Top Standard Corporation

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8510

ANNUAL REPORT

2019/20

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

CONTENTS

Corporate Information	3
Chairman's Statement	4
Management Discussion and Analysis	5
Directors and Senior Management	10
Report of Directors	14
Corporate Governance Report	26
Independent Auditor's Report	44
Consolidated Statement of Profit or Loss and Other Comprehensive Income	47
Consolidated Statement of Financial Position	48
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Cash Flows	51
Notes to the Consolidated Financial Statements	52
Financial Summary	112

CORPORATE INFORMATION

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 5, 16/F., Core 45
43 Tsun Yip Street
Kwun Tong, Kowloon
Hong Kong

COMPANY'S WEBSITE

topstandard.com.hk

COMPANY SECRETARY

Mr. Chu Pui Ki, Dickson (朱沛祺)
(Member of the Hong Kong Institute of Certified Public Accountants)

COMPLIANCE OFFICER

Mr. Chuk Stanley (祝嘉輝)

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)
Mr. Chuk Stanley (祝嘉輝)
Mr. Chu Pui Ki, Dickson (朱沛祺)

COMPLIANCE ADVISER

CLC International Limited
13th Floor, Nan Fung Tower
88 Connaught Road Central
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Raymond Siu & Lawyers
Unit 1802, 18/F, Ruttonjee House
Ruttonjee Centre
11 Duddell Street, Central
Hong Kong

AUDITOR

D & PARTNERS CPA LIMITED
(Certified Public Accountant)
2201, 22nd Floor, West Exchange Tower
322 Des Voeux Road Central
Sheung Wan
Hong Kong

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Wong Ching Wan (王青雲) *(Chairman)*
(appointed on 24 January 2020)
Mr. Yew Tak Yun, Paul (姚德恩)
Mr. Chan Kwok Ki, Stephen (陳國基)
Ms. Chian Yat Ping (錢一平) *(Chairman)*
(resigned on 24 January 2020)

REMUNERATION COMMITTEE

Mr. Chan Kwok Ki, Stephen (陳國基) *(Chairman)*
Mr. Chuk Stanley (祝嘉輝)
Mr. Wong Ching Wan (王青雲)
(appointed on 24 January 2020)
Mr. Yew Tak Yun, Paul (姚德恩)
Ms. Chian Yat Ping (錢一平) (resigned on 24 January 2020)

NOMINATION COMMITTEE

Mr. Chuk Stanley (祝嘉輝) *(Chairman)*
Mr. Chuk Kin Yuen (祝建原)
Mr. Wong Ching Wan (王青雲)
(appointed on 24 January 2020)
Mr. Yew Tak Yun, Paul (姚德恩)
Mr. Chan Kwok Ki, Stephen (陳國基)
Ms. Chian Yat Ping (錢一平) (resigned on 24 January 2020)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Central, Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road
Central, Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to announce the Group's annual results for the year ended 31 March 2020.

FINANCIAL RESULTS

For the year ended 31 March 2020, the total revenue of the Group was approximately HK$96.6 million (2019: approximately HK$129.2 million). The loss and total comprehensive expense was approximately HK$93.3 million (2019: approximately HK$37.7 million). The significant increase in loss was mainly attributable to (i) The decrease in revenue due to the impact from the social incidents since June 2019 and the outbreak of the novel coronavirus ("**COVID-19**") and (ii) the material impairment loss on property and equipment and right-of-use assets.

BUSINESS REVIEW AND PROSPECTS

Since the mid of 2019, the catering industry in Hong Kong is facing a tough challenge amidst the continuous weakened market sentiment and recent social incidents since June 2019 and outbreak of COVID-19 in the beginning of 2020. The management expects that the overall economic environment in Hong Kong in near term would still be unstable and would be challenging to the Group.

To cope with this, the management has put much efforts on tightening the control over the procurement of the raw materials and other costs incurred in our operations. The effects from the measures begin to be reflected in the decreasing trend over various costs. The management also actively negotiates with the suppliers, landlords and other business partners to sort out feasible measures to overcome this tough time.

The Group will continue to take actions to control costs and drive efficiency to maintain our profitability and competitiveness in the market.

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our valued customers, business partners, and shareholders for their persistent support, while also expressing my appreciation to the management team and employees for their valuable contribution to the development of the Group.

Chuk Stanley
Chairman

Hong Kong, 30 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a Hong Kong based restaurant group that offers Sichuanese and Cantonese, fusion vegetarian and Japanese cuisines under the "San Xi Lou (三希樓)", "Pure Veggie House (心齋)", "Man Jiang Hong (滿江紅)" and "Ronin (浪人)" brands, respectively. The Group's revenue for the year ended 31 March 2020 was primarily derived from catering income through its restaurants.

For the year ended 31 March 2020, the Group recorded a decrease in revenue of approximately HK$32.5 million, representing a decrease of approximately 25.2%, from approximately HK$129.2 million for the year ended 31 March 2019 to approximately HK$96.6 million for the year ended 31 March 2020. Such decrease was mainly due to (i) The decrease in revenue due to the impact from the social incidents since June 2019 and the outbreak of the novel coronavirus ("**COVID-19**") and (ii) the material impairment loss on property and equipment and right-of-use assets.

On 13 February 2018 (the "**Listing Date**"), the Shares were successfully listed on GEM by way of Share Offer. After deducting all the relevant commissions and expenses borne by the Company, there were approximately HK$42.3 million of net proceeds from the Share Offer. The Group will utilise such net proceeds in accordance with the business strategies as set out in the Company's prospectus (the "**Prospectus**") dated 31 January 2018 and our announcement regarding the change of use of proceeds dated 9 October 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to approximately HK$96.6 million for the year ended 31 March 2020 from approximately HK$129.2 million for the year ended 31 March 2019, representing a decrease of approximately 25.2%. Such decrease in the Group's revenue was mainly attributable to the (i) The decrease in revenue due to the impact from the social incidents since June 2019 and the outbreak of COVID-19 and (ii) the material impairment loss on property and equipment and right-of-use assets.

Raw materials and consumables used

The raw materials and consumables used decreased to approximately HK$34.1 million for the year ended 31 March 2020 from approximately HK$45.8 million for the year ended 31 March 2019, representing a decrease of approximately 25.6%. The Directors believed that such decrease, mainly due to decreased consumption of raw materials as a result of the decrease in revenue and the effect reflected from the tightened cost control by the Group.

Staff costs

The Group's staff costs decrease to approximately HK$45.3 million for the year ended 31 March 2020 from approximately HK$53.4 million for the year ended 31 March 2019, representing a decrease of approximately 15.1%. Such decrease in the Group's staff costs was mainly attributable to decrease in number of staff and the adjustment on salary level of staff.

Depreciation

The Group's depreciation increased to approximately HK$26.1 million for the year ended 31 March 2020 from approximately HK$9.1 million for the year ended 31 March 2019, representing an increase of approximately 187.6%. The Group's depreciation increased primarily due to the adoption of new accounting standard HKFRS 16 "Leases".

Impairment loss

The Group's impairment loss provided was for right-of-use assets and property and equipment, which were amounted HK$27.4 million and HK$26.7 million for the year ended 31 March 2020 respectively. (2019: nil and approximately HK$3.4 million)

MANAGEMENT DISCUSSION AND ANALYSIS

Rental and related expenses

Rental and related expenses decreased to approximately HK$5.7 million for the year ended 31 March 2020 from approximately HK$29.6 million for the year ended 31 March 2019, representing a decrease of approximately 80.6%. Such decrease in the Group's rental and related expenses was mainly due to the adoption of new accounting standard HKFRS 16 "Leases".

Utilities expenses

The Group's utilities expenses decreased to approximately HK$8.4 million for the year ended 31 March 2020 from approximately HK$8.7 million for the year ended 31 March 2019, representing a decrease of approximately 3.5%. The Group's utilities expenses decreased primarily due to the increase in intensity of utilities usage control on all restaurants.

Other expenses

Other expenses decreased to approximately HK$9.7 million for the year ended 31 March 2020 from approximately HK$15.2 million for the year ended 31 March 2019, representing a decrease of approximately 36.5%. The main reason for the decrease were the tightened cost control over the daily operating costs.

Loss and total comprehensive expense

The loss and total comprehensive expense for the year ended 31 March 2019 of approximately HK$37.7 million increased to approximately HK$93.2 million for the year ended 31 March 2020. The increase in loss of approximately HK$55.5 million was mainly attributable to a combination of those factors discussed above.

Basic loss per share

The Group's basic loss per share increased to approximately 11.7 HK cents for the year ended 31 March 2020 from approximately 4.7 HK cents for the year ended 31 March 2019, representing an increase of approximately 7.0 HK cents. Such change was in line with the increase in loss and total comprehensive expense for the year ended 31 March 2020.

USE OF PROCEEDS

The Shares have been successfully listed on GEM on the Listing Date. The actual net proceeds from the Share Offer, after deducting commissions and expenses borne by the Company in connection with the Share Offer, were approximately HK$42.3 million (the "**Actual Net Proceeds**"), which were lower than the estimated figure as stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period from the Listing Date to 31 March 2020 (the "**Period**") but with monetary adjustments to each business strategic plan on a pro-rata basis.

On 9 October 2018, the Board had resolved that (i) a part of the Net Proceeds that was originally intended for the establishment of a central kitchen will be applied towards paying the set-up costs of MJH TST, and (ii) the Net Proceeds that was originally intended for the establishment of a new restaurant under the "Pure Veggie House (心齋)" brand in Kowloon will be applied towards PVH Taipei. Details of the change in use of proceed can be referred to the announcement dated 9 October 2018.

The table below sets out the adjusted allocation and the actual usage of the Actual Net Proceeds as at 31 March 2020.

	Adjusted allocation of the Actual Net Proceeds HK$ (million)	Actual usage of the Actual Net Proceeds as at 31 March 2020 HK$ (million)
Business strategies as set out in the Prospectus and announcement regarding change in use of proceeds		
Establishing a central kitchen	6.0	Nil
Renovating our premises and upgrading our equipment	10.7	10.7
Establishing MJH TST	10.0	10.0
Establishing PVH Taipei	8.9	7.9
Repayment of utilised banking facility	3.6	3.6
Strengthen our marketing effects	1.0	1.0
Upgrading our information system	0.9	0.2
General working capital	1.2	1.2
	42.3	34.6

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group has total assets of approximately HK$9.0 million (2019: approximately HK$65.0 million), which is financed by total liabilities and shareholders' deficit (comprising share capital and reserves) of approximately HK$73.1 million (2019: approximately HK$53.1 million) and approximately HK$64.1 million (2019: shareholders' equity at approximately HK$11.9 million), respectively. The current ratio as at 31 March 2020 of the Group was approximately 0.1 times (2019: approximately 0.5 times).

The net cash from operating activities of approximately HK$4.8 million. As at 31 March 2020, the Group had bank balances and cash of approximately HK$1.2 million (2019: approximately HK$1.9 million). The total interest-bearing loan of the Group as at 31 March 2020 was approximately HK$2.6 million (2019: approximately HK$23.0 million). The gearing ratio (calculated based on interest bearing loan and the lease liabilities/obligation under finance lease divided by total equity) of the Group as at 31 March 2020 was nil (2019: approximately 1.9 times).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong and Taiwan with majority of the transactions being settled in Hong Kong dollars and New Taiwan dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The transactions and monetary assets denominated in Renminbi are minimal for the two years ended 31 March 2019 and 2020, the Group considers there were no significant foreign exchange risks in respect of Renminbi for both years.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The Shares were successfully listed on GEM on the Listing Date. These has been no changes in the capital structure of the Group since then. The share capital of the Group comprises only ordinary shares.

As at 31 March 2020, the Company issued share capital was HK$8,000,000 divided into 800,000,000 Shares of HK$0.01 each.

BORROWINGS

As at 31 March 2020, the total borrowings of the Group were denominated in Hong Kong dollars and New Taiwan dollars, amounted to approximately HK$2.6 million and nil respectively (2019: approximately HK$21.5 million and HK$1.5 million). The bank loans are at floating rate which carry interest at Best Lending Rate plus or minus a spread or Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.5%. The effective interest rate on the Group's bank loans was 6.50% (2019: ranged from 3.38% to 5.13%) per annum as at 31 March 2020. Bank overdrafts carry interest at market rates at 15.25% (2019: ranged from 4.38% to 6.38%) per annum as at 31 March 2020. No financial instrument was being used for interest rate hedging purpose.

