii) there is a decrease in depreciation of plant and equipment of approximately HK\$4.6 million as a result of the full depreciation of certain plant and equipment and hence no more depreciation was charged during the Reporting Period; and (iv) there is a substantial decrease in impairment loss recognized for the Reporting Period as compared to that of the corresponding period in 2019, given an impairment loss on non-financial assets under the cash-generating unit of restaurant, café and cake shops in an amount of approximately HK\$10.0 million were recognized for the Reporting Period while an impairment loss on goodwill of approximately HK\$55.1 million was recognized for the year ended 31 March 2019.

INDUSTRY OVERVIEW

During the Reporting Period, global economic growth slowed to its weakest pace since the global financial crisis a decade ago. Although the first phase of the trade agreement between China and the US was signed in January 2020 and the central banks conducted quantitative easing, rising of protectionism and emergence of trade wars posed a major challenge to the global economy. Moreover, since the beginning of 2020, the novel coronavirus ("**COVID-19**") epidemic dealt a further blow to the already sluggish demand and hit hard on the manufacturing activity and global trade, hampering market performance and investor sentiment.

In regard to domestic market, China's economy showed a generally steady growth, with the gross domestic product ("**GDP**") expanding by 6.1% year-on-year to approximately RMB100 trillion in 2019. The national per capita disposable income for the year increased by 5.8% year-on-year to RMB30,733. Meanwhile, the national consumption expenditure per capita reached approximately RMB21,559, representing a year-on-year increase of 5.5%. According to the National Bureau of Statistics, the revenue of the catering industry for the year of 2019 surged by 9.4% year-on-year, demonstrating the resilience of the industry amidst global economic instability. However, ravaged by the outbreak of COVID-19, the market and consumer sentiments were significantly affected by the disease-control measures like nationwide lockdown and production shutdown. The GDP of the first quarter of 2020 was approximately RMB20,650 billion, a decrease of 6.8% year-on-year. According to China Cuisine Association, 78% of the catering enterprises sustained an operating loss of over 100% during the Chinese New Year. Most catering brands chose to suspend business or focused on online-to-offline takeaway service to reduce losses.

Management Discussion and Analysis

INDUSTRY OVERVIEW (cont'd)

The economy of Hong Kong witnessed severe headwinds and was negatively impacted by volatile external environment and social unrest during the year of 2019. The value of total receipts of the restaurant sector was provisionally estimated at HK\$113 billion in 2019, representing a decrease of approximately 5.9% year-on-year. The provisional estimate of the value of total purchases of restaurants also decreased by approximately 5.1% to approximately HK\$36 billion. According to the data released by the Census and Statistics Department, Hong Kong's GDP in the first quarter of 2020 shrank by 8.9% year-on-year, which is the largest single-quarter decline on record, indicating that the city is mired in deep recession. Sharp plunge in tourist arrivals and gathering ban exacerbated the subdued market condition of the catering, retail, consumption and tourism-related industries. The challenging business environment undoubtedly dragged the market performance, while the small and medium-sized enterprises, which have lower capital strength, faced overwhelming operating pressures.

Regarding the e-cigarette sector, after banning the sale of e-cigarettes to minors in 2018, the Chinese government further tightened regulations on e-cigarette industry in November 2019 amid rising health concerns. Pursuant to which, stakeholders in the industry are not allowed to sell and advertise e-cigarette products online, bringing negative impacts on the e-cigarette sector. Meanwhile, margins were squeezed by increased production costs, while demand on e-cigarette products decreased, hindering the sector's performance. According to the trade association's estimation, unemployment rate in China's e-cigarette sector obviously surged in late 2019.

BUSINESS REVIEW

We have experienced two extreme social sentiments during this financial year, one is a demonstration dynamic caused by the social movement and the other one is a stagnant silence caused by the novel coronavirus (or COVID-19) epidemic, silence is surprisingly more fearful than dynamic to the food and beverage industry. The persistence of high operating costs (namely, rental, labor, materials and utilities) could not perish your operation if your products and services are irresistible to customers, but COVID-19 could put an end to your operation in silence. Amid this critical business environment during this financial year, we could only strive for survival, and growth is inevitably struck out from our agenda.

During the Reporting Period, the Group's food and beverage businesses are a collection of Japanese related concepts in Hong Kong and the mainland China, including the restaurants, café and cake shops under the Japanese brand of Italian Tomato, the Japanese tonkatsu under the brand of Ginza Bairin, the Japanese curry specialty stores under the brand of Shirokuma Curry and the Japanese izakaya under the brand of Enmaru.

Italian Tomato, our major brand of restaurants, café and cake shops, is still a big contributor to the Group's revenue. Through years of effort on product innovation, menu re-engineering and customer relationships, Italian Tomato has already been a well-recognized brand in Hong Kong. After years of establishment and presence in Hong Kong, lessons and experience have been accumulated while weaknesses and strengths have been identified, the management planned to reposition the brand thoroughly, however the current social instability and the novel coronavirus epidemic slowdown the development speed. Nevertheless, the management has confidence to ride on the tide when the opportunities come. As at 31 March 2020, there are 7 cafés and 20 cake shops in Hong Kong.

Management Discussion and Analysis

BUSINESS REVIEW (cont'd)

Ginza Bairin, the Japanese tonkatsu, has no presence in the PRC market as at 31 March 2020, because the last direct shop was closed in the fourth quarter of this financial year due to the expiry of tenancy, and the last franchisee surrendered the location to the landlord during this financial year. In Hong Kong, there was only 1 shop as at 31 March 2020.

Shirokuma Curry has been serving its unique taste of curry for a period of time, and the management noted that Shirokuma's unique curry is quite welcomed in the Shanghai market though with a big competition. After a series of branding program, the development of Shirokuma Curry is expecting to ride on the right track and its products will become attractive to Shanghai customers, more resources and efforts are certainly needed to invest in Shirokuma Curry for expanding its network and achieving a good result. As at 31 March 2020, Shirokuma Curry has 6 self-operated shops and 1 licensed shop in the PRC. The management believes that the franchise network has considerable room for expansion and 2 more locations in the PRC has been identified for the opening of franchise shop after year end. Meanwhile, the management needs more concentration on its quality control and system advancement.

Enmaru, the Japanese izakaya, the management initially aimed to bring the most authentic Tokyo Enmaru experience to food lovers in Hong Kong and the PRC. The management however concluded that the past business plan and effort cannot achieve a good result for Enmaru. The last Enmaru shop was closed in the second quarter of this financial year, and currently there is no plan for re-opening.

In view of the Chinese government's strengthening supervision policies on e-cigarettes, the Group will continue monitoring the market condition prudently and reviewing investments in the industry, and may make necessary adjustments to resource allocation as appropriate, after taking into account all factors, including market environment and industry prospects, among others.

FUTURE PROSPECTS

StarGlory is principally engaged in food and beverage business. According to China Catering Report 2019, structural reform, supply-side digitisation, business model upgrade, intelligent business models, catering retail and refined operations become the future development trend of the industry. Consumers' demand for socialised catering services keeps growing, resulting in continuously increasing proportion of dining out. In addition, the growing per capita income has driven the upgrading of consumers' demand for food and beverage, whilst new types of business such as takeaway and group meals continue to inject new impetus into the catering market. The Group will continue to adopt lean management approach and strictly monitor the operation costs, while keeping abreast of market trends in hopes of grasping development opportunities arising from industry reform.

As a result of the COVID-19 pandemic, the global economy is projected to contract sharply by 3% in 2020, much worse than during the financial crisis a decade ago. Fortunately, market sentiment has been boosted by early signs of rebound in manufacturing sector, while global trade is bottoming out. The International Monetary Fund estimated that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activities normalise.

Management Discussion and Analysis

FUTURE PROSPECTS (cont'd)

In regard to local market, since April 2020, COVID-19 social distancing measures namely gathering limit and 1.5-metre distancing rule between tables have curtailed consumer spending and led to a tough time for many businesses, especially those in the catering industry which has been struggling to come to grips. Fortunately, the Hong Kong government's policies such as wage subsidy scheme help local sectors tide over the pandemic. With the social distancing restrictions being gradually eased, the catering industry is expected to recover in near future. As accelerated industry consolidation and progressive elimination have been witnessed in the industry, a healthier market environment has been created, providing opportunities for strong players in the industry, including the Group, to thrive. Looking ahead, the Group will consistently deliver great quality food, heartfelt service and comfortable dining environment with a view of gaining customer support.

Looking forward, the Group will strive to diversify its development strategies to boost income and remain competitive. According to Frost & Sullivan, China's medical expenditure per capita is expected to increase from approximately RMB4,237 in 2018 to approximately RMB6,571 in 2023, with a compound annual growth rate of 9.2%, while medical expenditure per capita in Guangdong Province is estimated to reach approximately RMB8,384 in 2023. In view of the increasing healthcare awareness and growing demand for medical service in China, the Group incorporated a new wholly-owned subsidiary in the PRC in late January 2020 to explore new business opportunities in the medical and healthcare industries. The Group believes that it is high time to explore the business potentials in medical and healthcare industries, with the ultimate goal of enhancing the Group's core competitiveness, thus achieving better returns for its shareholders and investors.

FINANCIAL REVIEW

Consolidated results of operations

For the Reporting Period, the Group recorded a total revenue of approximately HK\$188.1 million (2019: approximately HK\$251.8 million), representing a decrease of approximately 25.3% compared with the previous year resulting from the closure of certain under-performing restaurants.

Net loss attributable to owners of the Company was approximately HK\$23.0 million (2019: approximately HK\$75.9 million).

Gross profit

The gross profit margin from the operations of the Group was approximately 62% (2019: approximately 65%). The decrease in ratio was mainly attributable to the increase in costs of food ingredients.

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Other income

Other income of the Group for the Reporting Period increased by 45.5% to approximately HK\$5.5 million (2019: approximately HK\$3.8 million). The increase was mainly due to the receipt of one-off subsidy from the government for the Group's catering business activities carried in Hong Kong as affected by the COVID-19 epidemic.

Expenses

The Group strived to exercise stringent cost control and further enhance operational efficiency during the Reporting Period. As a result, total operating expenses for the operations decreased by approximately 29.8% to approximately HK\$128.7 million (2019: approximately HK\$183.2 million). The decrease was in line with the decrease in revenue resulted from reviewing the performance of restaurants and consolidated under-performing restaurants to further enhance the structure and reduce unnecessary expenses.

Impairment loss

The non-financial assets subject to the impairment loss for the years ended 31 March 2020 and 2019 was in relation to Mark Limited (together with its subsidiaries, the "**Mark Group**"), which is a subsidiary of the Company and is primarily engaged in the operation of restaurants, café and cake shops in Hong Kong.

During the Reporting Period, the impairment loss was mainly attributable to the uncertainties of global and local economy as well as the unfavorable industry environment, which posed a negative impact on the Group's restaurant operations. These uncertainties also leading to sluggish local investment and consumption sentiments in Hong Kong. The management of the Company concluded there was indication of impairment and conducted impairment assessment on recoverable amounts of certain non-financial assets associated to the Mark Group.

The methods, basis and key assumptions used in determining the amount of the impairment loss for the years ended 31 March 2020 and 2019 are set out in note 16 to the consolidated financial statements.

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Impairment loss (cont'd)

Based on the result of the assessment, management of the Company determined that the recoverable amount of Mark Group is lower than the carrying amount. For the Reporting Period, the impairment amount has been allocated to each category of plant and equipment, other intangible assets and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value-in-use calculation and the allocation, an impairment loss of approximately HK\$1.1 million, HK\$2.4 million and HK\$6.5 million were recognized against the carrying amount of plant and equipment, other intangible assets and right-of-use assets, respectively. For the year ended 31 March 2019, impairment loss on goodwill of approximately HK\$55.1 million was recognized.

During the year ended 31 March 2019, in respect of other cash-generating unit, an impairment loss of approximately HK\$0.08 million was recognized against the carrying amount of plant and equipment as the operation result was worse than expected.

Financial resources and liquidity

During the Reporting Period, the Group generally relied on internal funds; loans from the sole beneficial owner of the convertible bonds issued by the Company (who is also a former executive director of the Company); fund raised from rights issue to finance its operation and loan from the ultimate holding company.

As at 31 March 2020, the Group's current assets amounted to approximately HK\$104.5 million (2019: approximately HK\$149.8 million) of which approximately HK\$82.6 million (2019: approximately HK\$122.2 million) was cash and bank deposits, approximately HK\$19.5 million (2019: approximately HK\$24.7 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$182.5 million (2019: approximately HK\$163.3 million), including creditors and accruals in the amount of approximately HK\$158.8 million (2019: approximately HK\$161.2 million).

As at 31 March 2020, convertible bonds issued by the Company amounted to approximately HK\$39.4 million (2019: approximately HK\$39.0 million). On 15 August 2018, the Company entered into the supplemental deed with the bondholder pursuant to which the Company and bondholder agreed to extend the maturity date of the convertible bonds for 36 months from the date falling on the sixth anniversary to the ninth anniversary of the date of issue of the convertible bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions of the convertible bonds remain unchanged, valid and in full force. More details regarding the extension of the maturity date of the convertible bond are set out in the announcement of the Company dated 15 August 2018. As a result, a gain on modification of convertible bonds amounted to approximately HK\$1.4 million was recorded for the year ended 31 March 2019 and it was treated as non-current liabilities as at 31 March 2020 and 31 March 2019. On 25 April 2018, the Company entered into a loan agreement with its ultimate holding company, Oceanic Fortress Holdings Limited ("**Oceanic Fortress**"), in respect of the provision of an unsecured two-year term loan to the Company in the amount of HK\$30,000,000 for the purpose of working capital. The loan was fully and early settled on 12 June 2019 and classified as non-current liabilities as at 31 March 2019.

The current ratio and quick assets ratio of the Group as at 31 March 2020 were 0.57 and 0.56 respectively (2019: 0.92 and 0.90 respectively). As the Group incurred net liabilities as at 31 March 2020 and 31 March 2019, there is no debt-to-equity ratio, which is expressed as a ratio of total debts less cash and bank balances to total equity, to be calculated. The gearing ratio of the Group, is calculated as total liabilities (being non-current liabilities and current liabilities) over total assets (being non-current assets and current assets) as at the end of the year and multiplied by 100% was 158% (2019: 139%).

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Foreign exchange

During the years ended 31 March 2020 and 31 March 2019, the Group conducted commercial transactions in the PRC denominated in Renminbi. Fluctuations in exchange rates of Renminbi against Hong Kong Dollar could affect the Group's results of operations.

During the year ended 31 March 2020, no hedging transactions or other exchange rate arrangements were made (2019: Nil).

Charges on the Group's assets

No Group's assets which had been pledged or charged as at 31 March 2020 (2019: Nil).

Acquisition, disposal and significant investment held

During the Reporting Period, the Group did not make any material acquisition, disposal nor significant investment (2019: Nil).

Capital commitments

As at 31 March 2020, the Group's outstanding capital commitments were approximately HK\$3,221,000 (2019: approximately HK\$4,280,000).

Contingent liabilities

As at 31 March 2020, the Group did not have material contingent liabilities (2019: Nil).

Employees and remuneration policies

As at 31 March 2020, the Group had 275 employees in Hong Kong and the PRC (2019: 304 employees in Hong Kong and the PRC). The remuneration of employees of the Group is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies and pension fund plans are offered to most employees. In prior years, share options were granted at the discretion of the Board under the terms and conditions of the new share option scheme adopted on 20 July 2012 as well as the previous share option scheme adopted on 26 February 2003. No share option was granted during two years ended 31 March 2020 and 31 March 2019 and as at that dates, there was no outstanding share option.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 27 April 2017, the Company announced that it proposed to raise approximately HK\$100 million, before expenses, by way of allotting and issuing 1,388,725,000 rights shares (the “**Rights Shares**”) by way of rights issue (the “**Rights Issue**”) at the subscription price of HK\$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing Shares held on 19 May 2017. Completion of the Rights Issue took place on 14 June 2017.

Among the net proceeds (the “**Net Proceeds**”) of the Rights Issue approximately HK\$99 million, as at 31 March 2020, approximately HK\$9.0 million, HK\$18.9 million and HK\$2.9 million have been used as operation and expansion of the existing food and beverage business, the Company’s corporate expenses and investment in e-cigarette business in the PRC, respectively according to intentions previously disclosed. As at 31 March 2020, approximately HK\$68.2 million of the Net Proceeds remained unutilized and this remaining balance was kept in the Group’s bank account. Set out below is the breakdown of the use of the Net Proceeds up to, and the balance thereof as at 31 March 2018, 31 March 2019 and 31 March 2020:

Summary of use of the Net Proceeds

	Original allocation of the Net Proceeds	Actual amount utilized up to 31 March 2018	Unutilized balance as at 31 March 2018	Re-allocation of the unutilized amount as disclosed in the Company’s announcement dated 6 November 2018	Actual amount utilized up to 31 March 2019	Unutilized balance as at 31 March 2019	Actual amount utilized up to 31 March 2020	Unutilized balance as at 31 March 2020
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Operation and expansion of the existing food and beverage business	29.0	-	29.0	-	(5.0)	24.0	(9.0)	20.0
Company’s corporate expenses	20.0	(8.2)	11.8	-	(13.4)	6.6	(18.9)	1.1
Repayment of bank loans	15.0	-	15.0	(15.0)	-	-	-	-
Potential investment opportunities	35.0	-	35.0	-	-	35.0	-	35.0
Investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries	-	-	-	15.0	(1.7)	13.3	(2.9)	12.1
	99.0	(8.2)	90.8	-	(20.1)	78.9	(30.8)	68.2

Management Discussion and Analysis

USE OF PROCEEDS FROM THE RIGHTS ISSUE (cont'd)

Summary of use of Net Proceeds (cont'd)

As disclosed in the Company's announcement dated 6 November 2018, the Company aims to extend its presence in the PRC market. As e-cigarette has become a global trend over the past few years and given the massive population in the PRC, the Company was optimistic about the continuous growth of the e-cigarette market in the PRC and the business opportunities arising therefrom to the Company. Accordingly, the Company has changed the original allocation of the Net Proceeds by reallocating HK\$15.0 million of the Net Proceeds originally planned to be applied for the repayment of bank loans to the intended investment in research and development, sales and marketing of e-cigarette in the PRC and overseas countries. In this connection, the Company plans to conduct research on the use of new ingredients for producing e-cigarette liquid and e-cigarette cartridge, purchase production lines for manufacturing e-cigarette, and market and sell such products through exploring and developing a sales network, building a new e-cigarette brand, participating into trade fairs and seeking cooperation with external parties.

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and up to 31 March 2020, Net Proceeds amounting to approximately HK\$9.0 million had been utilized for operating and expanding existing food and beverage business and the unutilized balance of approximately HK\$20.0 million allocated for this purpose is expected to be fully utilized by 31 July 2021.

As at 31 March 2020, approximately HK\$18.9 million has been used as the Company's corporate expenses and the unutilized balance of approximately HK\$1.1 million allocated for this purpose is expected to be fully utilized by 31 July 2020.

As at 31 March 2020, the Group was still under negotiations for acquiring a Chinese restaurant chain. While the Group had not entered into any agreements nor memorandum of understanding for any acquisitions, the Net Proceeds for potential investment opportunities purpose were still reserved and the unutilized balance of approximately HK\$35.0 million allocated for this purpose is expected to be fully utilized by 31 July 2021. The actual timeline will be subject to availability of appropriate acquisition target, market condition and time required for performing due diligence work. As of the date of this report, the Board has not identified any suitable acquisition target.

To capture the flourishing opportunities in China's e-cigarette market, the Group strives to strengthen its core competence by establishing its own production line. After thorough consideration, up to 31 March 2020, the Group utilized approximately HK\$2.9 million of the Net Proceeds from the Rights Issue to invest in the e-cigarette business in the PRC, including set up Huizhou office and purchase new equipment. With the newly added facilities, the Group is better equipped for future development of the e-cigarette business. The remaining unutilized Net Proceeds of approximately HK\$12.1 million will be applied for investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries and is expected to be fully utilized by 31 July 2021.



Management Discussion and Analysis

The Directors will constantly evaluate the Group's business objectives and may change or modify the plans against the changing market condition to suit the business growth of the Group. Further announcement(s), in respect of redeploying the allocation and use of Net Proceeds, if any, will be made in accordance with the requirements of the GEM Listing Rules as and when appropriate to update its shareholders and potential investors.

EVENTS AFTER THE REPORTING PERIOD

COVID-19 epidemic

In early 2020, the outbreak of COVID-19 has impacted the Group's business in Hong Kong and the PRC. The Group will closely monitor and actively react to the developments of COVID-19 to minimize its impacts on the Group's restaurants operations.

Memorandum of loans

On 16 June 2020, the lender of the other loans, who is also the sole beneficial owner of the convertible bonds issued by the Company, signed a memorandum of loans with a subsidiary of the Company (the "**Borrower**"), pursuant to which the outstanding other loans are unsecured, carried interest rate at 0.1% per month and the balance of approximately HK\$123,387,000 as at 16 June 2020 will be repayable by the Borrower on 22 June 2021.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Chao

Mr. Huang Chao, (formerly known as Zhou Zhe (周喆)), aged 32, joined the Group in October 2018, obtained a degree of Bachelor of Commerce – Professional Accounting from the Macquarie University in April 2012. Mr. Huang is also the compliance officer of the Company. He joined Shenzhen Oceania Printing Company Limited (“**Shenzhen Oceania**”) as a consultant in international market in July 2012 for a term of four years until July 2016, and started to gain access to and possessed knowledge and experience in the paper packaging industry when he joined Shenzhen Oceania. Mr. Huang was a non-executive Director of Beijing Enterprises Clean Energy Group Limited (北控清潔能源集團有限公司) (formerly known as Jin Cai Holdings Company Limited (金彩控股有限公司)) (stock code: 1250), the issued shares of which are listed on the Main Board of the Stock Exchange, from June 2013 to May 2015.

Mr. Huang is the son of Ms. Huang Li and the nephew of Mr. Zheng Hua.

Mr. Wu Xiaowen

Mr. Wu Xiaowen, aged 52, joined the Group in May 2019, has been the founding partner of Shenzhen Jiafa Equity Investment Fund Management Co. Ltd.* (深圳市加法股權投資基金管理有限公司) since October 2016, which is carrying on business of equity investment and investment management. Mr. Wu had worked for Shenzhen Gaoxintou Group Co. Ltd.* (深圳市高新投集團有限公司), a company carrying on guarantee business in China, from February 2002 until July 2014, and had been appointed as the deputy general manager during the employment period. Mr. Wu had been appointed as a member of Shenzhen Financial Standardization Expert Database* (深圳市金融標準專家庫) and Chief Commissioner of Internet Financial Professional Committee of Guangdong Internet Society* (廣東省互聯網協會互聯網金融專業委員會) in 2015, respectively.

Mr. Wu graduated from East China Chemical Engineering College* (華東化工學院) (now known as East China University of Science and Technology (華東理工大學)) in July 1989 with a bachelor’s degree in Chemical Engineering. He was awarded the diploma in Business and Administration in Finance in May 1999 and obtained a master’s degree of Business Studies in Finance in May 2000 from Massey University, New Zealand.

Directors and Senior Management

EXECUTIVE DIRECTORS (cont'd)

Mr. Zheng Hua

Mr. Zheng Hua, aged 60, joined the Group in November 2016 and resigned in May 2019. He graduated from the Department of Geology of Northwest University (西北大學) with a major in petroleum and natural gas geology in January 1982. Mr. Zheng was qualified as a geologist by 青海石油管理局 (Qinghai Petroleum Management Bureau*) in April 1991. He was also qualified as a senior engineer by the Personnel and Labour Protection Office of Hainan Province (海南省人事勞動廳) in March 1995. He acted as the chief executive officer from June 2013 to May 2015 of Beijing Enterprises Clean Energy Group Limited (北控清潔能源集團有限公司) (formerly known as Jin Cai Holdings Company Limited) (金彩控股有限公司) (Stock Code: 1250), the issued shares of which are listed on the Main Board of the Stock Exchange, in which Mr. Zheng was responsible for the general management and daily operation. Mr. Zheng has more than 16 years of experience in the paper packaging industry in the PRC. He was a director of a cigarette packaging company named Shenzhen Oceania in the PRC from November 2001 to August 2012 and has been the general manager of Shenzhen Oceania from August 2012 to November 2016, responsible for implementing the policy of the board of Shenzhen Oceania and the general management of Shenzhen Oceania.

Before joining Shenzhen Oceania in 2001, Mr. Zheng assumed various positions from 1982 to 1989, including being the assistant engineer of 石油部青海石油管理局鑽井公司辦公室 (Qinghai Petroleum Management Bureau Well-drilling Company Office, Ministry of Petroleum*) and the head of 青海省重工廳辦公室 (Ministry of Heavy Industry Office, Qinghai Province*). From 1990 to 1995, Mr. Zheng was the project manager of 中國石油開發公司海南公司 (China Petroleum Exploration Company Hainan Company*) and 海南省燃化總公司 (Hainan Province Combustion Headquarter*). Mr. Zheng was the senior engineer and the manager of 南方石油勘探開發有限責任公司 (South Oil Exploration and Development Co., Ltd.*) from 1996 to 2001.