The Group had HK$0.3 million unsecured and interest-free amounts due to director as at 31 March 2020 (2019: approximately HK$8.1 million).

PLEDGE OF ASSETS

As at 31 March 2020, the Group's obligation under a finance lease was secured by the lessor's title to the leased asset, which had a carrying amount of approximately HK$nil (2019: approximately HK$0.2 million).

As at 31 March 2019, pledged bank deposits held by the Group amounted to approximately HK$8.0 million represent fixed deposits pledged to bank as security of bank borrowings amounted to approximately HK$7.4 million. No deposits was pledged as at 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

Save as disclosed in note 31 to the consolidated financial statement, the Group did not have any material acquisition nor disposal of subsidiaries, associates or joint ventures during the two years ended 31 March 2019 and 2020.

CONTINGENT LIABILITIES

Save as disclosed in note 39 to the consolidated financial statement, as at 31 March 2019 and 31 March 2020, the Group did not have significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2019 and 31 March 2020, the Group did not have any significant capital commitments.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP AND PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, the Group did not hold any significant investments as at 31 March 2019 and 2020 or have other plans for material investments and capital assets as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. During the year ended 31 March 2020, the Group's revenue was generated in Hong Kong and Taiwan. If Hong Kong and/or Taiwan experience any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

2. Rental expenses, cost of raw materials and consumables, staff cost and depreciation contributed the majority of the Group's operating cost. The following factors are uncertain and may affect the cost control measures of the Group:

   (i) The Group's business depends on reliable suppliers of large quantities of food ingredients such as seafood, vegetables and meat. The price of food ingredients may continue to rise or fluctuate.

   (ii) As at 31 March 2020, the Group leased all the properties for its restaurants operating in Hong Kong and Taiwan. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

The Group would also be affected by interest rate risk, credit risk, currency risk and liquidity risk. The financial risk management policies and practices of the Group are stated in note 33 to the consolidated financial statements in this annual report.

PROSPECT

The outbreak of COVID-19 in Hong Kong and various countries around the globe has affected many businesses to different extent. Food and Beverage is one the industries that encountered the most difficult impact.

To cope with this, the management has put much efforts on tightening the control over the procurement of the raw materials and other costs incurred in our operations. The effects from the measures begin to be reflected in the decreasing trend over various costs. The management also actively negotiates with the suppliers, landlords and other business partners to sort out feasible measures to overcome this tough time.

The Group estimates that the degree of COVID-19 impact would be dependent on the outcome of various preventive measures and the duration of the epidemic. The Group is closely monitoring the market development and continuously evaluating the financial impact of the COVID-19 situation on the Group's operational and financial performance. Given the unpredictability of future development of COVID-19, the impacts to the Group could not be reasonably and accurately estimated at this stage. However, The Group will continue to take actions to control costs and drive efficiency to maintain our profitability and competitiveness in the market.

The Group is also seeking for potential buyers or investors for some under-performed restaurants and performed capital raising like placing new shares in order to improve the Group's cash flow status and relieve liabilities burden.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chuk Stanley (祝嘉輝) (formerly known as Mr. Chuk Stanley Cah Fai), aged 41, is the chairman of the Board, an executive Director and the chief executive officer of the Group. He was appointed as a Director on 11 February 2016. He was re-designated as the executive Director and appointed as the chief executive officer of the Company and the chairman of the Board on 21 August 2017. He joined the Group as a director of Great Planner Limited, one of the operating subsidiaries of the Group, on 15 February 2008. He is primarily responsible for overseeing and planning of our business strategies and responsible for the overall management of the Group. He is the chairman of nomination committee and a member of remuneration committee. Mr. Chuk Stanley is also a director of all the subsidiaries of the Company.

Mr. Chuk Stanley has nearly ten years of experience in the restaurant and catering business in Hong Kong. Prior to joining the Group, he worked as a building manager at Chuk's Development Company Limited from January 2000 to June 2004 in Canada. From June 2005 to July 2006, Mr. Chuk Stanley served as a property manager at Hing Fai Development (H.K.) Company Limited in Hong Kong.

Mr. Chuk Stanley graduated from Langara College in Vancouver, Canada with an associate of arts degree in May 2002.

Mr. Chuk Stanley is son of Mr. Chuk Kin Yuen, the executive Director.

Mr. Lam Ka Wong, Johnson (林家煌), aged 40, was appointed as an executive Director and the chief operating officer of the Company on 21 August 2017. He was the financial controller of the Group from 18 November 2008 to 21 August 2017. Mr. Lam is primarily responsible for the overall management of the Group.

Mr. Lam has nearly ten years of experience in the administrative and financial management in the restaurant and catering business. Prior to joining the Group, he worked as a property consultant at Midland Business Management Ltd. from April 2005 to November 2005 and at Midland Realty (Comm.) Limited in Hong Kong in December 2005. Mr. Lam also served as a researcher at Harton Lee Limited in Hong Kong from April 2006 to June 2007 and as a property manager at Asian Property Investments Limited in Hong Kong from June 2007 to November 2008.

Mr. Lam graduated from the University of British Columbia in Vancouver, Canada with a bachelor's degree of arts in psychology in November 2004.

Mr. Chuk Kin Yuen (祝建原), aged 66, was appointed as an executive Director of the Company on 21 August 2017. He is primarily responsible for overseeing and planning of the Group's business strategies. He has been a director of Good Step Limited, one of the operating subsidiaries of the Group, since February 2013 and joined the Group on 20 October 2016, being the day on which Good Step Limited became part of the Group. He has been in charge of the management and operation of Ronin Central and Ronin Wanchai since their commencement of business. He is a member of nomination committee.

Mr. Chuk Kin Yuen has over 40 years of experience in the construction, engineering and property industry. Prior to joining the Group, he worked as an assistant engineer at Carter Semiconductors (HK) Limited in Hong Kong from July 1971 to March 1973. He worked as an electronic technician at Facit Addo Office Equipment Limited in Vancouver, Canada from August 1973 to December 1979. He worked as a project director at Sui Chong Construction and Engineering Company Limited in Hong Kong from March 1980 to July 1999 which he was responsible for the construction projects for both public and private sectors. He has been the director of Hing Fai Development (H.K.) Company Limited in Hong Kong since 1981 and has worked as the general manager since July 1999.

Mr. Chuk Kin Yuen studied electronic and communication engineering in the Far East Flying Training School in Hong Kong from 1968 to 1970.

Mr. Chuk Kin Yuen is father of Mr. Chuk Stanley, the executive Director, and spouse of Mrs. Chuk Cheng Sau Mun, Winnie, a member of the senior management of the Group.

Dr. Chen Liang (陳亮), aged 50, was appointed as an executive Director of the Company on 8 April 2020. He is primarily responsible for overseeing the Group's business strategies and exploring new opportunities for development.

Dr. Chen worked for various companies and research institutes in China and abroad. He was the chief executive officer and an executive director of Silk Road Energy Services Group Limited (stock code: 8250), a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the period from December 2011 to August 2013 and March 2016, respectively. From May 2013 to March 2015, Dr. Chen was an executive director of Birmingham Sports Holdings Limited (stock code: 2309), a company listed on the Main Board of the Stock Exchange. Dr. Chen has been appointed as an independent non-executive director of Chinese Energy Holdings Limited (stock code: 8009), a company listed on the GEM of the Stock Exchange since August 2015. From February 2017 to May 2018, Dr. Chen was an executive director of China Ocean Fishing Holdings Limited (stock code: 8047), a company listed on the GEM of the Stock Exchange. From July 2017 to July 2018, Dr. Chen was an executive director of Ding He Mining Holdings Limited (stock code: 0705), a company listed on the Main Board of the Stock Exchange and from July 2019 to May 2020, Dr. Chen was an executive director of Miji International Holdings Limited (stock code: 1715), a company listed on the Main Board of the Stock Exchange.

Dr. Chen obtained a Doctoral Degree from China University of Petroleum (Beijing) in 1996. He has accumulated over 20 years of working experience in oil and gas industry and business management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yew Tak Yun, Paul (姚德恩), aged 60, was appointed as an independent non-executive Director on 23 January 2018. He is primarily responsible for supervising the Group's compliance and corporate governance matters and providing independent advice to the Board. He is a member of audit and risk management committee, nomination committee and remuneration committee.

Mr. Yew has about 30 years of experience in architecture. He served at RSP Architects Planners & Engineers in Singapore as an architect from May 1987 to October 1988. Mr. Yew joined Arthur C. S. Kwok Architects & Associates Limited in Hong Kong as an architect in November 1988 and had been a deputy director since April 1997 to February 2020. Mr. Yew joint Ho & Partners Architects Engineers & Development Consultants Limited as a senior associate director in Hong Kong since March 2020.

Mr. Yew graduated from The National University of Singapore in Singapore with a bachelor's degree of arts in architectural studies in June 1984 and a bachelor's degree of architecture in June 1987. He has been an associate member of Singapore Institute of Architects since September 1987. He has also been a member of The Hong Kong Institute of Architects since May 1990 and a registered architect as awarded by Architects Registration Board Hong Kong since 2003.

Mr. Chan Kwok Ki, Stephen (陳國基), aged 47, was appointed as an independent non-executive Director on 23 January 2018. He is primarily responsible for supervising the Group's compliance and corporate governance matters and providing independent advice to the Board. He is the chairman of remuneration committee and a member of audit and risk management committee and nomination committee.

Mr. Chan has about 20 years of experience in business administration. He served as a sales and marketing manager from August 1997 to September 2007 and has been a general manager since August 2007 at Lee Tack Plastic & Metal Manufactory Limited. Since November 2014, he has worked as the chief executive officer of Sanki Pioneer Limited, a company principally engaged in trading and distribution of stationery and lifestyle products in Asian and European markets.

Mr. Chan graduated from McGill University in Canada with a bachelor's degree in commerce in June 1997. He also obtained a master's degree in business administration from Hong Kong Baptist University in November 2007.

Mr. Wong Ching Wan (王青雲), aged 53, was appointed as an independent non-executive Director on 24 January 2020. He is primarily responsible for supervising the Group's compliance and corporate governance matters and providing independent advice to the Board.

Mr. Wong has almost thirty years of experience in audit, internal control, financial control and capital markets. He has held various positions in different companies in China, U.S. and Hong Kong including senior position in multinational companies. He joined China Finance Investment Holdings Limited (stock code: 875) since November 2018 as the compliance officer. Mr. Wong also holds the position of non-independent CEO of One Belt One Network (HK) Limited and Universe Asia Develop Limited. From September 2017 to August 2018, Mr. Wong was the chief financial officer of O Media Limited, one of Macau's largest media companies in gaming. From May 2015 to June 2018, he was an independent non-executive director, the chairman of the audit committee and remuneration committee, and a member of nomination committee of Huge China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 428); and since March 2016, he has been an independent non-executive director, chairman of audit committee, chairman of remuneration committee and a member of nomination committee of On Real International Holdings Limited (stock code: 8245), a company listed on the GEM of Stock Exchange.

Previously, Mr. Wong was an independent non-executive director of Grand Field Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 115) between December 2008 to January 2009; the authorised representative and company secretary of China Oil Gangran Energy Group Holdings Limited, a company listed on the GEM of Stock Exchange (stock code: 8132) from December 2015 to November 2016 and continued acting as the authorised representative until January 2017; and a director of Network CN, Inc. (stock code: NWCN) in U.S.A. between September 2015 and July 2017. From August 2016 to July 2017, he was the financial controller for Anucell Technology Holding Limited.

Mr. Wong obtained a Bachelor of Business and Administration from the Chinese University of Hong Kong in May 1989 and a Bachelor of Commerce from The University of Southern Queensland in April 1992. He attended the Professional Master of Business Administration course offered by the Troy University (formerly known as Troy State University), U.S. in 2000. Mr. Wong is a member of CPA Australia since October 1997, Chartered Professional Accountants of Canada since January 1999, the Hong Kong Institute of Certified Public Accountants since March 1999 and fellow member of The Taxation Institute of Hong Kong since October 2012.

SENIOR MANAGEMENT

For detailed biographies of **Mr. Chuk Stanley (祝嘉輝)** and **Mr. Lam Ka Wong, Johnson (林家煌)**, please see "Executive Directors" above in this section.

Mr. Chu Pui Ki, Dickson (朱沛祺), aged 35, was appointed as the company secretary of the Company on 22 June 2017 and the financial controller of the Group with effect from 21 August 2017. Mr. Chu is primarily responsible for overseeing the company secretarial affairs and the financial matters of the Group.