Mr. Zheng is the brother-in-law of Ms. Huang Li and the uncle of Mr. Huang Chao.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yee Ping Michael

Mr. Chan Yee Ping Michael, aged 43, joined the Group in November 2016. Mr. Michael Chan has more than 11 years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He graduated from The Hong Kong Polytechnic University with an honour bachelor's degree in accountancy. He was admitted as a certified public accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants in October 2003 and July 2017 respectively, and a fellow member of the Association of Chartered Certified Accountants in June 2009. He is currently a director of MCI CPA Limited, a certified public accountant firm in Hong Kong. He is currently serving as independent non-executive directors for three companies whose shares are listed on the Main Board of the Stock Exchange, namely China Sandi Holdings Limited (Stock Code: 910) since July 2014, China Wah Yan Healthcare Limited (中國華仁醫療有限公司) (formerly known as China Renji Medical Group Limited (中國仁濟醫療集團)) (Stock Code: 648) since July 2014 and Champion Alliance International Holdings Limited (冠均國際控股有限公司) (formerly known as Mengke Holdings Limited (盟科控股)) (stock code: 01629) since November 2018. He also acts as a company secretary of China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司) (stock code: 2002) which is listed on the Main Board of the Stock Exchange since 2013 and Northeast Electric Development Co., Limited (東北電氣發展股份有限公司) (stock code: 42), a joint stock limited company listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, since 2012.

He served as an independent non-executive director of Prosper One International Holdings Company Limited (富一國際控股有限公司) (formerly known as Tic Tac International Holdings Company Limited (滴達國際控股有限公司)) (stock code: 01470) from September 2017 to December 2018 whose shares are listed on the Main Board of the Stock Exchange. He also acted as a company secretary of Birmingham Sports Holdings Limited (伯明翰體育控股有限公司) (formerly known as Birmingham International Holdings Limited) (伯明翰環球控股有限公司) Limited (Stock Code: 2309) whose shares are listed on the Main Board of the Stock Exchange from June 2015 to October 2016.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (cont'd)

Mr. Deng Guozhen

Mr. Deng Guozhen, aged 65, joined the Group in November 2016. Mr. Deng graduated from 湖北廣播電視大學 (HuBei Radio and TV University*) in the PRC specializing in industrial and commercial enterprises management. Since April 2003, Mr. Deng has served as a director of a PRC tax services company in the PRC. Mr. Deng did not hold any other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Zeng Shiquan

Mr. Zeng Shiquan, aged 73, joined the Group in March 2018. Mr. Zeng graduated from the department of economics of Wuhan University (武漢大學) in July 1970. He graduated from Sun Yat-sen University (中山大學) as a postgraduate in political economy in December 1981. He was accredited as a senior economist by 深圳市職稱改革領導小組 (Shenzhen City Job Title Reform Leadership Unit*) in February 1993. Mr. Zeng passed the Training Course for Independent Directors of Listed Companies (上市公司獨立董事培訓班) jointly held by The Securities Association of China (中國證券業協會) and the School of Management, Fudan University (復旦大學管理學院) in July 2003.

From November 2013 to July 2017, Mr. Zeng has been appointed as an independent director of Shenzhen Kedali Industry Co., Ltd. (深圳市科達利實業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Shenzhen Exchange stock code: 002850). From June 2013 to May 2015, Mr. Zeng was appointed as an independent non-executive director of Beijing Enterprises Clean Energy Group Limited (北控清潔能源集團有限公司) (formerly known as Jin Cai Holdings Company Limited (金彩控股有限公司)), whose shares are listed on the Main Board of The Stock Exchange (Stock code: 01250). From January 2016 to February 2016, Mr. Zeng was appointed as an independent non-executive director of Aurum Pacific (China) Group Limited (奧栢中國集團有限公司), whose shares are listed on GEM of the Stock Exchange (Stock code: 08148). Mr. Zeng has been appointed as an independent non-executive director of Tourism International Holdings Limited (旅業國際控股有限公司) (formerly known as Jia Yao Holdings Limited (嘉耀控股有限公司)), shares of which are listed on the Main Board of the Stock Exchange (stock code: 01626).

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Lam Kit Yan

Ms. Lam Kit Yan, aged 45, joined the Group in 2016. She is the company secretary and chief financial officer of the Company, responsible for compliance of the Company and financial management of the Group. She is a fellow member of the Hong Kong Institute of Certified Public Accountants, a certified tax adviser and is a fellow member of The Taxation Institute of Hong Kong. She obtained a degree of bachelor of business administration from The Chinese University of Hong Kong and has worked for international audit firms and various companies with extensive experience in financial reporting, auditing, mergers and acquisitions, compliance and initial public offerings. She was appointed as an independent non-executive director of Lapco Holdings Limited (立高控股有限公司), shares of which are listed on GEM Board of the Stock Exchange (stock code: 08472) on 18 July 2017. She had been the company secretary, chief financial officer and the authorized representative of Beijing Enterprises Clean Energy Group Limited (北控清潔能源集團有限公司) (formerly known as Jin Cai Holdings Company Limited (金彩控股有限公司)) (stock code: 1250) the issued shares of which are listed on the Main Board of the Stock Exchange from June 2013 to May 2015. From January 2016 to February 2016, Ms. Lam has been appointed as an executive director and company secretary of Aurum Pacific (China) Group Limited (奧栢中國集團有限公司) (Stock code: 08148), whose shares are listed on GEM of the Stock Exchange.

Mr. Lam Yiu Chung Billy

Mr. Lam Yiu Chung Billy, aged 51, joined the Group in 2010. He is responsible for the operation of overseas business and development as well as the operation and development of Japanese foodservice of the Group. Prior to joining the Group, he has acquired substantial experience in the operation and management of hospitality industry especially in franchise operations and development. Mr. Lam holds a Higher Diploma in Hotel and Catering Management from The Hong Kong Polytechnic.

* for identification purpose only



Directors' Report

The Directors are pleased to present to the shareholders their annual report together with the audited consolidated financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company during the year ended 31 March 2020 was investment holding and those of the subsidiaries are set out in note 12 to the consolidated financial statements. The principal activities of the Group are provision of food and beverage services.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business, can be found in the section headed "Management Discussion and Analysis" on pages 31 to 40 of this annual report. A description of the Group's corporate governance and the Group's risk management and internal control systems is provided in the section headed "Corporate Governance Report" on pages 6 to 19 of this annual report. A discussion on the Group's environmental policies, relationships with its key stakeholders and the relevant laws and regulations that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report" on pages 20 to 30 of this annual report. This discussion forms part of this Directors' report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2020 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 61 to 136.

The Directors do not recommend the payment of any dividend in respect of the Reporting Period.

Directors' Report

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company to allow them to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Group, surplus received from the Company's subsidiaries and any other factors that the Board deem appropriate. The Company's ability to pay dividends is also subject to any restrictions under the Cayman Islands laws, any applicable laws, rules and regulations and the Company's articles of association. The Board 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, and 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.

FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31 March 2020 and the assets and liabilities of the Group as at 31 March 2016, 2017, 2018, 2019 and 2020 are set out on pages 137 to 138. This summary does not form part of the audited financial statements.

PLANT AND EQUIPMENT

The Group purchased and disposed of plant and equipment in the amount of approximately HK\$4,205,000 and approximately HK\$18,832,000, respectively, during the Reporting Period. Detailed movements in plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26(a) to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 25 to the consolidated financial statements.



Directors' Report

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 65 and note 27 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves that are available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$Nil (2019: HK\$Nil).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

During the Reporting Period, the Group conducted its connected transactions in strict compliance with the GEM Listing Rules. On 25 April 2018, the Company entered into a loan agreement with its ultimate holding company, Oceanic Fortress Holdings Limited, in respect of the provision of an unsecured two-year term loan to the Company in the amount of HK\$30,000,000 for the purpose of working capital. The loan was received by the Company on 26 April 2018, and, was fully and early settled on 12 June 2019. The loan was interest-bearing at the best lending rate as published by the Hongkong and Shanghai Banking Corporation Limited from time to time.

The details of connected transactions during the year under the GEM Listing Rules are set out in note 33 to the consolidated financial statements. These connected transactions fall under the definition of "connected transaction" in Chapter 20 of the GEM Listing Rules and the Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. Huang Chao (*Chairman*)

Mr. Wu Xiaowen (appointed on 21 May 2019)

Mr. Zheng Hua (resigned on 21 May 2019)

Independent non-executive Directors

Mr. Chan Yee Ping Michael

Mr. Deng Guozhen

Mr. Zeng Shiquan

In accordance with the articles of association of the Company, any Director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. And in accordance with the articles and association of the Company and the GEM Listing Rules, at each annual general meeting 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 greater than one-third) shall retire from office by rotation and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As such, Mr. Deng Guozhen and Mr. Zeng Shiquan shall all be subject to retirement by rotation and, being eligible, shall offer themselves for re-election at the annual general meeting of the Company.

The term of independent non-executive directorships of Mr. Chan Yee Ping Michael and Mr. Deng Guozhen under each of their respective letter of re-appointment is one year from 8 November 2019 to 7 November 2020 and Mr. Zeng Shiquan is one year from 28 March 2020 to 27 March 2021 unless terminated by either party giving to the other not less than one month's notice in writing.

The executive Directors, Mr. Huang Chao and Mr. Wu Xiaowen, had entered into a service contract to renew the appointment for another one year commencing from 10 October 2019 and 21 May 2020 respectively and renewable thereafter subject to compliance with relevant laws and regulations including the GEM Listing Rules. The said service contract may be terminated by either party at any time by giving to the other not less than one month written notice.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31 March 2020 and the Company considers the independent non-executive Directors to be independent.

Directors' Report

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 41 to 45 of this annual report.

SHARE OPTIONS

The Company has adopted a share option scheme on 26 February 2003 ("**Old Share Option Scheme**") and a share option scheme on 20 July 2012 ("**New Share Option Scheme**") (collectively referred to as "**the Share Option Schemes**"). The Old Share Option Scheme was terminated on the date when the New Share Option Scheme came into effect, while the provisions of the Old Share Option Scheme shall remain in force and all existing options granted under the Old Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance therewith. The details of the Share Option Schemes are as follows:

Share Option Schemes

The purpose of the Share Option Schemes is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

Subject to the terms of the Share Option Schemes, the committee (the "**Committee**") which was authorized and charged by the Board with the administration of the Share Option Schemes may, at any time, offer to grant to any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any executive or non-executive Director of the Company or any subsidiary of the Company who, the Committee may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable human resources of the Group based on his or her work experience, knowledge in the industry and other relevant factors, options (the "**Share Options**") to subscribe for such number of shares as the Committee may determine at the exercise price.

The maximum number of shares to be issued in respect of which options may be granted (together with shares in respect of which options are then outstanding under the Share Option Schemes or any other schemes of the Company) under the Share Option Schemes shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The maximum entitlement for any one participant (including exercised, cancelled and outstanding options) granted or to be granted in any twelve months period shall not exceed 1% of the total number of shares in issue, provided that options may be issued in excess of such limit if the new grant exceeding 1% of the total number of shares in issue shall have been approved by shareholders of the Company in a general meeting at which the proposed grantee and his associates shall have abstained from voting.

Options may be exercised in whole or in part in the manner provided in the Share Option Schemes by a grantee (or, as the case may be, by his or her legal personal representative) giving notice in writing to the Company after it has vested at any time during the period (the "**Option Period**"), which shall not be more than ten years from the date an option is offered (the "**Offer Date**"). No performance target is required to be reached by the participant before any option can be exercised.

SHARE OPTIONS (cont'd)

Share Option Schemes (cont'd)

A sum of HK\$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the “**Exercise Price**”) in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date; and
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date,

provided that the Exercise Price shall not be lower than the nominal value of the shares.

No share option was granted during two years ended 31 March 2020 and 31 March 2019. And as at that dates, there was no outstanding share option.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2020, so far as the Directors were aware, none of the directors and the chief executives of the Company had any interest or short position in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2020, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors whose interests are disclosed above) had, or were deemed or taken to have, an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Directors' Report

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONT'D)

Long positions in Shares

Name of shareholders	Capacity in which interests were held	Number of Shares held	Number of underlying shares held	Total number of Shares and underlying shares	Approximate percentage of interest in issued capital %
Oceanic Fortress (Note 1)	Beneficial owner	2,375,096,529	–	2,375,096,529	57.01
Ms. Huang Li (Note 1)	Interest of corporation controlled by Ms. Huang Li	2,375,096,529	–	2,375,096,529	57.01
Mr. Tang Sing Ming Sherman (Note 2)	Beneficial owner	–	571,428,571	571,428,571	13.72
Ms. Ho Ming Yee (Note 3)	Interest of a substantial shareholder's spouse	–	571,428,571	571,428,571	13.72

Notes:

- (1) The ordinary Shares are held by Oceanic Fortress, the entire issued shares of which is owned by Ms. Huang Li.
- (2) Mr. Tang Sing Ming Sherman holds the convertible bonds in respect of the outstanding principal amount of HK\$40,000,000, under which a total of 571,428,571 ordinary Shares would be issued upon full exercise of the conversion rights attaching thereto. Upon full conversion of the convertible bonds, Mr. Tang Sing Ming Sherman would hold 571,428,571 ordinary Shares, representing approximately 13.72% of the issued share capital of the Company as at 31 March 2020.
- (3) Ms. Ho Ming Yee is the spouse of Mr. Tang Sing Ming Sherman, and is therefore deemed to be interested in the same number of Shares held by Mr. Tang Sing Ming Sherman.
- (4) Based on 4,166,175,000 ordinary Shares of the Company in issue as at 31 March 2020.

Save as disclosed above, as at 31 March 2020, so far as the Directors were aware, the Directors were not aware of any person (other than the Directors whose interests are disclosed above) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float under the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Article 167(1) of the articles of association of the Company provides that every Director 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 or trusts. A Directors' Liability Insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

COMPETING INTERESTS

As at 31 March 2020, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interests with the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate amounts of revenue and purchases attributable to the Group's five largest customers and suppliers were less than 30% (2019: less than 30%) of the Group's total revenue and purchases respectively.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest suppliers or customers during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the year.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



Directors' Report

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the Reporting Period are set out in note 38 to the consolidated financial statement and section headed "Management Discussion and Analysis" on pages 31 to 40 of this annual report.

AUDITOR

A resolution to re-appoint the retiring auditor, PKF Hong Kong Limited, is to be proposed at the forthcoming annual general meeting. There has been no change in auditor of the Company in any of the preceding 3 years.

On behalf of the Board

Huang Chao

Chairman

Hong Kong, 23 June 2020

Independent Auditor's Report

大信梁學濂(香港)會計師事務所有限公司

PKF

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STARGLORY HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of StarGlory Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 136, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

Independent Auditor's Report

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(e) to the consolidated financial statements which indicates that the Group incurred a net loss of HK\$23,153,000 for the year ended 31 March 2020 and as of that date, the Group had net current liabilities and net liabilities of HK\$77,924,000 and HK\$88,175,000 respectively. These conditions, along with other matters as set forth in note 2(e) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

In addition to the matter described in the "material uncertainty related to going concern" section, we have determined to communicate in our report the following key audit matters for the year ended 31 March 2020.

Impairment assessment of plant and equipment, other intangible assets and right-of-use assets

The Group's impairment assessment of plant and equipment, other intangible assets and right-of-use assets disclosed in notes 3(e), 3(f), 3(g), 3(j), 3(x)(ii), 11, 14 and 15 to the consolidated financial statements were determined to be key audit matters due to the management's assessment of the value in use of the Group's cash-generating units ("CGUs") involved significant judgements and estimates about the future results and key assumptions.

Our procedures performed to address the matter included, amongst others:

- Obtain an understanding of the Group's procedures and method of estimation, including any control activities applied, significant assumptions made and management's assessment of estimation uncertainty;
- Evaluate the competence, independence and works performed by experts engaged by the management to assess their estimation;
- Challenge the composition of the Group's future cash flows forecasts in the CGUs;
- Challenge the key assumptions used by the management for the estimation;
- Evaluate whether the method of estimation and assumptions made are appropriate;
- Test the data used by the management in the estimation;
- Re-calculate the estimation made by the management;
- Review outcome of estimation made in prior period;

Independent Auditor's Report

KEY AUDIT MATTERS (cont'd)

Impairment assessment of plant and equipment, other intangible assets and right-of-use assets (cont'd)

- Challenge the adequacy of the sensitivity calculations over the CGUs;
- Review subsequent events relevant to the estimation;
- Determine whether indication of possible management bias exists; and
- Evaluate the recognition and measurement criteria used and disclosure made by management.

OTHER INFORMATION

The Directors are responsible for the other information which comprises the information included in the Group's annual report for the year ended 31 March 2020 ("Annual Report"), other than the consolidated financial statements and our auditor's report thereon.

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

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



Independent Auditor's Report

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This 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 Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

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

From the matters communicate 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 auditor's report unless law or regulations preclude 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 auditor's report is Leong Ting Kwok David (Practising Certificate Number: P03654).

PKF Hong Kong Limited

Certified Public Accountants

Hong Kong, 23 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	188,125	251,792
Cost of sales		(71,862)	(87,249)
Gross profit		116,263	164,543
Other income	5	5,510	3,788
Impairment loss on goodwill	13	–	(55,095)
Impairment loss on plant and equipment, other intangible assets and right-of-use assets	16	(10,000)	(79)
Gain on modification of convertible bonds	25	–	1,390
Operating expenses		(128,677)	(183,220)
Operating loss		(16,904)	(68,673)
Finance costs	6(a)	(5,582)	(6,689)
Loss before income tax	6	(22,486)	(75,362)
Income tax expense	8(a)	(667)	(1,363)
Loss for the year		(23,153)	(76,725)
Loss for the year attributable to:-			
Owners of the Company		(22,967)	(75,916)
Non-controlling interests		(186)	(809)
		(23,153)	(76,725)
Loss per share (HK cents)	10		
– Basic		(0.55)	(1.82)
– Diluted		N/A	N/A

The notes on pages 68 to 136 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

Note	2020 HK\$'000	2019 HK\$'000
Loss for the year	(23,153)	(76,725)
Other comprehensive income:-		
Item that may be subsequently reclassified to profit or loss:-		
Exchange gain arising from translation of financial statements of foreign operations	31	591
Recognition to profit or loss on deregistration of subsidiaries	336	-
Other comprehensive income for the year, net of tax	367	591
Total comprehensive loss for the year	(22,786)	(76,134)
Total comprehensive loss for the year attributable to:-		
Owners of the Company	(22,647)	(75,281)
Non-controlling interests	(139)	(853)
	(22,786)	(76,134)

The notes on pages 68 to 136 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment	11	5,555	6,273
Goodwill on consolidation	13	–	–
Other intangible assets	14	8,743	11,905
Right-of-use assets	15	32,534	–
Deposits paid for plant and equipment		579	628
Deferred tax assets	17	331	915
		47,742	19,721
CURRENT ASSETS			
Inventories	18	2,413	2,693
Debtors, deposits and prepayments	19	19,486	24,744
Income tax recoverable		76	76
Cash and cash equivalents	20	82,552	122,249
		104,527	149,762
DEDUCT:-			
CURRENT LIABILITIES			
Creditors and accruals	21	158,772	161,246
Contract liabilities	22	770	823
Lease liabilities	23	21,851	–
Income tax payable		1,058	1,227
		182,451	163,296
NET CURRENT LIABILITIES		(77,924)	(13,534)

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		(30,182)	6,187
NON-CURRENT LIABILITIES			
Creditors and accruals	21	944	2,617
Lease liabilities	23	17,662	–
Loan from the ultimate holding company	24	–	30,000
Convertible bonds	25	39,387	38,959
		57,993	71,576
NET LIABILITIES		(88,175)	(65,389)
REPRESENTING:–			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	26	41,662	41,662
Reserves	27	(129,507)	(103,780)
		(87,845)	(62,118)
NON-CONTROLLING INTERESTS		(330)	(3,271)
TOTAL EQUITY		(88,175)	(65,389)

The notes on pages 68 to 136 form part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 23 June 2020

Huang Chao

Director

Wu Xiaowen

Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company									
	Share capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1.4.2018	41,662	(291,033)	258,889	3,801	(1,403)	1,390	(143)	13,163	(2,418)	10,745
Comprehensive loss										
Loss for the year	-	(75,916)	-	-	-	-	-	(75,916)	(809)	(76,725)
Other comprehensive loss:-										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	635	-	-	635	(44)	591
Total comprehensive loss for the year	-	(75,916)	-	-	635	-	-	(75,281)	(853)	(76,134)
At 31.3.2019 and 1.4.2019	41,662	(366,949)	258,889	3,801	(768)	1,390	(143)	(62,118)	(3,271)	(65,389)
Acquisition of non-controlling interests	-	(3,080)	-	-	-	-	-	(3,080)	3,080	-
Comprehensive loss										
Loss for the year	-	(22,967)	-	-	-	-	-	(22,967)	(186)	(23,153)
Other comprehensive loss:-										
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	54	-	-	54	(23)	31
Recognition to profit or loss on deregistration of subsidiaries	-	-	-	-	266	-	-	266	70	336
Total comprehensive loss for the year	-	(22,967)	-	-	320	-	-	(22,647)	(139)	(22,786)
At 31.3.2020	41,662	(392,996)	258,889	3,801	(448)	1,390	(143)	(87,845)	(330)	(88,175)

The notes on pages 68 to 136 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

Note	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(22,486)	(75,362)
Adjustments for:–		
Exchange gain	(31)	(205)
Gain on modification of convertible bonds	–	(1,390)
Interest income	(1,150)	(1,411)
Provision of reinstatement costs	532	62
Interest on secured bank loans, repayable within five years	–	91
Interest expenses on other loans	1,464	1,398
Interest expenses on loan from the ultimate holding company	205	1,416
Interest expense on convertible bonds	798	799
Imputed interest expense on convertible bonds	428	544
Interest expenses on lease liabilities	1,165	–
Depreciation of plant and equipment	3,924	8,560
Depreciation of right-of-use assets	18,112	–
Loss on disposal of plant and equipment	21	1,122
Loss on deregistration of subsidiaries	336	–
Amortization of other intangible assets	818	1,004
Impairment loss on goodwill	–	55,095
Impairment loss on plant and equipment, other intangible assets and right-of-use assets	10,000	79
Operating profit/(loss) before working capital changes	14,136	(8,198)
Decrease in inventories	260	1,841
Decrease in debtors, deposits and prepayments	4,773	6,865
Decrease in creditors and accruals	(8,656)	(15,251)
(Decrease)/increase in contract liabilities	(53)	823
Cash from/(used in) operations	10,460	(13,920)
Income tax paid	(260)	(67)
Interest received	1,150	1,411
Interests paid on bank loans, repayable within five years	–	(91)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	11,350	(12,667)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of plant and equipment		(4,205)	(3,923)
Sales proceeds from disposal of plant and equipment		–	597
Payment for acquisition of other intangible assets		(36)	(36)
NET CASH USED IN INVESTING ACTIVITIES		(4,241)	(3,362)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/increase in loan from the ultimate holding company		(30,000)	30,000
Increase in other loans		2,201	5,480
Capital element of lease liabilities paid		(17,562)	–
Interest element of lease liabilities paid		(1,165)	–
Repayments of secured bank loans		–	(9,313)
Proceeds from new secured bank loans		–	4,173
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(46,526)	30,340
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(39,417)	14,311
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR		122,249	108,059
EFFECT OF EXCHANGE RATES CHANGES		(280)	(121)
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	20	82,552	122,249

The notes on pages 68 to 136 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL INFORMATION

StarGlory Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 13 November 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal place of its business is 6/F., Southland Building, 48 Connaught Road Central, Central, Hong Kong. The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in the provision of food and beverage services. The ultimate controlling party of the Group was Ms. Huang Li (“Ms. Huang” or the “Controlling Shareholder”) as at 31 March 2020.

The Company is listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK(IFRIC) – Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. BASIS OF PREPARATION (cont'd)

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following new and revised HKFRSs:-

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs (2015-2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The Group had to change its accounting policies following the adoption of HKFRS 16. For details, please refer to note 2(d) to the consolidated financial statements. The other amendments listed above did not have material impact on the Group's consolidated financial statements for the current or prior years.

(c) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 March 2020 have not been applied in the preparation of these consolidated financial statements since they were not yet effective for the annual period beginning on 1 April 2019:-

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of Business ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for the Group's annual periods beginning on or after 1 April 2020

² Effective for the Group's annual periods beginning on or after 1 April 2021

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

The Group is in the process of making an assessment of what the impact of these HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. BASIS OF PREPARATION (cont'd)

(d) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC)–Int 4, Determining whether an arrangement contains a lease, HK(SIC)–Int 15, Operating leases — incentives, and HK(SIC)–Int 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 on 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognized the cumulative effect of initial application as an adjustment to the opening balances of right-of-use assets and lease liabilities at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. BASIS OF PREPARATION (cont'd)

(d) Changes in accounting policies (cont'd)

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalize all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalized leases are primarily in relation to right-of-use assets as disclosed in note 15 to the consolidated financial statements. For an explanation of how the Group applies lessee accounting, see note 3(g) to the consolidated financial statements.