Mr. Chu has over 10 years of relevant experience in accounting and auditing and has experience in tax, internal control matters and holding the positions of company secretary and authorised representative in other companies listed on the Stock Exchange. He has been appointed as the company secretary of SG Group Holdings Limited (Stock Code: 01657) since 1 March 2019, a company formerly listed on the GEM of the Stock Exchange and transferred to the main board of the Stock Exchange on 20 March 2020, and the company secretary of Elegance Commercial and Financial Printing Group Limited (Stock Code: 08391), a company listed on GEM of the Stock Exchange since 1 July 2019.

Mr. Chu graduated from the Hong Kong Baptist University in Hong Kong with a bachelor's degree of business administration in accounting in November 2006 and he has been a member of Hong Kong Institute of Certified Public Accountants since February 2011.

Mrs. Chuk Cheng Sau Mun, Winnie (祝鄭秀滿) (formerly known as Cheng Sau Mun (鄭秀滿)), aged 49, was appointed as the administrative manager of Good Step Limited on 30 August 2017. She is primarily responsible for the general administration matter of Good Step Limited. She joined Good Step Limited, one of the operating subsidiaries of the Group, as the operational and finance manager in January 2014 and joined the Group on 20 October 2016, being the day on which Good Step Limited became part of the Group.

Mrs. Chuk has nearly 20 years of experience in the property industry. From December 1988 to February 1995, she worked at Hong Kong Telecommunications Limited and her last position was a customer service representative of the customer front office. She served as a tour counter saleslady at Gray Line Tours of Hong Kong Limited during the period of November 1995 to May 1996 and a tour guide in the operations department of Holiday World Tours Limited from September 1996 to February 1997. She worked as a senior property consultant of Midland Realty (Strategic) Limited from October 1998 to April 2004. Since May 2004, she has served as a property and officer manager of Hing Fai Development (H.K.) Company Limited and has been responsible for overseeing its property portfolio.

Mrs. Chuk attended at S.K.H. Holy Trinity Church Secondary School in Hong Kong from September 1983 to July 1988.

Mrs. Chuk is spouse of Mr. Chuk Kin Yuen, the executive Director.

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is principally engaged in the operation of full-service restaurants under our self-owned brands in Hong Kong. Analysis of the principal activities of the Group during the year ended 31 March 2020 is set out in the note 38 to the consolidated financial statements.

BUSINESS REVIEW

Details of business review are set out in the section headed "Management Discussion and Analysis" on page 5 of this annual report. An analysis using financial key performance indicators can be found in the section headed "Management Discussion and Analysis" on pages 5 to 9 of this annual report.

SEGMENT INFORMATION

The Group's operating and reportable segments are (i) Sichuanese and Cantonese cuisine under the "San Xi Lou (三希樓)" brand; (ii) vegetarian cuisine under the "Pure Veggie House (心齋)" brand in Hong Kong; (iii) vegetarian cuisine under the "Pure Veggie House (心齋)" brand in Taipei; (iv) Sichuanese cuisine under the "Man Jiang Hong (滿江紅)" brand; (v) Japanese cuisine under Ronin Central; (vi) Japanese cuisine under Ronin Wanchai; and (vii) trading of food materials. Information reported to the chief operating decision maker for the purpose of resources allocation and performance assessment focuses on different restaurants of the Group.

The Group's revenue is all derived from Hong Kong and Taiwan based on the location of goods delivered and services provided. Details of segment information are set out in note 6 to the financial statement.

RESULTS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

FINAL DIVIDENDS

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

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years is set out on page 112 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Share Offer (after deducting underwriting fees and related expenses) amounted to approximately HK$42.3 million, which are intended to be applied in the manner as disclosed in the Prospectus and the announcement regarding change of proceeds date 9 October 2018. For details, please refer to the section headed "Management Discussion and Analysis — Use of proceeds" on page 6 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

Due to the nature of our business, the majority of our customers consist of retail customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group for the year ended 31 March 2020 and we did not rely on any single customer during the year. For instance, none of our customers accounted for 5% or more of our revenue for the year ended 31 March 2020.

Major Suppliers

For the year ended 31 March 2020, the Group's five largest suppliers accounted for approximately 52.7% (2019: approximately 63.2%) of the Group's total purchases and our single largest supplier accounted for approximately 13.2% (2019: approximately 36.8%) of the Group's total purchases.

During the year ended 31 March 2020, none of the Directors or any of their close associates or any shareholders of the Company (the "**Shareholders**") (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in any of the Group's five largest suppliers.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended 31 March 2020 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2020 are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2020 are set out in note 37 to the consolidated financial statements and the consolidated statement of changes in equity on page 50 of this annual report respectively.

DISTRIBUTABLE RESERVES

No distributable reserves was available for distribution as at 31 March 2020 (2019: approximately HK$3.6 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2020 are set out in note 24 to the consolidated financial statements.

REPORT OF DIRECTORS

DIRECTORS

The Directors during the year ended 31 March 2020 and up to the date of this annual report are:

Executive Directors

Mr. Chuk Stanley *(Chairman and Chief Executive Officer)*
Mr. Lam Ka Wong, Johnson *(Chief Operating Officer)*
Mr. Chuk Kin Yuen
Dr. Chen Liang (appointed on 8 April 2020)

Independent Non-executive Directors

Mr. Yew Tak Yun, Paul
Mr. Chan Kwok Ki, Stephen
Mr. Wong Ching Wan (appointed on 24 January 2020)
Ms. Chian Yat Ping (resigned on 24 January 2020)

In accordance with article 109 of the articles of association of the Company (the "**Articles of Association**"), one-third of the Directors shall retire from office by rotation and be eligible for re-election at each annual general meeting provided that every Director shall retire at least once every three years.

In accordance with article 113 of the Articles of Association, any Director appointed to fill a casual vacancy by the Board shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Chuk Kin Yuen, Dr. Chen Liang and Mr. Wong Ching Wan shall retire at the forthcoming annual general meeting (the "**AGM**"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 10 to 13 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company, save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the year ended 31 March 2020 and remain so as at the date of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 March 2020 and remain so as at the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from the Listing Date or the date of appointment for whom appointed subsequent to the Listing Date, and shall continue thereafter unless and until it is terminated by the Company or the Director giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date or the date of appointment for whom appointed subsequent to the Listing Date, which may be renewable subject to both parties' agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those interests set out in note 34 to the consolidated financial statements and the transactions as set out in the paragraphs under "Continuing connected transactions" below, (i) no other Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, (ii) there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries, and (iii) there was no contract of significance between the Company or one of its subsidiaries and a controlling shareholder or any of its subsidiaries, during the year ended 31 March 2020 and up to the date of this annual report.

MANAGEMENT CONTRACTS

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

EMPLOYEES AND REMUNERATION POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

As at 31 March 2020, the total number of full time and casual or part time employees of the Group was 137 (2019: 241). Total staff costs (including Directors' emoluments) were approximately HK$45.3 million for the year ended 31 March 2020 (2019: approximately HK$53.4 million). Details of the emoluments of the Directors, and five highest paid individuals during the year ended 31 March 2020 are set out in note 9 to the consolidated financial statements.

Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. The Group continues to offer competitive remuneration packages and bonus to eligible staff, based on the performance of the Group and the individual employee.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

The Group has also adopted other employee benefit including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance. Details of such scheme are set out in note 30 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been 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 taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) Interests and short positions in the Shares, underlying shares and debentures of the Company

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Mr. Chuk Stanley ("**Mr. Stanley Chuk**")	Interest in controlled corporation (Note 1)	486,720,000	Long	60.84%
Mr. Chuk Kin Yuen ("**Mr. KY Chuk**")	Interest in controlled corporation (Note 2)	61,568,000	Long	7.70%

Notes:

(1) 486,720,000 Shares were held by JSS Group Corporation ("**JSS Group**"), which is wholly owned by Mr. Stanley Chuk. As such, Mr. Stanley Chuk was deemed to be interested in all the shares held by JSS Group pursuant to Part XV of the SFO.

(2) 61,568,000 Shares were held by J & W Group Limited ("**J & W Group**"), which is wholly owned by Mr. KY Chuk. As such, Mr. KY Chuk was deemed to be interested in all the shares held by J & W Group pursuant to Part XV of the SFO.

(ii) Interests and short positions in the shares, underlying shares and debentures of associated corporations

Name	Name of Associated Corporation	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in Associated Corporation (%)
Mr. Stanley Chuk	JSS Group	Beneficial owner	1,000	Long	100%
Mr. KY Chuk	J & W Group	Beneficial owner	1	Long	100%

Save as disclosed above, as at 31 March 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was 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 taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 March 2020 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL AND OTHER SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
JSS Group	Beneficial owner	486,720,000	Long	60.84%
J & W Group	Beneficial owner	61,568,000	Long	7.70%
Mrs. Chuk Cheng Sau Mun, Winnie	Interest of spouse (Note 1)	61,568,000	Long	7.70%

Notes:

(1) Mrs. Chuk Cheng Sau Mun, Winnie, being the spouse of Mr. KY Chuk, was deemed to be interested in the same number of Shares held by Mr. KY Chuk.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement that would or might result in the Company issuing shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the year ended 31 March 2020 or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

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

NON-COMPETITION UNDERTAKING

Pursuant to the deed of non-competition dated 29 January 2018 ("**Deed of Non-competition**") entered into by Mr. Stanley Chuk and JSS Group (collectively, the "**Controlling Shareholders**"), Mr. KY Chuk, J & W Group, Mr. Steve Chuk and Oxlo (collectively, the "**Covenantors**"), each of the Covenantors has irrevocably undertaken to the Company (for itself and as trustee for each of its subsidiaries from time to time) that he/it shall not, and shall procure that his/its close associates (except any members of the Group) would not, during the restricted period, directly or indirectly, either on his/its own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold any right or interest in (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business currently carried on or contemplated to be carried on by any member of the Group (the "**Restricted Business**"). For details of the Deed of Non-competition, please refer to the section headed "Relationship with the Controlling Shareholders" in the Prospectus.

The Company has received confirmations from the Covenants confirming their compliance with the Deed of Non-competition during the year ended 31 March 2020 for disclosure in this report.

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the year ended 31 March 2020 based on the information and confirmation provided by or obtained from the Covenantors, and were satisfied that the Covenantors have duly complied with the Deed of Non-competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 March 2020, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) had engaged in or had any interest in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Tenancy Agreement between the Group and Charm Region

On 1 January 2018, Good Step Limited ("**Good Step**"), as tenant, entered into a tenancy agreement (the "**Tenancy Agreement**") with Charm Region Limited ("**Charm Region**"), as landlord, in respect of the premises (the "**Premises**") for use by the Group to operate Ronin Wanchai. A summary of the terms of the Tenancy Agreement is set out below:

Landlord	:	Charm Region
Tenant	:	Good Step
Premises	:	2A, 2nd Floor, Capital Building, 175–191 Lockhart Road, Wan Chai, Hong Kong
Term of lease	:	From 1 January 2018 to 31 March 2020
Monthly rental	:	HK$200,000 (excluding government rates, utilities, management fees and other outgoings) during the period from 1 January 2018 to 30 September 2018, and HK$250,000 (excluding government rates, utilities, management fees and other outgoings) during the period from 1 October 2018 to 31 March 2020 with two rent-free months in October 2018 and October 2019
Renewal rights	:	Good Step shall have the right to renew the lease for three additional years from 1 April 2020 at the prevailing market rent provided that the increase in monthly rental shall be no more than 25%
Use	:	Restaurant

The annual caps under the Tenancy Agreement are HK$0.6 million, HK$2.45 million and HK$2.75 million for the period from 1 January 2018 to 31 March 2018 and for the two years ended 31 March 2019 and 31 March 2020, respectively. Since the commencement of the Tenancy Agreement, the aggregate rental paid by Good Step to Charm Region for the Premises was approximately HK$5.0 million.

Charm Region is owned as to 50% by Mr. KY Chuk and 50% by Mr. Steve Chuk. Mr. KY Chuk is a Director, and Mr. Steve Chuk is son of Mr. KY Chuk and elder brother of Mr. Stanley Chuk, who are both Directors. As such, Charm Region is a connected person of the Company under the GEM Listing Rules. Accordingly, the Tenancy Agreement falls under the definition of continuing connected transaction under Chapter 20 of the GEM Listing Rules, and also constitutes a related party transaction of the Group as disclosed on page 107 of this annual report. The Group has complied with applicable disclosure requirements under Chapter 20 of the GEM Listing Rules in respect of such continuing connected transaction.