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.72%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (1) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020; and
- (2) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. BASIS OF PREPARATION (cont'd)

(d) Changes in accounting policies (cont'd)

Lessee accounting and transitional impact (cont'd)

The following table reconciles the operating lease commitments as disclosed in note 32 to the consolidated financial statements to the opening balance for lease liabilities recognized as at 1 April 2019:–

	HK\$'000
Operating lease commitments at 31 March 2019	38,012
Less: commitments relating to leases exempt from capitalization: – short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(13,887)
	24,125
Less: total future interest expenses	(685)
Total lease liabilities recognized at 1 April 2019	23,440

The right-of-use assets in relation to leases previously classified as operating leases have been recognized at an amount equal to the amount recognized for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position at 31 March 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. BASIS OF PREPARATION (cont'd)

(d) Changes in accounting policies (cont'd)

Lessee accounting and transitional impact (cont'd)

The following table summarizes the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	At 31 March 2019 HK\$'000	Capitalization of lease contracts HK\$'000	At 1 April 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	23,440	23,440
Current liabilities			
Lease liabilities	–	(12,516)	(12,516)
Non-current liabilities			
Lease liabilities	–	(10,924)	(10,924)

(e) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. These consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of HK\$23,153,000 for the year ended 31 March 2020 and as of that date, the Group had net current liabilities and net liabilities of HK\$77,924,000 and HK\$88,175,000 respectively as the Directors considered that:-

- (1) Ms. Huang, being the sole beneficial owner and director of the ultimate holding company, will provide continuing financial support to the Group; and
- (2) On 16 June 2020, the lender of the other loans signed a memorandum of loans with a subsidiary of the Company (the "Borrower"), pursuant to which the repayment date of the outstanding other loans balance of approximately HK\$123,387,000 as at 16 June 2020 was extended from 22 June 2020 to 22 June 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. BASIS OF PREPARATION (cont'd)

(e) Adoption of the going concern basis (cont'd)

After taking into consideration of above factors and funds expected to be generated internally based on the Directors' estimation on the future cash flow of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis since there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

The consolidated financial statements are prepared under the historical cost basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Business combination and goodwill

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with HKFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items are lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Business combination and goodwill (cont'd)

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:–

- Revenue from provision of food and beverage services including services charges is recognized at a point in time when catering services are provided.
- Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (Note 3(i)).
- Service fee income is recognized over time when services have been rendered.
- Franchise fee income is recognized over the franchise periods on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Plant and equipment and depreciation

Plant and equipment including the right-of-use assets arising from leases of the underlying plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, are charged to profit or loss in the year in which they are 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 plant and equipment, the expenditure is capitalized as an additional cost of the asset.

Depreciation is calculated to write down the cost of plant and equipment to their estimated residual values on a straight-line basis over their estimated useful lives at following annual rates and bases:-

Furniture, fixtures and equipment	10% to 50% or over the lease term whichever is shorter
Leasehold improvement	10% to 33.33% or over the lease term whichever is shorter
Motor vehicles	20% to 33.33%
Right-of-use assets – Leasehold properties	Remaining lease term from 1 April 2019

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognized in the profit or loss on the date of retirement or disposal.

Construction in progress represents plant and equipment under construction or pending installation, and is stated at cost less impairment losses. The cost of self-constructed items of plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs. Capitalization of these costs ceases and the construction in progress is transferred to plant and equipment when the asset is substantially completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets (Other than goodwill)

Intangible assets are stated at cost less accumulated amortization and impairment losses.

Development costs are capitalized only when it can be demonstrated that completing the development is technically and financially feasible, the product under development will generate probable future economic benefits through sale or use, and the development expenditure can be measured reliably. Development costs which do not meet these criteria are expensed when incurred.

Amortization is calculated to write off the costs of intangible assets over their estimated useful lives on a straight line basis as follows:-

Trademark acquired	5 to 20 years
Franchise rights acquired	5 to 20 years

(g) Leases

(A) Policy applicable from 1 April 2019

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

(A) *Policy applicable from 1 April 2019 (cont'd)*

As a lessee (cont'd)

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation (Note 3(e)) and impairment losses (Note 3(j)), except for the right-of-use assets that meet the definition of investment property are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

(B) Policy applicable prior to 1 April 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance lease. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(e) to the consolidated financial statements. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(j) to the consolidated financial statements. Finance charges implicit in the lease payments are charged to the profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

(B) Policy applicable prior to 1 April 2019 (cont'd)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.

(h) Interests in subsidiaries

Interests in subsidiaries are stated in the Company's statement of financial position at cost less any identified impairment loss. Income from subsidiaries is recognized in the Company's financial statements on the basis of dividends declared by the subsidiaries.

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

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

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

Impairment

The Group applies the new expected credit loss ("ECL") model to financial assets measured at amortized cost, including cash and cash equivalents, trade debtors and other debtors. Financial assets measured at fair value are not subject to the ECL assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade debtors and other debtors: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:–

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of reporting; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade debtors are always measured at an amount equal to lifetime ECLs. ECLs on trade debtors are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period.

For all other financial instruments (including cash and cash equivalents, and other debtors), the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Significant increases in credit risk

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset assessed at the end of reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at the end of each reporting period to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Basis of calculation of interest income

Interest income recognized (Note 3(d)) 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 the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:-

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of non-financial assets

Assets that have indefinite useful lives are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

(k) Financial guarantees issued, provisions and contingent liabilities

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 3(k)(iii) to the consolidated financial statements if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Financial guarantees issued, provisions and contingent liabilities (cont'd)

(ii) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with note 3(k)(iii) to the consolidated financial statements. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(k)(iii) to the consolidated financial statements.

(iii) *Other provisions and contingent liabilities*

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(l) Borrowings and payables

Borrowings and payables are initially recognized at fair value and subsequently stated at amortized cost using the effective interest method.

(m) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (note 3(d)). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (Note 3(i)).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both liability component and equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognized as the liability component is recognized as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognized in the convertible bonds equity reserve until either the note is converted or redeemed. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to accumulated profit or loss. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

If the note is converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible bonds equity reserve is released directly to accumulated profit or loss.

The liability component (or part of the liability component) of the convertible bonds is derecognized when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expired.

A significant modification of the terms of the convertible bonds is accounted for as recognition of a new compound instrument and an extinguishment of the original compound instrument before maturity. The difference between the carrying amount of the original liability component extinguished and its fair value at the date of modification is recognized in profit or loss. The difference between the fair value at the date of modification of the original liability component extinguished and the fair value of the newly recognized liability component is recognized in the convertible bonds equity reserve. The carrying amount of the equity component of the original compound instrument extinguished is released from convertible bonds equity reserve to accumulated profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Employee benefits

Salaries, annual bonuses and annual leave entitlements are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to defined contribution retirement plans are recognized as an expense in profit or loss as incurred.

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The fair value of share options granted to employees measured at the grant date and is adjusted for the estimated number of shares that will eventually be vested is recognized as an employee cost on a straight-line basis over the vesting period, with a corresponding increase in an employee share-based compensation reserve.

For the purposes of diluted earnings per share, the exercise price of the options is adjusted for the cost of employee services to render in the remaining vesting period.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred. Borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated on first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimates costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(r) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes profit or loss items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable when the Group recovers or settles the carrying amounts of assets or liabilities recognized in the consolidated financial statements.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realized.

Deferred tax is charged or credited to the profit or loss, except when it relates to items recognized in other comprehensive income or directly to equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

(s) Government grants

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

Where the grant and subsidy relate to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) 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, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(u) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of 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); and

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Related parties (cont'd)

- (b) An entity is related to the Group if any of the following conditions applies:– (cont'd)
- (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.

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

(v) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar, which is also the Company's functional currency. The functional currency of the Company or its subsidiaries is the currency of the primary economic environment in which the Company or its subsidiaries operate.

Foreign currency transactions of the Company or its subsidiaries are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of reporting period and the exchange differences arising are recognized in the profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognized in the profit or loss, except for the exchange component of a gain or loss that is recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognized as a separate component of equity. Such translation differences are recognized in the profit or loss for the year in which the foreign operation is disposed of.

(w) 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.

Individual 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 material individually may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Segment reporting (cont'd)

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has only one business segment for current year.

(x) Critical accounting estimate and judgements

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognized in the consolidated financial statements are disclosed below:–

(i) Estimated useful lives of tangible and intangible assets

The Group estimates the useful lives of tangible and intangible assets based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilization and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of tangible and intangible assets would increase depreciation charges and decrease non-current assets.

(ii) Impairment of plant and equipment, right-of-use assets and other non-current assets

Determining whether plant and equipment, right-of-use assets and other non-current assets are impaired requiring an estimation of the value in use of the cash-generating units to which the plant and equipment, right-of-use assets and other non-current assets have been allocated. The calculation of value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Critical accounting estimate and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(iii) Loss allowance for trade and other debtors

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 35(a) to the consolidated financial statements.

(iv) Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at the end of each reporting period and reduces the amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilized.

(v) Going concern

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statements. As disclosed in note 2(e) to the consolidated financial statements, the validity of the going concern assumptions depends upon (i) the continuing financial support from Ms. Huang, who is the sole beneficial owner and director of the ultimate holding company; and (ii) other loans, of which the repayment date was subsequently extended from 22 June 2020 to 22 June 2021.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. REVENUE

Revenue represents invoiced value recognized in respect of provision of food and beverage services, net of discounts and value-added tax, during the year. An analysis of the revenue recorded for the year is set out below:-

	2020 HK\$'000	2019 HK\$'000
Revenue from customers and recognized at a point in time – Provision of food and beverage services and others	188,125	251,792

5. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Government grants – Note 5(a)	1,520	–
Interest income	1,150	1,411
Service fee income	1,266	1,282
Franchise fee income	1,170	1,020
Miscellaneous items	404	75
	5,510	3,788

Note:-

- (a) Government grants represent the subsidies received from the Anti-epidemic Fund of the Hong Kong Special Administrative Region Government.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. LOSS BEFORE INCOME TAX

	2020 HK\$'000	2019 HK\$'000
Loss before income tax is arrived at after charging/(crediting):-		
(a) Finance costs:-		
Interest expenses on secured bank loans, repayable within five years	–	91
Interest expense on other loans	1,464	1,398
Interest expense on convertible bonds	798	799
Interest expense on loan from the ultimate holding company	205	1,416
Imputed interest expense on convertible bonds – Note 25	428	544
Interest expenses on lease liabilities	1,165	–
Other bank charges	1,522	2,441
	5,582	6,689
(b) Other items:-		
Amortization of other intangible assets	818	1,004
Depreciation of plant and equipment	3,924	8,560
Depreciation of right-of-use assets	18,112	–
Auditor's remuneration	754	854
Exchange gain	(31)	(205)
Minimum lease payments for lease previously classified as operating lease under HKAS 17	–	59,339
Variable lease payment not included in the measurement of lease liabilities	3,154	–
Short-term lease expenses	15,031	–
Directors' remuneration – Note 7(a)	1,020	1,020
Other staff salaries and benefits	55,448	73,559
Retirement scheme contributions	1,977	2,977
Other staff costs	57,425	76,536
Cost of inventories sold	71,862	87,249
Loss on disposal of plant and equipment	21	1,122
Loss on deregistration of subsidiaries – Note 31	336	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

- (a) Pursuant to the GEM Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the Group to the Directors during the year were as follows:–

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Equity- settled share-based payment expenses HK\$'000	Total HK\$'000
2019					
<i>Executive Directors:–</i>					
Mr. Chan Kim Chun Victor (resigned on 10 October 2018)	126	–	–	–	126
Mr. Huang Chao (appointed on 10 October 2018)	114	–	–	–	114
Mr. Zheng Hua	240	–	–	–	240
	480	–	–	–	480
<i>Independent non-executive Directors:–</i>					
Mr. Chan Yee Ping Michael	180	–	–	–	180
Mr. Deng Guozhen	180	–	–	–	180
Mr. Zeng Shiquan	180	–	–	–	180
	540	–	–	–	540
	1,020	–	–	–	1,020

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (cont'd)

- (a) Pursuant to the GEM Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the Group to the Directors during the year were as follows:- (cont'd)

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Equity- settled share-based payment expenses HK\$'000	Total HK\$'000
2020					
<i>Executive Directors:-</i>					
Mr. Wu Xiaowen (appointed on 21 May 2019)	207	-	-	-	207
Mr. Huang Chao	240	-	-	-	240
Mr. Zheng Hua (resigned on 21 May 2019)	33	-	-	-	33
	480	-	-	-	480
<i>Independent non-executive Directors:-</i>					
Mr. Chan Yee Ping Michael	180	-	-	-	180
Mr. Deng Guozhen	180	-	-	-	180
Mr. Zeng Shiquan	180	-	-	-	180
	540	-	-	-	540
	1,020	-	-	-	1,020

No Directors waived any emoluments during the years ended 31 March 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (cont'd)

(b) Five highest paid individuals

The remuneration of employees who were not Directors during the year and who were amongst the five (2019: five) highest paid individuals of the Group were as follows:–

	2020 HK\$'000	2019 HK\$'000
Basic salaries, allowances and benefits in kind	4,436	4,381
Retirement scheme contributions	90	90
	4,526	4,471

The number of employees whose remuneration fell within the following band was as follow:–

	2020	2019
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	2	2

There was no remuneration paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. INCOME TAX EXPENSE

(a) Taxation in the profit or loss represents:–

	2020 HK\$'000	2019 HK\$'000
Current tax	91	632
Deferred tax – Note 17	576	731
Income tax expense	667	1,363

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. INCOME TAX EXPENSE (cont'd)

- (a) Taxation in the profit or loss represents:- (cont'd)
- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) The Company’s subsidiaries incorporated/established in Hong Kong, the People’s Republic of China (“PRC”) and Taiwan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax and Taiwan Profit-Seeking-Enterprise Income Tax at the rates of 16.5%, 25% and 20% respectively (2019: Hong Kong – 16.5%, PRC – 25% and Taiwan – 20% respectively).
- (b) The income tax for the year can be reconciled to the loss before income tax per consolidated statement of profit or loss for the year as follows:-

	2020 HK\$'000	2019 HK\$'000
Loss before income tax	(22,486)	(75,362)
Tax effect at the Hong Kong profits tax rate of 16.5% (2019: 16.5%)	(3,710)	(12,435)
Tax rates differential	277	318
Tax effect of income that is not taxable	(490)	(515)
Tax effect of expenses that are not deductible	4,239	9,615
Tax effect of unused tax losses not recognized	351	4,400
Tax refund	–	(20)
Income tax expense	667	1,363

- (c) The components of unrecognized deductible temporary differences in certain subsidiaries of the Company were as follows:-
- (i) The unutilized tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK\$64,571,000 (2019: approximately HK\$63,667,000) can be carried forward indefinitely. The unutilized tax losses accumulated in PRC subsidiaries amounted to approximately HK\$62,391,000 (2019: approximately HK\$61,585,000) can be carried forward for five years. The unutilized tax losses accumulated in Taiwan subsidiary amounted to approximately HK\$Nil (2019: approximately HK\$8,912,000) can be carried forward for ten years. Deductible temporary differences have not been recognized owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. INCOME TAX EXPENSE (cont'd)

- (c) The components of unrecognized deductible temporary differences in certain subsidiaries of the Company were as follows:– (cont'd)
- (ii) Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, the gross amount of dividends received by the Company's subsidiary incorporated in Hong Kong from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5%. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, no deferred tax liability was provided as no profit is expected to be distributed by the PRC subsidiaries in the foreseeable future. As at 31 March 2020, the undistributed profits of the PRC subsidiaries amounted to approximately HK\$3,134,000 (2019: approximately HK\$3,835,000). The corresponding unrecognized deferred tax liabilities were amounted to approximately HK\$156,700 (2019: approximately HK\$191,800).

9. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 March 2020 and 2019.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$22,967,000 (2019: HK\$75,916,000) and the weighted average number of ordinary shares of 4,166,175,000 (2019: 4,166,175,000 ordinary shares) in issue during the year ended 31 March 2020.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 March 2020 and 2019.

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For the year ended 31 March 2020

11. PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:-					
At 1.4.2018	62,657	42,151	599	-	105,407
Exchange adjustment	(489)	(211)	-	(2)	(702)
Additions	604	2,105	-	586	3,295
Disposals	(27,471)	(20,380)	-	-	(47,851)
At 31.3.2019	35,301	23,665	599	584	60,149
Accumulated depreciation:-					
At 1.4.2018	48,789	29,946	521	-	79,256
Exchange adjustment	(301)	(10)	-	-	(311)
Charge for the year	3,804	4,680	76	-	8,560
Written back on disposals	(22,721)	(16,985)	-	-	(39,706)
At 31.3.2019	29,571	17,631	597	-	47,799
Impairment loss:-					
At 1.4.2018	8,406	4,046	-	-	12,452
Exchange adjustment	(25)	(3)	-	-	(28)
Charge for the year	43	36	-	-	79
Written back on disposals	(3,706)	(2,720)	-	-	(6,426)
At 31.3.2019	4,718	1,359	-	-	6,077
Net book value:-					
At 31.3.2019	1,012	4,675	2	584	6,273
Cost:-					
At 1.4.2019	35,301	23,665	599	584	60,149
Exchange adjustment	(223)	(184)	-	(36)	(443)
Additions	1,735	2,458	-	12	4,205
Disposals	(14,829)	(4,003)	-	-	(18,832)
At 31.3.2020	21,984	21,936	599	560	45,079
Accumulated depreciation:-					
At 1.4.2019	29,571	17,631	597	-	47,799
Exchange adjustment	(426)	(75)	-	-	(501)
Charge for the year	1,197	2,725	2	-	3,924
Written back on disposals	(11,278)	(3,464)	-	-	(14,742)
At 31.3.2020	19,064	16,817	599	-	36,480
Impairment loss:-					
At 1.4.2019	4,718	1,359	-	-	6,077
Exchange adjustment	(43)	-	-	-	(43)
Change for the year	888	191	-	-	1,079
Written back on disposals	(3,530)	(539)	-	-	(4,069)
At 31.3.2020	2,033	1,011	-	-	3,044
Net book value:-					
At 31.3.2020	887	4,108	-	560	5,555

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

11. PLANT AND EQUIPMENT (cont'd)

Details of impairment assessment are disclosed in note 16 to the consolidated financial statements.

12. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries are as follows:-

Name of company	Place of incorporation and type of legal entity	Attributable equity interest %		Issued/registered capital	Principal activities
		Direct	Indirect		
Marvel Success Limited	BVI, limited liability company	100	-	US\$1	Investment holding in Hong Kong
Epicurean Management (Asia) Limited	Hong Kong, limited liability company	-	100	HK\$1	Provision of management services in Hong Kong
I. T. H. K. Limited ("ITHK")	Hong Kong, limited liability company	-	100	HK\$300,000	Provision of food and beverage services in Hong Kong
Ginza Bairin (Greater China) Holdings Limited	Hong Kong, limited liability company	-	100	HK\$2,000,000	Franchise and investment holdings in Hong Kong
Hobby Limited	Hong Kong, limited liability company	-	100	HK\$1	Provision of food and beverage services in Hong Kong
銀林(上海)餐飲有限公司	PRC, limited liability company	-	100	US\$1,600,000	Provision of food and beverage services in PRC
白熊(上海)餐飲管理有限公司	PRC, limited liability company	-	98	US\$1,300,000	Provision of food and beverage services in PRC
Donfield Limited	Hong Kong, limited liability company	-	90	HK\$1	Provision of food and beverage services in Hong Kong
惠州市大亞灣區新鵬城科技發展有限公司	PRC, limited liability company	-	100	RMB5,000,000 (paid up RMB2,500,000)	Not yet commenced business in PRC

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

13. GOODWILL ON CONSOLIDATION

	2020 HK\$'000	2019 HK\$'000
Cost:–		
At the beginning and end of the year	59,388	59,388
Impairment:–		
At the beginning of the year	59,388	4,293
Charge for the year	–	55,095
At the end of the year	59,388	59,388
Carrying amount:–		
At the end of the year	–	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (“CGUs”) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:–

	2020 HK\$'000	2019 HK\$'000
Restaurants, café and cake shops	56,823	56,823
Logistic and production centre	2,565	2,565
	59,388	59,388

During the year ended 31 March 2019, an impairment loss of HK\$55,095,000 on the goodwill allocated to restaurants, café and cake shops was recognized. The impairment loss was mainly attributable to the significant decrease in the turnover of café operation, which were in turn due to (i) the decrease in the weighted average number of café for the year ended 31 March 2019 mainly resulted from the expiry of tenancies; and (ii) the decrease in average annual sales per café for the year ended 31 March 2019 mainly resulted from the US-China trade negotiations and Brexit which affected the global economy, leading to sluggish local investment and consumption sentiments in Hong Kong.

The recoverable amount of the above CGUs had been determined based on value-in-use calculations. The estimated recoverable amounts of restaurants, café and cake shops were below their carrying amounts, accordingly the related goodwill had been fully impaired as at 31 March 2019.

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For the year ended 31 March 2020

14. OTHER INTANGIBLE ASSETS

	Trademark HK\$'000	Franchise rights HK\$'000	Total HK\$'000
Cost:–			
At 1.4.2018	2,579	24,571	27,150
Additions	–	36	36
Disposals	–	(696)	(696)
At 31.3.2019	2,579	23,911	26,490
Accumulated amortization:–			
At 1.4.2018	628	4,900	5,528
Charge for the year	15	989	1,004
Written back on disposals	–	(696)	(696)
At 31.3.2019	643	5,193	5,836
Impairment loss:–			
At 1.4.2018 and 31.3.2019	1,795	6,954	8,749
Net book value:–			
At 31.3.2019	141	11,764	11,905
Cost:–			
At 1.4.2019	2,579	23,911	26,490
Additions	–	36	36
Disposals	–	(144)	(144)
At 31.3.2020	2,579	23,803	26,382
Accumulated amortization:–			
At 1.4.2019	643	5,193	5,836
Charge for the year	15	803	818
Written back on disposals	–	(144)	(144)
At 31.3.2020	658	5,852	6,510
Impairment loss:–			
At 1.4.2019	1,795	6,954	8,749
Charge for the year	–	2,380	2,380
At 31.3.2020	1,795	9,334	11,129
Net book value:–			
At 31.3.2020	126	8,617	8,743

Details of impairment assessment are disclosed in note 16 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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15. RIGHT-OF-USE ASSETS

	Leasehold properties HK\$'000
Cost:–	
At 1.4.2019	23,440
Additions	34,466
Lease modification	(284)
Exchange adjustment	(469)
At 31.3.2020	57,153
Aggregate depreciation:–	
At 1.4.2019	–
Charge for the year	18,112
Exchange adjustment	(34)
At 31.3.2020	18,078
Impairment loss: –	
At 1.4.2019	–
Change for the year	6,541
At 31.3.2020	6,541
Net book value:–	
At 31.3.2020	32,534

On 1 April 2019, the Group recognized right-of-use assets of HK\$23,440,000 newly capitalized under HKFRS 16.

The Group has entered into lease agreements to obtain the right to use properties as its office premises, restaurants, café and cake shops and as a result incurred lease liabilities (Note 23). The leases typically run for an initial period of 1 to 4 years.

Details of impairment assessment are disclosed in note 16 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

15. RIGHT-OF-USE ASSETS (cont'd)

Variable lease payments

Leases of restaurants, café and cake shops are either with only fixed lease payments or contain variable lease payment that are based on 10% to 25% of sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in restaurants, café and cake shops in the locations where the Group operates. The amounts of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 March 2020 include:

	Number of leases	Fixed payments HK'000	Variable payments HK'000	Total payments HK'000
Office premises, warehouse and staff quarters without variable lease payments	7	3,548	–	3,548
Restaurants without variable lease payments	4	5,449	–	5,449
Restaurants with variable lease payments	32	24,761	3,154	27,915
Total	43	33,758	3,154	36,912

The overall financial effect of using variable payment terms is that higher rental costs are incurred by restaurants with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of restaurants sales in future years.

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16. IMPAIRMENT ASSESSMENT

The non-financial assets subject to the impairment loss for the years ended 31 March 2020 and 2019 was in relation to Mark Limited (together with its subsidiaries, the “**Mark Group**”), which is a subsidiary of the Company and is primarily engaged in the operation of restaurants, café and cake shops in Hong Kong.

During the year ended 31 March 2020, the impairment loss was mainly attributable to the uncertainties of global and local economy as well as the unfavorable industry environment, which posed a negative impact on the Group’s restaurant operations. These uncertainties also led to sluggish local investment and consumption sentiments in Hong Kong. The management of the Company concluded there was indication of impairment and conducted impairment assessment on recoverable amounts of certain plant and equipment, other intangible assets and right-of-use assets associated to the Mark Group, with carrying amounts (before impairment) of HK\$4,608,000, HK\$10,163,000 and HK\$27,929,000 respectively.

The recoverable amount of Mark Group has been determined based on a discount cash flow approach to estimate the value-in-use. For the year ended 31 March 2020, the forecast period is from the year ending 31 March 2021 to the year ending 31 March 2030 (the “**Forecast Period**”), which was based on the financial budgets approved by the senior management of the Company covering a five-year period from the year ending 31 March 2021 to the year ending 31 March 2025 while the cash flow forecast for the remaining of the Forecast Period (i.e. the year ending 31 March 2026 to the year ending 31 March 2030) is extrapolated using a long-term growth rate of 0%.

The key assumptions used in determining the amount of the impairment loss and those adopted in the impairment review for the years ended 31 March 2020 and 2019 are as follows:–

Key assumptions	Impairment review for the year ended 31 March 2020 (the “2020 Forecast”)	Impairment review for the year ended 31 March 2019 (the “2019 Forecast”)
Budgeted gross margin	61%	62%
Budgeted operating costs to turnover ratio	59% – 60%	58.5%
Annual growth rates in turnover	Café operation: –4.4% Cake shops operation: 2.4%	Café operation: –2.8% Cake shops operation: 1.7%
Long-term growth rates	0%	2%
Discount rates	16.71%	16.86%

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16. IMPAIRMENT ASSESSMENT (cont'd)

Budgeted gross margin

The budgeted gross margin used in the 2020 Forecast and the 2019 Forecast was the actual gross margins in the previous year. Having considered the slight decrease in the gross margin of Mark Group from the year ended 31 March 2016 to the year ended 31 March 2020 and for the sake of prudence, the budgeted gross margin in the 2020 Forecast is assumed to be 61%, which is the actual figure of gross margin for the year ended 31 March 2020.

Budgeted operating cost to turnover ratio

Budgeted operating costs of Mark Group for the 2020 Forecast included operating costs (including lease payments) and management service fee. Even though Mark Group implemented tight operating cost control and maintained the operating costs to turnover ratio at a stable level of approximately 58% during the years ended 31 March 2019 and 2020, the Directors consider that the budgeted operating costs to turnover ratio ranging from 59% to 60% is reasonable and appropriate considering tremendous pressures arising from high costs of rental, labour, materials and utilities in the Forecast Period.