The independent non-executive Directors have reviewed these transactions and confirmed that the continuing connected transaction, has been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 20.54 of the GEM Listing Rules, the Directors engaged the auditor of the Company to perform certain work on the above continuing connected transaction(s) in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors and confirmed that, for the year ended 31 March 2020:

a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction(s) have not been approved by the Board;

b. for transaction(s) involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transaction(s) were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to their attention that causes them to believe that the transaction(s) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transaction(s) set out the continuing connected transaction(s), nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction(s) have exceeded the annual cap as set by the Company and as disclosed in the Prospectus.

This related party transaction as disclosed in note 34 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company as defined in Chapter 20 of the GEM Listing Rules and are in compliance with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed in this annual report, during the year ended 31 March 2020, the Company had no connected transactions or continuing connected transactions which would fall to be disclosed in accordance with the provisions under Chapter 20 of the GEM Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

DONATIONS

During the year ended 31 March 2019, the Group did not make any charitable and other donations (2019: approximately HK$nil).

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 March 2020, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to providing an environmental friendly culture and atmosphere within the Group. The Group has undertaken environmental protection measures such as (i) reduction of use of papers; (ii) minimisation of electricity consumption outside business hours; and (iii) recycling of waste cooking oil. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 March 2020. A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than three months after the publication of this report.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force throughout the year ended 31 March 2020. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

EVENTS AFTER THE REPORTING PERIOD

(i) The degree of COVID-19 impact is critical to the Group and the performance of the Group in the future would be dependent on the outcome of various preventive measures and the duration of the epidemic. The Group is closely monitoring the market development and continuously evaluating the financial impact of the COVID-19 situation on the Group's operational and financial performance. Given the unpredictability of future development of COVID-19, the impacts to the Group could not be reasonably and accurately estimated at this stage.

(ii) On 26 June 2020, the Group and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to acquire Good Step Limited ("**Good Step**") (a wholly owned subsidiary) shares and the benefit of and interest in Good Step from the Group, at an aggregate consideration of HK$1 due to the unexpected political activities in Hong Kong since June 2019 and the recent outbreak of the COVID-19 pandemic. The relevant sale shares in respect of the Good Step represents its total issued share capital.

Upon Completion, the Company will cease to hold any interest in the Good Step, and Good Step will cease to be a subsidiary of the Company and the financial results of Good Step will no longer be consolidated into the consolidated financial statements of the Company.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Company (the "**Audit and Risk Management Committee**") had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 March 2020.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 26 to 43 of this annual report.

The compliance officer and company secretary of the Company are Mr. Chuk Stanley and Mr. Chu Pui Ki, Dickson, respectively. Their biographical details are set out on pages 10 and 13 of this annual report.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, CLC International Limited ("**CLC**"), except for (i) the compliance adviser agreement entered into between the Company and CLC dated 30 January 2018; and (ii) the supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 24 July 2019, neither CLC nor its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the GEM Listing Rules, was held by the public at all times during the year ended 31 March 2020 and as at the date of this annual report.

AUDITOR

The financial statements for the year ended 31 March 2020 have been audited by D & PARTNERS CPA LIMITED. D & PARTNERS CPA LIMITED will retire and, being eligible, offer themselves for re-appointment. A resolution to re-appoint D & PARTNERS CPA LIMITED as the auditor of the Company will be proposed at the forthcoming annual general meeting.

PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company at topstandard.com.hk.

On behalf of the Board

Chuk Stanley
Chairman and Executive Director

Hong Kong, 30 June 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 March 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code throughout the year ended 31 March 2020 save for code provision A.2.1. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit and Risk Management Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this annual report, the Board comprised four executive Directors and three independent non-executive Directors:

Executive Directors:
Mr. Chuk Stanley *(Chairman and Chief Executive Officer)*
Mr. Lam Ka Wong, Johnson *(Chief Operating Officer)*
Mr. Chuk Kin Yuen
Dr. Chen Liang (appointed on 8 April 2020)

Independent Non-executive Directors:
Mr. Yew Tak Yun, Paul
Mr. Chan Kwok Ki, Stephen
Mr. Wong Ching Wan (appointed on 24 January 2020)
Ms. Chian Yat Ping (resigned on 24 January 2020)

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2020, the Board has met at all times the requirements under Rules 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 5.05A of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations. The Company also provides regular updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company will continue to arrange training to the Directors in accordance with code provision A.6.5 of the CG Code.

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

Name of Directors	Nature of Continuous Professional Development Programmes (Notes)
Executive Directors	
Mr. Chuk Stanley	A and B
Mr. Lam Ka Wong, Johnson	A and B
Mr. Chuk Kin Yuen	A and B
Dr. Chen Liang (appointed on 8 April 2020)	N/A
Independent Non-executive Directors	
Mr. Yew Tak Yun, Paul	A and B
Mr. Chan Kwok Ki, Stephen	A and B
Mr. Wong Ching Wan (appointed on 24 January 2020)	A and B
Ms. Chian Yat Ping (resigned on 24 January 2020)	N/A

Notes:

A: Attending training courses and/or seminars and/or meetings and/or forums and/or briefings

B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

Mr. Stanley Chuk is the chairman and the chief executive officer of the Company. In view of Mr. Stanley Chuk being a founder of the Group and has been operating the main operating subsidiaries of the Company, the Board believes that it is in the best interest of the Group to have Mr. Stanley Chuk taking up both roles for effective operational management and strategic business development. Further, the Board believes that both positions require in-depth knowledge and considerable experience of the Group's business and Mr. Stanley Chuk is the most suitable person to occupy both positions for the Group and facilitating the implementation and execution of the Group's business strategy as disclosed in the Prospectus. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate, and Mr. Stanley Chuk being the chairman and the chief executive officer can preserve and enhance the philosophies of the Group, preserve the leadership direction of the Group, and allow an efficient discharge of the executive functions of the chief executive as the decision maker. The Directors also believe that a balance of power and authority is adequately ensured by the operations of the Board which comprises individuals with diverse professional backgrounds and experiences including three independent non-executive Directors. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Appointment and Re-election of Directors

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from the Listing Date or the date of appointment for whom appointed subsequent to the Listing Date and shall continue thereafter unless and until it is terminated by the Company or the Director giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from the Listing Date or the date of appointment for whom appointed subsequent to the Listing Date, which may be renewable subject to both parties' agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or Board Committees prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the year ended 31 March 2020, there were four meetings held by the Board. All of the Directors attended the said Board meetings. Subsequent to 31 March 2020 and up to the date of this annual report, one Board meeting with all Directors present was held.

Required Standard of Dealings for Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings during the year ended 31 March 2020.

The Company has also adopted its own code of conduct regarding employees' securities transactions with reference to the required standard of dealings for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Group's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the Group.

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors, which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises three members, namely Mr. Wong Ching Wan (chairman), Mr. Yew Tak Yun, Paul and Mr. Chan Kwok Ki, Stephen, all of them are independent non-executive Directors.

The principal duties of the Audit and Risk Management Committee include the following:

1. to monitor the compliance with the laws and regulations that are applicable to the operations of the Group;

2. to review the report and findings submitted by the internal control consultant to ensure the effectiveness of our regulatory compliance procedures and system;

3. to review and monitor the financial reporting process, the risk management procedures as well as internal control system;

4. to review financial information; and

5. to consider issues relating to the external auditors and their appointment.

The written terms of reference of the Audit and Risk Management Committee are available on the websites of the Stock Exchange and the Company.

For the year ended 31 March 2020, there were five meetings held by the Audit and Risk Management Committee to (i) review with external auditors the external audit findings, the accounting principles and practices adopted by the Group, and the Listing Rules and statutory compliance; (ii) discuss auditing and financial reporting matters, including the review of the audited financial statements for the year ended 31 March 2019 and the unaudited financial statements for the three months ended 30 June 2019, for the six months ended 30 September 2019 and for the nine months ended 31 December 2019, with recommendations to the Board for approval; (iii) review the independence of the auditors; (iv) review and make recommendations to the Board on the auditors' re-appointment and remuneration; (v) review the Group's risk management and internal control systems; and (vi) review and make recommendations on the change of auditor. All members of the Audit and Risk Management Committee attended the said meetings. Subsequent to 31 March 2020 and up to the date of this annual report, a meeting of the Audit and Risk Management Committee was held in which the Audit and Risk Management Committee, among other things, reviewed and considered the consolidated financial statements of the Group for the year ended 31 March 2020 and recommended the re-appointment of the auditor. All members of the Audit and Risk Management Committee attended the said meeting.

The Company will comply with the CG Code to hold at least four meetings of the Audit and Risk Management Committee annually for the year ending 31 March 2021 onwards.

Nomination Committee

The Nomination Committee currently comprises five members, namely Mr. Chuk Stanley (executive Director), Mr. Chuk Kin Yuen (executive Director), Mr. Wong Ching Wan (independent non-executive Director), Mr. Yew Tak Yun, Paul (independent non-executive Director) and Mr. Chan Kwok Ki, Stephen (independent non-executive Director). Mr. Chuk Stanley is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors; and

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman of the Board and the executive director.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

For the year ended 31 March 2020, there was one meeting held by the Nomination Committee to (i) review the structure, size, composition and diversity of the Board; (ii) assess the independence of independent non-executive directors with reference to the requirements under the Listing Rules; and (iii) nominate the retiring directors for re-election at the annual general meeting held on 21 August 2019. Subsequent to 31 March 2020 and up to the date of this annual report, one meeting of the Nomination Committee was held in which the Nomination Committee, among other things, (i) reviewed and considered that the structure, size and composition of the Board are appropriate, (ii) assessed the independence of independent non-executive Directors, (iii) recommended the re-elections of Directors at the annual general meeting to be held; and (iv) reviewed and considered the appointment of new director. All members of the Nomination Committee attended the said meetings.

Remuneration Committee

The Remuneration Committee comprises four members, namely Mr. Chuk Stanley (executive Director), Mr. Wong Ching Wan (independent non-executive Director), Mr. Yew Tak Yun, Paul (independent non-executive Director) and Mr. Chan Kwok Ki, Stephen (independent non-executive Director). Mr. Chan Kwok Ki, Stephen is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and establish a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's goals and objectives;

3. as the Board shall direct, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to Directors (executive, non-executive or independent non-executive), executive officers and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and in line with market practice;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors (executive, non-executive or independent non-executive) for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

8. to ensure that no Director or any of his associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the year ended 31 March 2020, there was one meeting held by the Remuneration Committee to review and make recommendations to the Board on the remuneration package of the directors and senior management for the year ended 31 March 2020. Subsequent to 31 March 2020 and up to the date of this annual report, two meetings of the Remuneration Committee were held in which the Remuneration Committee, among other things, discussed and reviewed the remuneration packages for the Directors and senior management of the Company, and made recommendations to the Board on the remuneration packages of individual Directors and senior management for the year ending 31 March 2021. All members of the Remuneration Committee attended the said meetings.

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 biographies are set out on pages 10 to 13 of this annual report, for the year ended 31 March 2020 are set out below:

Remuneration band(s)	Number of individuals
Nil to HK$1,000,000	11

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 March 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 44 to 46 of this annual report.

DETAILS OF THE AUDIT MODIFICATION AND MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE AUDIT MODIFICATION

As disclosed in this annual report, given the conditions as detailed in the basis for disclaimer of opinion ("Audit Modification") and note 2 to the consolidated financial statements for the year ended 31 March 2020 therein, the auditor considered that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern, which is dependent on the outcome of (i) the management of the Group to achieve its plans and measures; (ii) the Group to obtain continuous external financial support; (iii) the Group to improve its business operations; and (iv) the Group is to generate sufficient cash flow and implement exercises to control costs.

As at 31 March 2020, the Group's current liabilities exceeded its current assets by approximately HK$50,862,000, the Group's total liabilities exceeded its total assets by approximately HK$64,086,000 as of that date, and that the Group incurred a loss of approximately HK$93,303,000 for the year then ended.

In view of such circumstances, the management of the Group had assessed the Group's current liquidity, performance and available sources of financing in considering the Group's ability to continue as a going concern. The management has also taken and will continue to implement plans and measures to mitigate the Group's liquidity pressure and improve the conditions of cash flow. After taking into account the Group's cash flow projections, the management and also the Board are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT MODIFICATION AND IMPACT OF THE AUDIT MODIFICATION ON THE COMPANY'S FINANCIAL POSITION

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the Audit Modification, the Company has taken and intends to continue to implement the measures, including but not limited to:

(i) Placing of new shares under general mandate

The Company will continue to seek for investors for the placing as stated in the Company's announcement on 26 June 2020 (the "Placing"), in which the Company expects to receive HK$28,800,000 (before expenses) for the Group to repay its existing debt and for future operation.