Discount rate

An independent valuer was engaged for the estimation of the appropriate discount rate. The pre-tax discount rates of 16.71% and 16.86% for the 2020 Forecast and the 2019 Forecast was adopted respectively with reference to the weighted-average cost of capital arrived by the independent valuer.

The management of the Company believes that any adverse change in the assumptions used in the calculations of recoverable amounts would result in further impairment losses on plant and equipment, other intangible assets and right-of-use assets associated to the Mark Group.

Based on the result of the assessment, the management of the Company determined that the recoverable amount of Mark Group is lower than the carrying amount. For the year ended 31 March 2020, the impairment amount has been allocated to each category of plant and equipment, other intangible assets and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value-in-use calculation and the allocation, an impairment loss of HK\$1,079,000 (note 11), HK\$2,380,000 (note 14) and HK\$6,541,000 (note 15) were recognized against the carrying amounts of plant and equipment, other intangible assets and right-of-use assets, respectively. For the year ended 31 March 2019, impairment loss on goodwill of approximately HK\$55,095,000 (note 13) was recognized.

During the year ended 31 March 2019, in respect of other CGU, an impairment loss of HK\$79,000 (note 11) was recognized against the carrying amount of plant and equipment as the operation result was worse than expected.

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For the year ended 31 March 2020

17. DEFERRED TAX

The followings were deferred tax (assets)/liabilities recognized by the Group and movements thereon during the year:–

	Tax losses HK\$'000	(Decelerated)/ accelerated depreciation allowances HK\$'000	Total HK\$'000
At 1.4.2018	(1,163)	(416)	(1,579)
Charge for the year – Note 8(a)	90	641	731
Exchange adjustments	(67)	–	(67)
At 31.3.2019 and 1.4.2019	(1,140)	225	(915)
Charge for the year – Note 8(a)	327	249	576
Exchange adjustments	8	–	8
At 31.3.2020	(805)	474	(331)

Represented by:–

	2020 HK\$'000	2019 HK\$'000
Deferred tax liabilities	–	–
Deferred tax assets	(331)	(915)
	(331)	(915)

18. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	2,190	2,581
Work in progress	13	23
Finished goods	210	89
	2,413	2,693

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19. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:-

	2020 HK\$'000	2019 HK\$'000
Trade debtors	3,336	3,975
Less: loss allowance	(478)	(478)
	2,858	3,497
Rental and utility deposits	14,234	18,201
Prepayments	1,347	1,688
Other debtors	1,047	1,358
	19,486	24,744

(a) Loss allowance

Loss allowance in respect of trade debtors is recorded using loss allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade debtors.

Movements of loss allowance for trade debtors are as follows:-

	2020 HK\$'000	2019 HK\$'000
At the beginning and end of the year	478	478

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

19. DEBTORS, DEPOSITS AND PREPAYMENTS (cont'd)

(b) Aging analysis

The trading terms with the Group's customers are mainly on cash and credit card settlements, except for well established corporate customers who are granted credit term of 30-60 days. For credit card settlements, the banks normally settle the balances within 2-3 days. The following was an aging analysis of trade debtors, which included outstanding balances for credit card settlements based on the invoice date (net of loss allowance), at the end of reporting period:-

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	2,845	3,452
31 – 60 days	9	7
61 – 90 days	3	1
91 – 180 days	1	37
	2,858	3,497

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19. DEBTORS, DEPOSITS AND PREPAYMENTS (cont'd)

(c) Trade debtors that are not impaired

The aging analysis of trade debtors that are not considered to be impaired was as follow:-

	2020 HK\$'000	2019 HK\$'000
Neither past due nor impaired	2,845	3,401
Past due but not impaired:-		
1 – 30 days	9	58
31 – 60 days	2	1
61 – 90 days	2	37
	13	96
	2,858	3,497

Trade debtors that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no loss allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade debtors. To measure the expected credit losses, these debtors have been grouped based on shared credit risk characteristics and the aging from billing. Further information about expected credit loss provision refers to note 35(a) to the consolidated financial statements.

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20. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	82,552	122,249

As at 31 March 2020, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$4,850,000 (2019: approximately HK\$3,558,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

21. CREDITORS AND ACCRUALS

Creditors and accruals comprise:-

	2020 HK\$'000	2019 HK\$'000
Trade creditors	9,820	12,976
Accruals and provisions	14,276	15,869
Other creditors	11,593	13,018
Other loans – Note 21(a)	124,027	122,000
	159,716	163,863
Less: classified in non-current liabilities	(944)	(2,617)
Classified in current liabilities	158,772	161,246

Notes:-

- (a) Other loans of approximately HK\$121,479,000 (2019: approximately HK\$119,267,000) as at 31 March 2020 were unsecured, carried interest rate at 0.1% per month and repayable on 22 June 2020. The remaining amounts are interest-free and unsecured. On 16 June 2020, the lender of other loans signed a memorandum of loans with the Borrower, pursuant to which repayment date of the outstanding other loans balance of approximately HK\$123,387,000 as at 16 June 2020 was extended from 22 June 2020 to 22 June 2021.

Interest payable to the lender of approximately HK\$3,201,000 (2019: approximately HK\$1,737,000) is included in other creditors.

Notes to the Consolidated Financial Statements

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21. CREDITORS AND ACCRUALS (cont'd)

The following was an aging analysis, based on invoice date, of trade creditors:–

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	4,623	5,296
31 – 60 days	3,064	5,703
61 – 90 days	1,017	357
91 – 180 days	679	327
Over 180 days	437	1,293
	9,820	12,976

22. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	823	911
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(533)	(492)
Increase as a result of receiving advance payments from customers during the year	480	404
At end of the year	770	823

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23. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16:-

	Present value of minimum lease payments		Minimum lease payments	
	31 March 2020 HK\$'000	1 April 2019 HK\$'000	31 March 2020 HK\$'000	1 April 2019 HK\$'000
Amounts payable:-				
Within one year	21,851	12,516	21,857	12,946
In the second to fifth year	17,662	10,924	19,334	11,179
	39,513	23,440	41,191	24,125
Less: Future finance charges			(1,678)	(685)
Present value of lease obligation			39,513	23,440

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognize lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

24. LOAN FROM THE ULTIMATE HOLDING COMPANY

The loan from the ultimate holding company was unsecured two-year term loan and interest-bearing at the best lending rate as published by the Hongkong and Shanghai Banking Corporation Limited from time to time. The loan was fully and early settled on 12 June 2019.

25. CONVERTIBLE BONDS

On 21 August 2012, the Company issued convertible bonds in the principal amount of HK\$80,000,000 (the "Convertible Bonds") to the then bondholder for the acquisition of subsidiaries. The Convertible Bonds are interest bearing at 2% per annum with a maturity date on 21 August 2015 which are convertible into shares of the Company at the conversion price of HK\$0.08 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalization issues and right issues, etc) at any time after the issue date. Details of the Convertible Bonds are set out in the circular of the Company dated 30 July 2012.

On 8 July 2015, the Company entered into the supplemental deed with the then bondholder pursuant to which the Company and the then bondholder agreed to extend the maturity date of the Convertible Bonds for 36 months from the date falling on the third anniversary to the sixth anniversary of the date of issue of the Convertible Bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions of the Convertible Bonds remain unchanged, valid and in full force. The supplemental deed was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 10 August 2015.

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25. CONVERTIBLE BONDS (cont'd)

On 21 August 2015, the then bondholder transferred all Convertible Bonds to Mr. Tang Sing Ming Sherman ("Mr. Tang" or the "Bondholder") in consideration of HK\$80,000,000.

On 9 October 2015, Mr. Tang exercised partially the conversion rights attaching to the Convertible Bonds in respect of the principal amount of HK\$40,000,000 of the Convertible Bonds at the conversion price of HK\$0.08 per conversion shares.

On 22 May 2017, the conversion price of the outstanding convertible bonds has been adjusted from the initial conversion price of HK\$0.08 per ordinary share to HK\$0.07 per ordinary share in accordance with the terms of convertible bonds as a result of the completion of the rights issue on 14 June 2017. All other terms of the convertible bonds remain unchanged.

On 15 August 2018, the Company entered into the supplemental deed with Mr. Tang pursuant to which the Company and Mr. Tang agreed to extend the maturity date of the Convertible Bonds for 36 months from the date falling on the sixth anniversary to the ninth anniversary of the date of issue of the Convertible Bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions of the Convertible Bonds remain unchanged, valid and in full force. The supplemental deed was approved by the Directors of the Company at the board meeting of the Company held on 14 August 2018.

The amount represents convertible bonds issued with principal amount of HK\$40,000,000 and the maturity will be on the ninth anniversary of the date of issue of the Convertible Bonds.

The Group recognized a gain of approximately HK\$1,390,000 at the date of modification.

Movement of liability component for the years ended 31 March 2020 and 2019 was as follow:-

	HK\$'000
At 1.4.2018	39,805
Imputed interest expense – Note 6(a)	544
Gain on modification of convertible bonds	(1,390)
At 31.3.2019 and 1.4.2019	38,959
Imputed interest expense – Note 6(a)	428
At 31.3.2020	39,387

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26. CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Share capital

Ordinary shares of HK\$0.01 each

	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorized:-				
At the beginning and end of the year	5,000,000,000	50,000	5,000,000,000	50,000
Issued and fully paid:-				
At the beginning and end of the year	4,166,175,000	41,662	4,166,175,000	41,662

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to owners commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which was unchanged from the previous periods, was to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less cash and cash equivalents. Equity capital comprises all components of equity (i.e. share capital, share premium, accumulated losses and reserves).

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27. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year were set out below:–

	Share premium HK\$'000	Accumulated losses HK\$'000	Convertible bonds equity reserve HK\$'000	Total HK\$'000
At 1.4.2018	268,875	(243,818)	1,390	26,447
Loss and total comprehensive loss for the year	–	(31,259)	–	(31,259)
At 31.3.2019 and 1.4.2019	268,875	(275,077)	1,390	(4,812)
Loss and total comprehensive loss for the year	–	(7,837)	–	(7,837)
At 31.3.2020	268,875	(282,914)	1,390	(12,649)

- (a) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the entire issued share capital and the value of the underlying net assets of its subsidiaries at the date they were acquired by the Company. Under the Companies Law, Cap. 22 of the (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) As at 31 March 2020 and 2019, in the opinion of the Directors, no reserves are available for distribution to the owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

28. SHARE OPTIONS

The Company adopted two share option schemes on 26 February 2003 (“Old Share Option Scheme”) and 20 July 2012 (“New Share Option Scheme”), (collectively referred to as the “Share Option Schemes”).

The committee (the “Committee”) which was authorized and charged by the Directors with the administration of the Share Option Schemes, are authorized, at their discretion, to invite employees of the Group, including any executive Director or non-executive Director of the Company or other eligible employees to take up options to subscribe for the shares of the Company.

A sum of HK\$1 is payable by the participant on acceptance of the option offer. As a vesting condition for the Share Option Schemes, the grantees have to be remained as Directors or employees of the Group during the vesting period.

The exercise price of the shares (the “Exercise Price”) in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:–

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date an option is offered (the “Offer Date”); and
- (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date,

provided that the Exercise Price shall not be lower than the nominal value of the shares.

No share option was granted during the years ended 31 March 2020 and 2019. As at both dates, there was no share options outstanding under the Share Option Schemes.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

29. CASH FLOW INFORMATION

(a) 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 liabilities 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.

	Loan from the ultimate holding company HK\$'000	Lease liabilities HK\$'000	Bank loans, secured HK\$'000	Other loans HK\$'000	Total HK\$'000
At 1.4.2018	–	–	5,140	116,716	121,856
Changes from financing cash flows:					
Repayments of secured bank loans	–	–	(9,313)	–	(9,313)
Proceeds from new secured bank loans	–	–	4,173	–	4,173
Increase in loan from the ultimate holding company	30,000	–	–	–	30,000
Increase in other loans	–	–	–	5,480	5,480
	30,000	–	–	122,196	152,196
Exchange adjustments	–	–	–	(196)	(196)
At 31.3.2019	30,000	–	–	122,000	152,000
Initial application of HKFRS 16 (note 2(d))	–	23,440	–	–	23,440
At 1.4.2019	30,000	23,440	–	122,000	175,440
Changes from financing cash flows:					
Capital element of lease liabilities paid	–	(17,562)	–	–	(17,562)
Interest element of lease liabilities paid	–	(1,165)	–	–	(1,165)
Decrease in loan from the ultimate holding company	(30,000)	–	–	–	(30,000)
Increase in other loans	–	–	–	2,201	2,201
	–	4,713	–	124,201	128,914
Exchange adjustments	–	(547)	–	(174)	(721)
Other changes:					
New leases entered	–	34,466	–	–	34,466
Interest expense	–	1,165	–	–	1,165
Lease modification	–	(284)	–	–	(284)
At 31.3.2020	–	39,513	–	124,027	163,540

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

29. CASH FLOW INFORMATION (cont'd)

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:–

	2020 HK\$'000	2019 HK\$'000
Within:		
Operating cash flows	(18,185)	(59,339)
Financing cash flows	(18,727)	–
	(36,912)	(59,339)

These amounts relate to the following:

	2020 HK\$'000	2019 HK\$'000
Lease rentals paid	(36,912)	(59,339)

30. ACQUISITION OF NON-CONTROLLING INTERESTS

On 26 March 2020, the Group acquired the remaining approximately 10% of the issued shares of Soundspeed Limited held by the non-controlling interests for a cash consideration of US\$1. Immediately prior to the purchase, the negative carrying amount of the approximately 10% non-controlling interests in Soundspeed Limited was HK\$3,080,000. The Group recognized the same amount in non-controlling interests and an decrease in equity attributable to the owners of the Company of HK\$3,080,000.