(ii) Provision of financial support by shareholder

Mr. Chuk Stanley, the largest shareholder of the Company, has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due.

(iii) Extension of maturity date of bonds

The management have been negotiating with the bond holder in relation to extension for repayment of two unsecured and unguaranteed bonds amounting to HK$12.0 million in order to release the immediate liabilities burden of the Group.

(iv) Seek for investors or buyers of certain restaurants or assets

The Group will also continue actively seek for investors or buyers of certain restaurants in order to finance the settlement of its existing financial obligations and minimize future operating and capital expenditures.

REMOVAL OF THE AUDIT MODIFICATION

The management considered that the proposed actions mentioned above, if successful, could improve the Group's liquidity and therefore could help to address the Audit Qualification. However, as the management's assessment of the Group's ability to continue as a going concern for the purposes of preparing the Group's consolidated financial statements for the year ending 31 March 2021 has to take into consideration of the then conditions and circumstances and could only be made at the end of the relevant reporting period, the management is unable to ascertain at this moment whether the Audit Qualification can be removed in the next financial year purely based on the Company's action plan above.

AUDIT COMMITTEE'S VIEW ON THE AUDIT MODIFICATION

The audit and risk management committee of the Company (the "Audit and Risk Management Committee") had critically reviewed the Audit Qualification, the Cash Flow Forecast and also the management's position and action plan of the Group to address the Audit Qualification. In light of the above, the Audit Committee concurs with the management's view with respect to the Audit Qualification, the Group's ability to continue as a going concern and the actions or measures to be implemented by the Group. The Audit Committee is also of the view that the management should continue its efforts in implementing the actions and measures set out in the action plan with the intention of mitigating the Group's liquidity pressure and removing the Audit Qualification.

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility

Our Board of Directors has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained, while management is responsible for designing and implementing risk management and internal control systems to manage risks. Sound and effective systems of risk management and internal control are designed to identify and manage the risk of failure to achieve business objectives.

Risk Management and Internal Controls Framework

The Audit and Risk Management Committee shall be responsible for monitoring compliance with the laws and regulations that are applicable to the operation of the Group, as well as assessing the adequacy and effectiveness of the Group's regulatory compliance procedures and system. Other than reviewing and monitoring our financial reporting process and the risk management procedures, our Audit and Risk Management Committee shall, on an annual basis:

(a) review the reports and findings submitted by the internal control consultant to ensure the effectiveness of our regulatory compliance procedures and system;

(b) advise the Board on the adoption of the recommendation (if any) proposed by the internal control consultant;

(c) assess and review the adequacy of resources and training provided to our management and staff in relation to our regulatory compliance functions; and

(d) receive the recommendations and reports of the Group's internal audit function, review and approve the organisation, responsibilities, plans, results, budget and resources of the internal audit team to ensure the quality of the Group's internal control measures are maintained.

The Audit and Risk Management Committee shall also supervise the Group's internal audit team in handling actual or potential non-compliance matters (if any).

Risk Management

The Group has established a risk management policy and formal risk assessment system. The Group's risk management framework comprises the following key elements:

1. Identify risks;

2. Analyse risks;

3. Evaluate risks; and

4. Treat risks.

Senior management identifies the key risks that potentially impact the key business processes of their operations on an annual basis. The identified risks are analysed and evaluated using established risk assessment criteria which include appropriate qualitative and quantitative techniques, these identified risks are scored based on their likelihood of occurring and the impact on business should they occur. Such risk evaluation system helps to rank the risks and to prioritise risk management efforts to determine the appropriate risk mitigation plans (i.e. accept, reduce, transfer and avoid). Results of the annual risk assessment are reported to the Audit and Risk Management Committee, including the significant risks of the Group and the associated control activities to mitigate or transfer the identified risks. The risk assessment results indicated limited changes in the nature and extent of significant risks identified by the Group since the Listing Date. To provide assurance over the effectiveness of the risk mitigating controls, the Group has formulated a risk-based, 3-year internal audit plan which covers the identified risk mitigating controls and key business processes of the Group.

Internal Controls

The Group has established policies and procedures including defined levels of responsibilities and reporting lines. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, 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 identified and assessed.

To assist the Audit and Risk Management Committee in discharging its duties, the Company has engaged an internal control consultant to conduct an annual review on the adequacy and effectiveness of the Group's internal control system in respect of its compliance with licensing laws and regulations in Hong Kong for each financial year and submit a report. In particular, the internal control consultant shall set out in its report regarding the Group's compliance status with the applicable laws and regulations for the Group's licensing matters and the effectiveness of the Group's internal control system in ensuring the Group's compliance with the applicable licensing requirements for its restaurants. No material deficiency was noted by the internal control consultant regarding licensing matters of the Group during the year ended 31 March 2020.

The Group has established an independent internal audit function, which is headed by the company secretary and financial controller and supported by the head of the Group's accounting department. The internal audit function shall be responsible for implementing and supervising the Group's internal control system, reporting to the Directors at least annually on the effectiveness of the Group's internal control system, and devising any improvements needed to the Group's internal control system. In carrying out its duties, the Group's internal audit team shall receive reports from the Group's management team and its employees regarding any actual or potential non-compliance, report such non-compliance matters to the Group's Audit and Risk Management Committee, where appropriate, and make recommendation to the Audit and Risk Management Committee and/or the Board for rectifying such non-compliances. The Group has also engaged an external consultant to assist in its internal audit efforts in the coming financial year.

Review of Risk Management and Internal Control Systems

In respect of the year ended 31 March 2020, the Board conducted a review of the effectiveness of the risk management and internal control systems and considers the systems to be effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. A review on the risk management and internal control systems will be conducted on an annual basis.

During the review, the Board also considered the resources, qualification/experience of staff of the Group's internal control, accounting and financial reporting function, and their training and budget to be adequate.

Disclosure of Inside Information

The Group is aware of its obligation of handling and dissemination of inside information under the GEM Listing Rules and the SFO. The Group has established an inside information management policy for identifying, monitoring and reporting inside information to our shareholders, investors, analysts and media. The internal policy is updated whenever required and adopted accordingly to guide its stakeholder communications and the determination of inside information in order to ensure consistent and timely disclosure. The Group conducts its affairs in accordance with the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 March 2020 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit and Risk Management Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

There was no disagreement between the Board and the Audit and Risk Management Committee on the selection and appointment of the external auditors for the year ended 31 March 2020.

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 March 2020 was approximately as follows:

Type of Services	Amount (HK$'000)
Audit services	520
Non-audit services related to agreed-upon procedures with respect to the preliminary announcement of results of the Group	10
Non-audit services related to auditor's letter on continuing connected transaction entered into by the Group	10
Total	540

COMPANY SECRETARY

Mr. Chu Pui Ki, Dickson, the company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

During the year ended 31 March 2020, Mr. Chu has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Pursuant to code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. On 23 January 2018, the Board adopted a board diversity policy, a summary of which is set out below:

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate.

3. Appointments to the Board should be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board.

4. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 27 December 2018. A summary of the Nomination Policy, together with the selection criteria and the nomination procedures made towards achieving those objectives are disclosed below:

Summary of the Nomination Policy

The Nomination Policy provides the key selection criteria and general principles of the Nomination Committee in making any recommendation on the appointment and re-appointment of the Directors. It aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Group's business.

Selection criteria

When making recommendation(s) regarding the appointment of any proposed candidate(s) for directorships to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a number of criteria including but not limited to the followings:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

(c) Measurable objectives adopted for achieving diversity on the Board;

(d) Requirements of the Board to have independent directors in accordance with the Rules ("GEM Listing Rules") Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules.

(e) Potential contributions he/she will bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(f) Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

(g) Other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations. The progress made towards achieving the objectives set out in the Nomination Policy will be disclosed periodically in the corporate governance report of the Company.

Nomination procedures

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

(a) Appointment of new director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents;

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable;

(iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) *Re-election of Director at General Meeting*

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board;

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above;

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations.

Review of Nomination Policy

The Nomination Committee will conduct regular reviews on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

DIVIDEND POLICY

Under the Dividend Policy, the declaration and payment of dividends shall be determined by the Board and subject to all the applicable requirements under, including but not limited to, the Companies Law of the Cayman Islands and the articles of association of the Company.

The Company do not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, the Group's results of operations, cashflows and financial condition, general business conditions and strategies, operating and capital requirements, future prospects, legal and tax considerations and other factors the Board deems appropriate. Our Directors will consider as to whether if there is any material adverse impact on our Group's financial and liquidity position arising out of the dividend payments. Dividends may be paid out by way of cash or by other means that our Group considers appropriate.

The Company will continually review the Dividend Policy from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at topstandard.com.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at 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 to the Board or the secretary of the Company, to require an extraordinary general meeting of the Company 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 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company by mail to Flat 5, 16/F., Core 45, 43 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong or by email via ir@topstandard.com.hk. Share registration matters shall be handled for the Shareholders by the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company have been amended and restated with effect from the Listing Date. There was no change on the memorandum and articles of association of the Company during the year ended 31 March 2020.

CONCLUSION

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

INDEPENDENT AUDITOR'S REPORT

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF TOP STANDARD CORPORATION
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Top Standard Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 111, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Multiple Uncertainties Relating to Going Concern

As described in note 2 to the consolidated financial statements, the Group reported a net loss attributable to the owners of the Company of HK$93,303,000 for the year ended 31 March 2020. As at the same date, the Group had net current liabilities of HK$50,862,000 and net liabilities of HK$64,086,000, as compared to its unrestricted cash and cash equivalents which amounted to HK$1,187,000. In addition, the bond payables of HK$10,000,000 and HK$2,000,000 with the maturity date of 27 June 2020 and 31 May 2021, respectively have been defaulted as at the date of this report according to the term of the bond's agreements. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends, among others, on the successful and favourable outcome of these measures, which are subject to multiple uncertainties, including (a) the successful completion of placing 160,000,000 shares by the Company at placing price of HK$0.18 per share (the "Placing"), in which maximum of HK$28,800,000 (before expenses) will be expected to receive from the Placing; (b) the continuous financial support from the largest shareholder of the Company to enable the Group to meet its financial obligations as they fall due; (c) negotiate with the bond holders to extend the maturity date of the bonds and (d) the generation of operating cash flows by the Group and the successful sourcing of additional financing, other than those mentioned above.

BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

(a) Multiple Uncertainties Relating to Going Concern (Continued)

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. In particular, we have not been provided with sufficient appropriate documentary evidence to enable us to assess the financial ability of the largest shareholder of the Company who is committed to provide such financial support to the Group. In addition, no confirmation for extension could be obtained and other alternative procedures could be performed to verify the classification of bond payables as non-current liabilities as at 31 March 2020. If one or more of the measures undertaken by the Group fails, the Group would be unable to meet its financial obligations as and when they fall due and it might not be able to continue as a going concern. Should the going concern assumption be inappropriate,adjustments may have to be made to reflect the situation that assets and liabilities may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 March 2020. In addition, the Group may have to recognise further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(b) Rental deposits, other payables and accruals, lease liabilities and contingent liabilities

As at 31 March 2020, the Group recorded other payables and accruals of HK$16,996,000 and lease liabilities of HK$35,589,000. Included in lease liabilities was the balance of $4,954,000 which represented the arrears of rent in relation of financial year of 2020 and included in the other payables and accruals was the balance of $6,180,000 which represented the salaries arrears in relation of the financial year 2020. Because of no confirmation and legal opinion could be obtained and no alternative procedures could be performed, we were unable to verify whether there were any unrecorded liabilities as at 31 March 2020. In addition, because of arrears of rent, we were unable to assess the recoverability of the corresponding rental deposits. Therefore, we were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments to the rental deposits, other payables and accruals and lease liabilities as at 31 March 2020 were necessary. Moreover, we were unable to obtain sufficient appropriate audit evidence to determine whether all the provisions and contingent liabilities of the Group were properly accounted for or disclosed where appropriate in accordance with the requirements of Hong Kong Financial Reporting Standards("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the"HKICPA").

Any adjustments that would be required may have a consequential significant effect on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 March 2020 and the financial position of the Group as at 31 March 2020, and the related disclosures thereof in the consolidated financial statements.

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

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

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.