31. DEREGISTRATION OF SUBSIDIARIES

In 2020, the Group deregistered the wholly-owned subsidiaries, 廣州市炎丸居酒屋餐飲有限公司 and 廣州市慶洋餐飲有限公司, that had been inactive and did not have any material assets and liabilities at the time of deregistration. Upon the deregistration, the corresponding foreign currency translation reserve in relation to 廣州市炎丸居酒屋餐飲有限公司 and 廣州市慶洋餐飲有限公司 of HK\$336,000 was released and recognized in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

32. COMMITMENTS

Operating Lease Arrangements

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

	2019 HK\$'000
Within one year	26,001
More than one year but within five years	12,011
	38,012

Operating lease payments represented rentals payable by the Group for the use of restaurants, office premises, staff quarters, café, cake shops and cake factory. Leases are negotiated (i) for terms of six months to five years with a pre-determined percentage of turnover or fixed monthly rentals whichever is higher; or (ii) for terms of one year to five years with fixed monthly rentals.

Short-term Lease Commitments

At 31 March 2020, the Group had outstanding short-term lease commitments for properties as follows:–

	2020 HK\$'000
Within one year	1,464

Capital Commitments

At the end of the reporting period, the Group had outstanding capital commitments as follows:–

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for		
Plant and machinery	485	200
Capital contribution to a subsidiary	2,736	4,080
	3,221	4,280

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For the year ended 31 March 2020

33. RELATED PARTY AND CONNECTED TRANSACTIONS

Except for loan from the ultimate holding company as disclosed in note 24 to the consolidated financial statements, the Group had the following material transactions with its related parties as defined in HKAS 24 during the year:-

	2020 HK\$'000	2019 HK\$'000
Interest expense on loan from the ultimate holding company* – note	205	1,416

The Group had the following material transactions with its connected person as defined in the GEM Listing Rules during the year:-

	2020 HK\$'000	2019 HK\$'000
Interest expenses on loan from the ultimate holding company* – note	205	1,416

* The ultimate holding company is wholly-owned by Ms. Huang.

Note:-

The interest rate was determined at the best lending rate as published by the Hongkong and Shanghai Banking Corporation Limited from time to time.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

33. RELATED PARTY AND CONNECTED TRANSACTIONS (cont'd)

The Directors (including the independent non-executive Directors) of the Company have reviewed the above related party and connected transactions and are of the opinion and confirm that these transactions were effected: (i) on normal commercial terms (or better to the Group); (ii) in the ordinary and usual course of the business of the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Key management compensation	2020	2019
	HK\$'000	HK\$'000
Fees for key management personnel	1,020	1,020
Salaries, allowances and other benefits in kind	3,488	3,365
Retirement scheme contributions	54	54
	4,562	4,439

34. RETIREMENT BENEFIT COSTS

The Company's subsidiaries in Hong Kong had participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed and administered fund. Contributions to the MPF Scheme are made by both the employer and employees at 5% on the employees' salaries or HK\$1,500, whichever is the lower.

The Company's subsidiaries in Taiwan had participated in retirement schemes. Contributions to the schemes in Taiwan are made at 6% by both the employers and employees based on the employees' salaries.

The Company's subsidiaries in the PRC had participated in the state-sponsored retirement plan, contributions are made by the subsidiaries to the plan based on 14% to 20% of the applicable payroll costs. The Group has no other obligation other than the above-mentioned contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group has a credit policy in place and exposure to the credit risk is monitored on an ongoing basis.

The carrying amounts of financial assets as at 31 March 2020, which represented the Group's significant exposure to credit risks, were as follows:-

	2020 HK\$'000	2019 HK\$'000
Debtors and deposits	18,139	23,056
Cash and bank balances	82,552	122,249
	100,691	145,305

The Group's credit risk is primarily attributable to debtors, deposits and cash and bank balances. With respect to trade debtors, the Group has adopted credit policies, which include the analysis of the financial position of its customers and a regular review of their credit limits. The Group maintains an allowance for doubtful accounts and actual losses have been less than management's expectations and the Group has policies in place to ensure that sales are made to clients with an appropriate credit history. Also, the Group's cash and bank balances are held by major financial institutions located in Hong Kong and the PRC, which the management believes are of high credit quality. Accordingly, the overall credit risk is considered limited.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade debtors. To measure the ECLs, trade debtors have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

Notes to the Consolidated Financial Statements

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(a) Credit risk (cont'd)

At 31 March 2020, trade debtors that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

In respect of trade debtors, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The trading terms of the Group's customers are mainly made on cash, Octopus or via major credit cards, except for well established corporate customers who entitled credit term of 30-60 days. At 31 March 2020 and 2019, the Group had no significant concentrations of credit risk. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade debtors disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other debtors based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Directors consider the Group's credit risk of these receivables to be low except for the impaired trade debtors disclosed in the below.

Notes to the Consolidated Financial Statements

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(a) Credit risk (cont'd)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors at 31 March 2020.

	At 31 March 2020			
	Lifetime expected credit loss rate HK\$'000	Gross carrying amount HK\$'000	Lifetime expected credit loss HK\$'000	Net carrying amount HK\$'000
Provision on individual basis	100%	478	478	-
Provision on collective basis	0%	2,858	-	2,858
		3,336	478	2,858

	At 31 March 2019			
	Lifetime expected credit loss rate HK\$'000	Gross carrying amount HK\$'000	Lifetime expected credit loss HK\$'000	Net carrying amount HK\$'000
Provision on individual basis	100%	478	478	-
Provision on collective basis	0%	3,497	-	3,497
		3,975	478	3,497

The credit quality of the other debtors excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The Directors are of the opinion that the credit risk of other debtors is low due to the sound collection history of the receivables due from them. Therefore, ECL rate of other debtors excluding prepayments is assessed to be close to zero and no provision was made at 31 March 2020 and 2019.

The cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$4,850,000 and approximately HK\$3,558,000 at 31 March 2020 and 2019 respectively. Renminbi is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorized to conduct foreign exchange business.

Notes to the Consolidated Financial Statements

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The exposure arising from the current accounts among the Company and its subsidiaries which are form part of net investment in foreign operations is excluded.

	2020				2019			
	United Stated Dollar HK\$'000	Renminbi HK\$'000	Yen HK\$'000	Taiwan Dollar HK\$'000	United Stated Dollar HK\$'000	Renminbi HK\$'000	Yen HK\$'000	Taiwan Dollar HK\$'000
Cash and bank balances	7	13	1	17	296	13	17	1

The Group's operations are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi, Japanese Yen and Taiwan Dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Since Hong Kong Dollar is pledged to United States Dollar, material fluctuation in the exchange rates of Hong Kong Dollar against United States Dollar is remote.

It is estimated that a fluctuation of 5% in foreign exchange rates with all other variables held constant would not have a material impact on the Group's loss for the years ended 31 March 2020 and 2019 and accumulated losses as at those dates.

The Group does not use financial derivatives to hedge against the currency risk. However, the currency risk of the Group is closely monitored by the management to ensure that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, liability component of convertible bonds, other loans, loan from the ultimate holding company and bank balances. Except for the liability component of convertible bonds and other loans which are held at fixed interest rates, all the bank loans, loan from the ultimate holding company and bank balances are held at variable rates. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

(i) Effective interest profile

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates per annum at the end of reporting period.

	2020		2019	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Fixed rate financial liabilities				
– Lease liabilities	3.72	(39,513)	–	–
– Convertible bonds				
– liability component	3.14	(39,387)	3.14	(38,959)
– Creditors and accruals				
– other loans	1.2	(121,479)	1.2	(119,267)
Variable rate financial liabilities				
– Loan from the ultimate holding company	–	–	5-5.125	(30,000)
Variable rate financial assets				
– Bank balances	0.01-0.05	10,791	0.01-0.05	301
Net financial liabilities		(189,588)		(187,925)

Notes to the Consolidated Financial Statements

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(d) Interest rate risk (cont'd)

- (ii) It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the year ended 31 March 2020 and accumulated losses as at that date would decrease by approximately HK\$108,000 (2019: increase by approximately HK\$297,000).

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. As at 31 March 2020 and 2019, the Group did not have any financial instrument which is subject to market price risk.

(f) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their values as at 31 March 2020 and 2019.

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36. SEGMENT AND ENTITY-WIDE INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly review by the chief operating decision maker (the Directors) in order to allocation resources to the segment and to assess its performance.

(a) The Group operates in one business unit, and has one reportable and operating segment: food and beverage. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	33,837	49,352	154,288	202,440	188,125	251,792
Other income	1,019	1,058	4,491	2,730	5,510	3,788
Total revenue	34,856	50,410	158,779	205,170	193,635	255,580
Non-current assets	8,258	2,593	39,153	16,213	47,411	18,806

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on (i) the physical location of the assets, in the case of plant and equipment (ii) the location of the operation to which they are allocated, in the case of intangible assets, right-of-use assets and goodwill, and (iii) the location of operation to which they are incurred, in the case of deposits paid.

(c) Major customers

The Group's customer base is diversified and no revenues from transactions with a single external customer amount to 10% or more of the Group's revenue for the years ended 31 March 2020 and 2019.

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37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment		40	120
Interests in subsidiaries		5,107	5,054
Right-of-use assets		1,715	–
		6,862	5,174
CURRENT ASSETS			
Debtors, deposits and prepayments		800	708
Cash and cash equivalents		68,606	106,353
		69,406	107,061
DEDUCT:–			
CURRENT LIABILITIES			
Creditors and accruals		6,126	5,010
Lease liabilities		1,549	–
		7,675	5,010
NET CURRENT ASSETS		61,731	102,051
TOTAL ASSETS LESS CURRENT LIABILITIES		68,593	107,225
NON-CURRENT LIABILITIES			
Creditors and accruals		–	1,416
Lease liabilities		193	–
Loan from the ultimate holding company	24	–	30,000
Convertible bonds	25	39,387	38,959
		39,580	70,375
NET ASSETS		29,013	36,850
REPRESENTING:–			
Share capital	26(a)	41,662	41,662
Reserves	27	(12,649)	(4,812)
TOTAL EQUITY		29,013	36,850

Notes to the Consolidated Financial Statements

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38. EVENTS AFTER THE REPORTING PERIOD

- (a). In early 2020, the outbreak of Coronavirus Disease (“COVID-19”) has impacted the Group’s business in Hong Kong and the PRC. The Group will closely monitor and actively react to the developments of COVID-19 to minimize its impacts on the Group’s restaurants operations.
- (b). On 16 June 2020, the lender of other loans signed a memorandum of loans with the Borrower, pursuant to which the outstanding other loans balance of approximately HK\$123,387,000 as at 16 June 2020 will be repayable by the Borrower on 22 June 2021.

39. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company as at 31 March 2020 to be Oceanic Fortress Holdings Limited, a company incorporated in BVI.

Financial Summary

RESULTS

For the year ended 31 March

	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	442,871	336,419	305,543	251,792	188,125
Loss before income tax	(34,736)	(50,351)	(34,262)	(75,362)	(22,486)
Income tax (expense)/credit	(3,898)	2,611	(4,521)	(1,363)	(667)
Attributable to:-					
Owners of the Company	(38,705)	(47,333)	(37,687)	(75,916)	(22,967)
Non-controlling interests	71	(407)	(1,096)	(809)	(186)
Loss for the year	(38,634)	(47,740)	(38,783)	(76,725)	(23,153)

Financial Summary

ASSETS AND LIABILITIES

	At 31 March				2020 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
NON-CURRENT ASSETS	110,390	107,531	83,495	19,721	47,742
CURRENT ASSETS	81,594	61,084	145,029	149,762	104,527
DEDUCT:-					
CURRENT LIABILITIES	148,862	173,413	216,038	163,296	182,451
NET CURRENT LIABILITIES	(67,268)	(112,329)	(71,009)	(13,534)	(77,924)
TOTAL ASSETS LESS CURRENT LIABILITIES	43,122	(4,798)	12,486	6,187	(30,182)
NON-CURRENT LIABILITIES	(43,563)	(43,946)	(1,741)	(71,576)	(57,993)
NET (LIABILITIES)/ASSETS	(441)	(48,744)	10,745	(65,389)	(88,175)