D & PARTNERS CPA LIMITED
Certified Public Accountants
Yeung Chun Yue, David
Practising Certificate Number: P05595
Hong Kong
30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	6	**96,646**	129,168
Other income	7	**1,296**	230
Other gains and losses	8	**(3,833)**	(695)
Raw materials and consumables used		**(34,050)**	(45,775)
Staff costs		**(45,326)**	(53,412)
Depreciation of property and equipment		**(9,061)**	(9,087)
Depreciation of right-of-use assets		**(17,074)**	–
Impairment loss on:			
—property and equipment		**(26,694)**	(3,432)
—right-of-use assets		**(27,409)**	–
Rental and related expenses		**(5,732)**	(29,583)
Utilities expenses		**(8,428)**	(8,734)
Other expenses		**(9,677)**	(15,230)
Finance costs	10	**(3,860)**	(855)
Loss before taxation		**(93,202)**	(37,405)
Income tax expense	11	**(101)**	(249)
Loss for the year	12	**(93,303)**	(37,654)
Other comprehensive expense for the year:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of a foreign operation		**149**	(37)
Total comprehensive expense for the year		**(93,154)**	(37,691)
Total comprehensive expense for the year attributable to the owners of the Company		**(93,154)**	(37,691)
Loss per share			
Basic (HK cents)	14	**(11.66)**	(4.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Non-current assets			
Property and equipment	15	**24**	38,139
Right-of-use assets	16	–	–
Deposits	19	**5,416**	6,838
Deferred tax assets	17	**–**	235
		5,440	45,212
Current assets			
Inventories	18	**373**	637
Trade receivables, deposits and prepayments	19	**1,979**	8,017
Amounts due from related parties	22	**–**	10
Tax recoverable		**–**	1,256
Pledged bank deposits	20	**–**	8,038
Bank balances and cash	20	**1,187**	1,875
		3,539	19,833
Current liabilities			
Trade and other payables and accruals	21	**21,650**	20,736
Bond payables	23	**10,000**	–
Bank borrowings	24	**2,618**	23,005
Lease liabilities/obligations under finance leases	25, 26	**20,013**	80
Provisions	27	**120**	–
		54,401	43,821
Net current liabilities		**(50,862)**	(23,988)
Total assets less current liabilities		**(45,422)**	21,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred tax liabilities	17	–	140
Bond payables	23	**2,000**	–
Lease liabilities/obligations under finance leases	25, 26	**15,576**	129
Provisions	27	**775**	970
Amounts due to directors	22	**313**	8,062
		18,664	9,301
Net (liabilities)/assets		**(64,086)**	11,923
Capital and reserves			
Share capital	28	**8,000**	8,000
Reserves		**(72,086)**	3,923
Total (deficit)/equity		**(64,086)**	11,923

The consolidated financial statements on pages 47 to 111 were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

CHUK STANLEY
DIRECTOR

CHUK KIN YUEN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Capital reserves HK$'000	Other reserve HK$'000 (note)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	8,000	60,304	–	4,686	–	(23,376)	49,614
Loss for the year	–	–	–	–	–	(37,654)	(37,654)
Exchange differences arising on translation of a foreign operation	–	–	–	–	(37)	–	(37)
Other comprehensive expense for the year	–	–	–	–	(37)	–	(37)
Total comprehensive expense for the year	–	–	–	–	(37)	(37,654)	(37,691)
At 31 March 2019	8,000	60,304	–	4,686	(37)	(61,030)	11,923
Adjustments (Note 3)	–	–	–	–	–	(2,155)	(2,155)
At 1 April 2019 (restated)	8,000	60,304	–	4,686	(37)	(63,185)	9,768
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(93,303)**	**(93,303)**
Exchange differences arising on translation of a foreign operation	**–**	**–**	**–**	**–**	**149**	**–**	**149**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**149**	**–**	**149**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**149**	**(93,303)**	**(93,154)**
Contribution from a shareholder (note 36)	**–**	**–**	**19,300**	**–**	**–**	**–**	**19,300**
At 31 March 2020	**8,000**	**60,304**	**19,300**	**4,686**	**112**	**(156,488)**	**(64,086)**

Note: Other reserve represents the difference between the share capital of group entities and that of the Company issued pursuant to the group reorganisation and shareholder's contribution upon the group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(93,202)**	(37,405)
Adjustments for:		
Depreciation of property and equipment	**9,061**	9,087
Depreciation of right-of-use assets	**17,074**	–
Finance costs	**3,860**	855
Interest income	**(403)**	(127)
Impairment loss on property and equipment	**26,694**	3,432
Impairment loss on right-of-use assets	**27,409**	–
Impairment loss of trade receivables under expected credit loss model	**2**	509
Loss on disposal of property and equipment	**3,763**	75
Exchange differences	**35**	101
Operating cash flows before movements in working capital	**(5,707)**	(23,473)
Decrease in inventories	**264**	11
Decrease (increase) in trade receivables, deposits and prepayments	**6,681**	(3,312)
Decrease (increase) in amounts due from related parties	**10**	(10)
Increase in trade and other payables and accruals and provisions	**2,318**	4,452
Cash generated from (used in) operations	**3,566**	(22,332)
Hong Kong Profits Tax refunded (paid)	**1,250**	(718)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**4,816**	(23,050)
INVESTING ACTIVITIES		
Interest received	**62**	127
Net cash outflow on disposal of a subsidiary	**(216)**	–
Purchases of property and equipment	**(1,398)**	(27,695)
Withdrawal (placement) of pledged bank deposits	**8,038**	(8,038)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**6,486**	(35,606)
FINANCING ACTIVITIES		
Advance from directors	**11,551**	8,062
Repayment of lease liabilities/obligations under finance leases	**(12,230)**	(59)
(Decrease) increase in bank overdrafts	**(2,037)**	2,155
New borrowings raised	**2,500**	26,836
Repayment of bank borrowings	**(20,850)**	(27,726)
Proceeds on issue of bonds	**12,000**	–
Interest paid	**(2,931)**	(855)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(11,997)**	8,413
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(695)**	(50,243)
CASH AND CASH EQUIVALENTS AT 1 APRIL	**1,875**	52,127
Effect of foreign exchange rate changes	**7**	(9)
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash	**1,187**	1,875

1. GENERAL

Top Standard Corporation (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 of the laws of the Cayman Islands on 11 February 2016. The Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 February 2018.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The immediate and ultimate holding company is JSS Group Corporation ("JSS Group"). JSS Group is a limited liability company incorporated in the British Virgin Islands (the "BVI") and wholly-owned by Mr. Chuk Stanley ("Mr. Stanley Chuk"), who is an executive director of the Company.

The Company is an investment holding company. The activities of its subsidiaries are set out in note 38.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basis of Preparation

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively referred to as the "Group") in light of the fact that the Group's current liabilities exceeded its current assets by HK$50,862,000 as at 31 March 2020, the Group's total liabilities exceeded its total assets by HK$64,086,000 as of that date, and that the Group incurred a loss of HK$93,303,000 for the year then ended.

In view of such circumstances, which indicate the existence of uncertainties that may cast doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(a) The Group will continue to seek for investors for the placing as stated in the Company's announcement on 26 June 2020 (the "Placing"), in which the Group expects to receive HK$28,800,000 (before expenses) for the Group to repay its existing debt and for future operation.

(b) Stanley Chuk, the largest shareholder of the Company, has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due.

(c) The Group will negotiate with bond holders to extend the maturity date of bonds.

(d) The Group will also continue actively seek other alternative financing, including borrowings and disposal of assets or business, to finance the settlement of its existing financial obligations and future operating and capital expenditures.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Basis of Preparation (Continued)

The directors of the Company, based on a cash flow forecast of the Group covering a period up to 30 June 2021 which has taken into account the abovementioned plans and measures, consider that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated financial statements. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2020 on a going concern basis of accounting.

However, the appropriateness of the going concern basis of accounting is dependent on the assumption that (i) the management of the Group will be able to achieve its plans and measures as described above; (ii) the Group is able to obtain continuous external financial support; (iii) the Group will be able to improve its business operations; and (iv) the Group is able to generate sufficient cash flow and implement exercises to control costs. Should the going concern basis of accounting become inappropriate, adjustments might have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 March 2020, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

3.1 HKFRS 16 Leases

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

Definition of a lease

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.1 HKFRS 16 Leases (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities of the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the PRC/properties in Hong Kong/other (to specify) was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities range from 3.00% to 6.38%.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.1 HKFRS 16 Leases (Continued)

As a lessee (continued)

	Note	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019		52,418
Lease liabilities discounted at relevant incremental borrowing rates		48,081
Add: Extension option reasonably certain to be exercised		322
Lease liabilities relating to operating lease recognised upon application of HKFRS 16		48,403
Add: Obligations under finance leases at 31 March 2019	(a)	209
Lease liabilities as at 1 April 2019		48,612
Analysed as:		
Current		18,627
Non-current		29,985

Note:

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 approximately amounting to HK$164,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of approximately HK$80,000 and HK$129,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

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

	Notes	Right-of-use assets HK$000
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16		46,390
Amounts included in property and equipment under HKAS 17 as at 31 March 2019		
— Assets previously under financial leases	(a)	164
Adjustments on rental deposits at 1 April 2019	(b)	759
Less: Accrued lease liabilities relating to rent free period at 1 April 2019	(c)	(2,179)
		45,134

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.1 HKFRS 16 Leases (Continued)

Notes:

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 approximately amounting to HK$164,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of approximately HK$80,000 and HK$129,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$759,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(c) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables and accruals as at 1 April 2019 was adjusted to right-of-use assets at transition.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 April 2019.

	Impact of adopting HKFRS 16 at 1 April 2019 HK$'000
Accumulated losses	
Depreciation of right-of-use assets from commencement dates upon application of HKFRS 16	17,794
Interest on lease liabilities from commencement dates upon application on HFKRS 16	3,088
Less: Lease expenses under HKAS 17 before 1 April 2019	(18,423)
Less: Interest income on refundable deposits	(304)
Impact at 1 April 2019	2,155

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

3.2 Transition and summary of effects arising from initial application of HKFRS 16

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

	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Property and equipment	38,139	(164)	37,975
Right-of-use assets	–	45,134	45,134
Deposits	6,838	(455)	6,383
Capital and reserves			
Reserves	3,923	(2,155)	1,768
Current liabilities			
Trade and other payables and accruals	7,670	(1,733)	5,937
Lease liabilities	–	18,627	18,627
Obligations under finance leases	80	(80)	–
Non-current liabilities			
Lease liabilities	–	29,985	29,985
Obligations under finance leases	129	(129)	–

Note: For the purpose of reporting cash flows for the year ended 31 March 2020, movements have been computed based on opening statement of financial positions as at 1 April 2019 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 16	COVID-19 — Related Rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendment to HKFRS 16 Covid-19-Related Rent Concessions (Continued)

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs. The application of the amendment is expected to have impact on the financial positions and performance of the Group if the Group would elect to early apply the amendment for the Group's annual period beginning on 1 April 2020.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

4. SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

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

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

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

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

The significant accounting policies adopted are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

Revenue from restaurant operation is recognised at the point in time when the catering services to the customers are completed.

Revenue from the sale of food is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the food.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurement of lease liabilities.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

The lease payments include:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as lessee (prior to 1 April 2019)

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expense in the periods in which they are incurred.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan and the Taiwan defined contribution scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

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

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

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

Impairment loss on property and equipment and right-of-use assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, corporates assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment loss on property and equipment and right-of-use assets other than financial assets (Continued)

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

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

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

Inventories

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

Provisions

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

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

Reinstatement provisions

Provision for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, estimates are regularly reviewed and adjusted as appropriate for new circumstances.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from related parties, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of expected credit loss ("ECL")

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

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

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

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Amounts due from related parties is assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables, amounts due to directors, bond payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of property and equipment and right-of-use assets

Property and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates, the growth rate or the budgeted gross margins in the cash flow projections, could materially affect the net present value used in the impairment test. Details of impairment assessment are set out in note 15.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 19.

6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through restaurants. The following is revenue and segment information analysis:

(i) Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Catering service income (including services provided and food served)	**95,020**	128,434
Membership fee income	**706**	734
Trading of food materials	**920**	–
	96,646	129,168
Timing of revenue recognition		
A point in time	**96,646**	129,168

6. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Performance obligations for contracts with customers

Revenue from catering service income, membership fee income and trading of food materials are recognised when control of the goods and services have been transferred to the customers, being at the point the goods are delivered and the related services are rendered to the customers. Payment of the transaction price is due immediately to 60 days at the point the Group provides the services and serves the foods to the customers.

(iii) Segment informations

The consolidated financial statements reported to the management of the Group, being the chief operating decision maker ("CODM"), for the purpose of assessment of segment performance and resources allocation focusing on different restaurants of the Group. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments are (i) Sichuanese and Cantonese cuisine under the brand of "San Xi Lou" ("San Xi Lou"); (ii) vegetarian cuisine under the brand of "Pure Veggie House" ("Pure Veggie House"); (iii) vegetarian cuisine under the brand of "Pure Veggie House" in Taipei, Taiwan ("Pure Veggie House Taipei"); (iv) Sichuanese cuisine under the brand of "Man Jiang Hong" ("Man Jiang Hong"); (v) Japanese cuisine located in Hong Kong ("Ronin"); and (vi) Other unallocated segment.

The CODM reviews the Group's result by the brand of each restaurant in order to assess performance and allocation of resources. Other than segment results, no segment assets and liabilities are available for the assessment of performance and allocation of resources for the year as the opinion of directors, the cost to develop it would be excessive. The CODM reviews the segment results of the Group as a whole to make decisions.

Segment revenue and results

	San Xi Lou HK$'000	Pure Veggie House HK$'000	Pure Veggie House Taipei HK$'000	Man Jiang Hong HK$'000	Ronin (Note 40) HK$'000	Other HK$'000	Consolidated HK$'000
Year ended 31 March 2020							
Revenue	60,103	7,647	8,589	7,042	12,345	920	96,646
Segment results	(32,041)	(6,501)	(13,667)	(17,209)	(4,782)	101	(74,099)
Other income							1,296
Other gains and losses							(992)
Finance costs							(3,860)
Other expenses							(15,547)
Loss before taxation							(93,202)

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	San Xi Lou HK$'000	Pure Veggie House HK$'000	Pure Veggie House Taipei HK$'000	Man Jiang Hong HK$'000	Ronin HK$'000	Other HK$'000	Consolidated HK$'000
Year ended 31 March 2019							
Revenue	83,000	13,909	3,495	6,850	21,914	–	129,168
Segment results	(1,278)	1,442	(88)	(3,504)	(9,214)	–	(12,642)
Other income							230
Other gains and losses							(36)
Finance costs							(855)
Other expenses							(24,102)
Loss before taxation							(37,405)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment (loss)/profit represents the (loss)/profit incurred by each segment without allocation of other income, certain unallocated other gains and losses, finance costs, other expenses (including head office staff costs, rental and other corporate expenses during both years) and taxation.

Geographical information

The following table presents revenue from external customers for the year ended 31 March 2020 and 2019, by geographical area.

Revenue from external customers

	2020 HK$'000	2019 HK$'000
Hong Kong	**88,057**	125,673
Taiwan	**8,589**	3,495
	96,646	129,168

The revenue information above is based on the location of goods delivered and services provided for the year.

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income	403	127
Government grants	600	–
Sundry income	293	103
	1,296	230

8. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Impairment loss of trade receivables under ECL model	2	509
Loss on disposal of property and equipment	3,763	75
Foreign exchange loss	91	129
Other gains	(23)	(18)
	3,833	695

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors of Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during both years as follows:

	Director's fee HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 March 2020				
Executive directors				
Mr. Stanley Chuk (note i)	436	–	15	451
Mr. KY Chuk	220	–	–	220
Mr. Johnson Lam	360	–	16	376
Independent non-executive directors				
Ms. Chian Yat Ping	84	–	–	84
Mr. Yew Tak Yun, Paul	95	–	–	95
Mr. Chan Kwok Ki, Stephen	95	–	–	95
Mr. Wong Ching Wan	11	–	–	11
Total	1,301	–	31	1,332
Year ended 31 March 2019				
Executive directors				
Mr. Stanley Chuk (note i)	462	–	18	480
Mr. KY Chuk	465	–	15	480
Mr. Johnson Lam	462	–	18	480
Independent non-executive directors				
Ms. Chian Yat Ping	120	–	–	120
Mr. Yew Tak Yun, Paul	120	–	–	120
Mr. Chan Kwok Ki, Stephen	120	–	–	120
Total	1,749	–	51	1,800

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

(i) Mr. Stanley Chuk is also the chairman and chief executive director of the Company.

(ii) The emoluments of executive directors stated above were for their services in connection with management of the affairs of the Company and subsidiaries. The emoluments of independent non-executive directors state above were for their services in connection with their roles as directors of the Company.

(iii) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 March 2020 and 2019.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2019: one) was director of Company whose emolument is included in the disclosures above. The emoluments of the remaining four (2019: four) individuals are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**2,320**	2,513
Retirement benefits scheme contributions	**68**	72
	2,388	2,585

Their emoluments are within the following band:

	2020 Number of employees	2019 Number of employees
Nil to HK$1,000,000	**4**	4

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

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
The finance costs represent interest on:		
— Bond payables	**929**	–
— Bank borrowings	**655**	845
— Lease liabilities	**2,276**	–
— Obligations under finance leases	**–**	10
	3,860	855

11. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax:		
Current tax	**–**	–
Underprovision in prior year	**6**	21
	6	21
Deferred taxation charge (note 17)	**95**	228
	101	249

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

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the loss before taxation as follows:

	2020 HK$'000	2019 HK$'000
Loss before taxation	**(93,202)**	(37,405)
Tax at the domestic income tax rate	**(12,829)**	(5,967)
Tax effect of expense not deductible for tax purpose	**9,254**	1,613
Tax effect of income not taxable for the tax purpose	**(185)**	(6)
Underprovision in prior years	**6**	21
Tax effect of tax losses/deductible temporary differences not recognised	**3,855**	4,723
Utilisation of tax losses previously not recognised	**–**	(135)
Income tax expense	**101**	249

Details of deferred tax are set out in note 17.

12. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss before taxation has been arrived at after charging:		
Depreciation of property and equipment	**9,061**	9,087
Depreciation of right-of-use assets	**17,074**	–
Impairment loss on:		
— property and equipment	**26,694**	3,432
— right-of-use assets	**27,409**	–
Auditor's remuneration	**520**	520
Staff costs (including directors' emoluments)		
Salaries and other benefits	**43,205**	51,119
Retirement benefits scheme contributions	**2,121**	2,293
	45,326	53,412
Operating leases in respect of:		
— land and buildings	**–**	23,226
— catering equipment	**–**	584
	–	23,810
Short-term lease payment in respect of		
— land and buildings	**780**	–
— catering equipment	**156**	–
	936	–

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during each of the year ended 31 March 2020 and 31 March 2019, nor has any dividend been proposed since the end of the reporting period.

14. LOSS PER SHARE

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

	2020 **HK$'000**	2019 HK$'000
Loss:		
Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company)	**93,303**	37,654
	'000	'000
Number of shares:		
Number of shares for the purpose of calculating loss per share	**800,000**	800,000

No diluted loss per share information has been presented for the year ended 31 March 2020 and 2019 as there were no potential ordinary shares outstanding during both years.

15. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Catering and other equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST					
At 31 March 2018	27,343	5,986	2,573	280	36,182
Exchange adjustments	(121)	–	(10)	–	(131)
Additions	24,164	1,718	1,888	–	27,770
Disposals	(2,247)	–	–	–	(2,247)
At 31 March 2019	49,139	7,704	4,451	280	61,574
Adjustment upon application of HKFRS 16	–	–	(75)	(280)	(355)
At 1 April 2019 (restated)	49,139	7,704	4,376	–	61,219
Exchange adjustments	98	–	3	–	101
Additions	832	67	561	–	1,460
Disposals	(11,861)	(1,184)	(125)	–	(13,170)
At 31 March 2020	38,208	6,587	4,815	–	49,610
DEPRECIATION AND IMPAIRMENT					
At 31 March 2018	9,185	2,189	1,599	117	13,090
Exchange adjustments	(2)	–	–*	–	(2)
Provided for the year	7,656	991	370	70	9,087
Impairment loss	2,683	649	100	–	3,432
Eliminated on disposals	(2,172)	–	–	–	(2,172)
At 31 March 2019	17,350	3,829	2,069	187	23,435
Adjustment upon application of HKFRS 16	–	–	(4)	(187)	(191)
At 1 April 2019 (restated)	17,350	3,829	2,065	–	23,244
Exchange adjustments	(6)	–	–*	–	(6)
Provided for the year	7,365	1,010	686	–	9,061
Impairment loss	21,879	2,644	2,171	–	26,694
Eliminated on disposals	(8,380)	(920)	(107)	–	(9,407)
At 31 March 2020	38,208	6,563	4,815	–	49,586
CARRYING VALUES					
At 31 March 2020	–	24	–	–	24
At 31 March 2019	31,789	3,875	2,382	93	38,139

* Less than HK$1,000

15. PROPERTY AND EQUIPMENT (Continued)

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

Leasehold improvements	Over the shorter of lease terms and useful life
Furniture and fixtures	20%–25%
Catering and other equipment	20%–25%
Motor vehicle	25%

As at 31 March 2019, the catering and other equipment and motor vehicle of the Group include a carrying amount of HK$164,000 (net of the accumulated depreciation of HK$190,000) in respect of assets under finance leases. The carrying amount was recategorised to right-of-use assets at 1 April 2019 upon initial application of HKFRS 16.

As certain restaurants in Hong Kong and Taiwan did not perform as expected, the management of the Group concluded there was an indication for impairment and conducted impairment assessment on recoverable amounts of property and equipment and right-of-use assets of relevant restaurants. The Group estimates the recoverable amount of these restaurants, each represents an individual CGU, to which the asset belongs when it is not possible to estimate the recoverable amount individually.

The recoverable amount of CGUs has been determined based on a value in use calculation.

Furthermore, since the Group estimates certain restaurants with impairment indicators would not generate a net cash inflow in the future, an impairment loss of HK$26,694,000 and HK$27,409,000 (2019: HK$3,432,000 and Nil) has been fully recognised against the carrying amount of property and equipment and right-of-use assets during the year ended 31 March 2020, respectively. The remaining lease term of these restaurants are to end around one to three years from the end of the reporting period.

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Catering and other equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 1 April 2019				
Carrying amount	44,970	71	93	45,134
As at 31 March 2020				
Carrying amount	–	–	–	–
Provided for the year	(16,989)	(15)	(70)	(17,074)
Impairment loss	(27,347)	(39)	(23)	(27,409)
Eliminated on disposals	(399)	–	–	(399)
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16				780
Expense relating to leases of low-value assets, excluding short-term leases of low value assets				156
Total cash outflow of leases				12,148
Lease modification to right-of-use assets				(252)

16. RIGHT-OF-USE ASSETS (Continued)

For both years, the Group leases various properties for restaurant, catering and other equipment and motor vehicle for its operations. Lease contracts are entered into the following ranges of fixed terms of 6 months to 5 years, but may have extension and termination options as described below.

Certain catering and other equipment and motor vehicle were accounted for as finance leases during the year ended 31 March 2019 and carried interest ranged from 1.49% to 3.00%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. The remaining right-of use assets are depreciated on a straight-line basis over the terms of the leases.

The Group entered into short-term leases for property for restaurant and catering and other equipment. As at 31 March 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short term lease expense disclosed in note 12.

Extension and termination options

The Group has extension and termination options in a number of leases for various properties for restaurant. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise and termination options in which the Group is not reasonably certain not to exercise are summarised below:

	Lease liabilities recognised as at 31 March 2020 HKD'000	Potential future lease payments not included in lease liabilities (undiscounted) HKD'000
Restaurants, staff quarters and catering equipments	35,589	15,126

16. RIGHT-OF-USE ASSETS (Continued)

Extension and termination options (Continued)

The following table summarised the additional lease liabilities recognised during the year ended 31 March 2020 as a result of (i) exercising extension option that the Group was not reasonably certain to exercise and (ii) not exercising termination option that the Group was not reasonably certain not to exercise:

	Extension option exercisable during the year ended 31 March 2020 No. of leases	**Extension option exercised** No. of leases	**Termination option exercisable during the year ended 31 March 2020** No. of leases	**Termination option not exercised** No. of leases
Restaurants, staff quarters and catering equipments	4	–	9	1
Additional lease liabilities recognised during the year ended 31 March 2020 (HK$'000)		–		(322)

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 March 2020, there is no such triggering event.

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on certain percentage sales and minimum annual lease payment that are fixed over the lease term. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher revenue.

The Group has extension options for certain leases in Hong Kong. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group.

As at 31 March 2019, the Group does not provide residual value guarantees in relation to leases arrangements. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

As at 31 March 2019, the Group has no leases that are committed but not yet commenced.

17. DEFERRED TAXATION

The following is the deferred tax assets (liabilities) recognised and movements thereon during the year:

	Accelerated accounting depreciation HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 31 March 2018	432	(109)	323
Charge to profit or loss	(197)	(31)	(228)
At 31 March 2019	235	(140)	95
(Charge)/credit to profit or loss	(235)	140	(95)
At 31 March 2020	–	–	–

For the purpose of presentation in the consolidated statement of financial position, the following is the analysis of the deferred taxation:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	–	235
Deferred tax liabilities	–	(140)
Total	–	95

The Group has unused estimated tax losses of approximately HK$51,370,000 (2019: HK$34,674,000) and deductible temporary differences of HK$16,818,000 (2019: HK$11,578,000) available for offset against future profits as at 31 March 2020. The deductible temporary difference of HK$Nil (2019: HK$1,425,000) as at 31 March 2020 has been recognised as deferred tax assets. No deferred tax asset has been recognised in respect of the entire unused tax losses and deductible temporary differences of HK$16,818,000 (2019: HK$10,153,000) as at 31 March 2020 due to the unpredictability of future profit. Unused tax losses may be carried forward indefinitely.

18. INVENTORIES

	2020 HK$'000	2019 HK$'000
Food and beverage and other consumables for restaurant operations	**373**	637

19. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade receivables	**241**	1,999
Rental deposits	**5,650**	7,368
Other deposits	**1,111**	1,023
Prepayments and other receivables	**393**	4,465
Total	**7,395**	14,855
Analysed for reporting purposes as:		
Non-current assets	**5,416**	6,838
Current assets	**1,979**	8,017
	7,395	14,855

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

However, the Group allows a credit period of 30 days to its VIP members which include certain corporate customers for consumption in the Group's restaurants. The credit period provided to customers can vary based on a number of factors including nature of operations, the Group's relationship with the customer and the customer's credit profile. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non interest-bearing. They are stated after netting the loss allowance.

No interest is charged on the trade receivables on the outstanding balance.

19. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As at 31 March 2019, trade receivables from contracts with customers amounted to HK$1,999,000.

During the year ended 31 March 2020, HK$2,000 impairment loss under ECL model (2019: HK$509,000) was recognised in the profit or loss.

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 3.

Included in rental deposits of HK$600,000 (2019: HK$600,000) represented the deposits made to Charm Region Limited, a company wholly owned by Mr. KY Chuk and Mr. Steve Chuk, for the lease of a restaurant as at 31 March 2020.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date, which approximated the respective revenue recognition date, at the end of the reporting periods.

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**196**	1,955
31 to 60 days	**1**	42
61 to 90 days	**–**	–
Over 90 days	**44**	2
	241	1,999

As at 31 March 2020, included in the Group's trade receivables balance, are debtors with aggregate carrying amount of HK45,000 (2019: HK$44,000) which are past due as at the reporting date. Out of the past due balances, HK45,000 (2019: HK$44,000) has been past due 30 days or more and is not considered as in default as these balances are mainly due from customers of good credit quality. The Group does not hold any collateral over the balances.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2020 and 2019 are set out in note 33.

20. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

As at 31 March 2019, pledged bank deposits held by the Group amounted to HK$8,038,000 represent fixed deposits pledged to bank as securities of bank borrowings amounted to HK$7,425,000 which are classified as current assets. The pledged bank deposits carry interest at prevailing market rate of 2.23% per annum. The pledged bank deposits was released upon the settlement of relevant bank borrowings during the year ended 31 Mach 2020.

As at 31 March 2020, bank balances and cash carry interest at prevailing market rate of 0.01% (2019: 0.01%) per annum.

Details of impairment assessment of bank balances and pledged bank deposits are set out in note 33.

The Group's bank balances and cash that were denominated in New Taiwan dollars ("NT$") of the relevant group entity was re-translated in HK$ and stated for reporting purposes as:

	2020 HK$'000	2019 HK$'000
— NT$	**36**	864

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade payables	**4,654**	5,149
Salaries payables	**6,180**	5,330
Accruals and other payables	**10,816**	10,257
	21,650	20,736

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0–30 days	**1,092**	3,180
31–60 days	**611**	1,412
61–90 days	**1,670**	300
Over 90 days	**1,281**	257
	4,654	5,149

22. AMOUNTS DUE FROM RELATED PARTIES

Amounts due from related parties

Details of amounts due from related parties are as follows:

Name of related parties	Balance at 31 March 2020 HK$'000	2019 HK$'000	Maximum amount outstanding during the year ended 31 March 2020 HK$'000	2019 HK$'000
Mr. Stanley Chuk	–	–	–	–
Mr. Steve Chuk	–	1	1	1
Darnassus Limited ("Darnassus") (note i)	–	9	9	9
	–	10		

Note:

(i) Darnassus is wholly-owned by Mr. Stanley Chuk.

As at 31 March 2019, the amounts due from related parties of HK$10,000 were trade in nature, the Group did not grant any credit period to these related parties. The following is an aged analysis of trade nature amounts due from related parties as at 31 March 2019 presented based on the invoice date.

	2019 HK$'000
31 to 60 days	1
61 to 90 days	7
Over 90 days	2
	10

The entire trade nature amounts due from related parties were past due as at 31 March 2019 which the Group had not provided for impairment loss, as there had not been a significant change in credit quality and the amounts were still considered recoverable based on the historical experience. The Group did not hold any collateral over these balances.

No interest was charged on the trade nature amounts due from related parties. The Group had policy regarding impairment loss on trade nature amounts due from related parties which was based on the evaluation of collectability and on the management's judgement including the current creditworthiness and the past collection history of each related party.

22. AMOUNTS DUE FROM RELATED PARTIES (Continued)

Amounts due to directors

Details of amounts due to directors as at 31 March 2020 and 2019 are stated as follows:

	2020 HK$'000	2019 HK$'000
Mr. Stanley Chuk	**–**	7,895
Mr. KY Chuk	**290**	167
Mr. Johnson Lam	**23**	–
	313	8,062

The amounts due to directors were non-trade, unsecured and interest free as at 31 March 2020 and 2019.

23. BOND PAYABLES

	HK$'000
Bond payables	12,000
Analysed as	
Current	10,000
Non-current	2,000

The Group issued two unsecured and unguaranteed bonds for HK$2,000,000 and HK$10,000,000 at 10% per annum with a maturity date on 31 May 2021 and 27 June 2020 respectively during the year ended 31 March 2020.

As at the date of this report, the bond payables have been defaulted according to the bond's agreement. In the opinion of the directors of the Company, the Group is negotiating with the bond holders and considered that the bond of HK$2,000,000 will be settled based on the bond's agreement on 31 May 2021 and classified as non-current liabilities.

24. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank overdrafts	118	2,155
Bank loans	2,500	20,850
	2,618	23,005

	2020 HK$'000	2019 HK$'000
Carrying amount (shown under current liabilities) that contains a repayment on demand clause based on scheduled repayment terms:		
— Within one year	2,618	23,005
	2,618	23,005

The bank loans are at floating rate which carry interest at HK$ Best Lending Rate plus or minus a spread or Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5%. The effective interest rate on the Group's bank loans was 6.50% (2019: ranged from 3.38% to 5.13%) per annum as at 31 March 2020.

Bank overdrafts carry interest at market rates at 15.25% (2019: ranged from 4.38% to 6.38%) per annum as at 31 March 2020.

As at 31 March 2019, bank borrowings of HK$7,425,000 are secured by the pledged bank deposits and settled during the year ended 31 March 2020.

Bank borrowings of HK$2,500,000 are unsecured and guaranteed by a director as at 31 March 2020. Bank borrowings of HK$15,580,000 are unsecured and guaranteed by a group entity as at 31 March 2019.

The Group's borrowings that were denominated in NT$ of the relevant group entity was re-translated in HK$ and stated for reporting purposes as:

	2020 HK$'000	2019 HK$'000
— NT$	–	1,525

25. LEASE LIABILITIES

	31 March 2020 HK$'000
Lease liabilities payable:	
Within one year	**20,013**
Within a period of more than one year but not more than two years	**9,808**
Within a period of more than two years but not more than five years	**5,768**
Less: Amount due to settlement with 12 months shown under current liabilities	**20,013**
Amount due to settlement after 12 months shown under non-current liabilities	**15,576**

26. OBLIGATIONS UNDER FINANCE LEASES

	2019 HK$'000
Analysed for reporting purpose as:	
Current liabilities	80
Non-current liabilities	129
	209

The Group has leased certain catering and other equipment and motor vehicle under finance lease. The lease terms ranged from three to five years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.49% to 3.00% per annum.

26. OBLIGATIONS UNDER FINANCE LEASES (Continued)

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Amount payable under finance lease within one year	88	80
Within a period of more than one year but not exceeding two years	88	84
Within a period of more than two years but not exceeding five years	45	45
	221	209
Less: Future finance charges	(12)	–
Present value of lease obligation	209	209
Less: Amount due for settlement within one year (shown under current liabilities)		(80)
Amount due for settlement after one year		129

The Group's obligation under finance lease was secured by the lessor's charge over the leased asset.

Finance lease obligations that are denominated in currency other than the functional currency of the relevant group entity is set out below:

	2020 HK$'000	2019 HK$'000
NT$	–	68

27. PROVISIONS

	Reinstatement provisions HK$'000
At 1 April 2018	960
Provision recognised	10
At 31 March 2019	970
Provision utilised	(75)
At 31 March 2020	895
Analysis for reporting purpose as:	
Current liabilities	120
Non-current liabilities	775
	895

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

28. SHARE CAPITAL

The share capital as at 31 March 2019 and 2020 represented the share capital of the Company with the details as follows:

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 March 2019 and 2020	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2019 and 2020	800,000,000	8,000

All issued shares of the Company rank pari passu in all respects with each other.

29. OPERATING LEASE COMMITMENTS

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

	2019 HK$'000
Within one year	21,646
In the second to fifth year inclusive	30,772
	52,418

Included in the total operating lease commitment of the Group in respect of the rental of premise with Charm Region Limited ("Charm Region") amounted to HK$2,750,000 as at 31 March 2019.

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

Leases are negotiated and rentals are fixed for term of half to five years.

The lease agreement entered into between the landlord and the Group includes a renewal option at the discretion of the respective group entities for further one to three years from the end of the leases without predetermined rental. Accordingly, this is not included in the above commitment.

30. RETIREMENT BENEFITS SCHEMES

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

The Taiwan defined contribution scheme was established under trust with the assets of the funds held separately from those of the Group by independent trustees. Under the Taiwan defined contribution scheme, the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor Pension Act of Taiwan.

The retirement benefits schemes contributions arising from the MPF Scheme and the Taiwan defined contribution scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 9 and 12.

31. DISPOSAL OF A SUBSIDIARY

On 24 April 2019, Earn Keen Global Limited was incorporated as a wholly-owned subsidiary of the Group and was principally engaged in trading of food materials.

On 13 August 2019, the Group completed the disposal of the entire issued share capital of Earn Keen Global Limited, to an independent third party, for a consideration of HK$74,000. The net assets of Earn Keen Global Limited at the date of disposal were as follows:

Consideration receivable	HK$'000
Other receivable	74

	13 August 2019 HK$'000
Analysis of assets and liabilities over which control was lost:	
Right-of-use assets	399
Trade receivables, deposits, other receivables and prepayments	699
Bank balances and cash	216
Trade payables, other payables and accruals	(839)
Lease liabilities	(401)
Net assets disposed of	74
Loss on disposal of a subsidiary:	
Consideration receivable	74
Net assets disposed of	(74)
Gain/(loss) on disposal	–
Net cash outflow arising on disposal:	
Consideration received	–
Less: bank balances and cash disposed of	(216)
	(216)

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. In order to maintain or adjust the capital structure, the Group may raise loan from shareholders and issue new shares to reduce debts.

The capital structure of the Group consists of debt, which includes bank borrowings and obligation under finance lease as disclosed in respective notes, and equity of the Group, comprising issued share capital, share premium, other reserves and accumulated losses.

The management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. As part of this review, the management of the Group considers the cost of capital and the risks associates with the capital, and takes appropriate actions through raising debts to adjust the Group's capital structure.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
At amortised cost	2,778	13,610
Financial liabilities — At amortised cost	30,401	44,294
Lease liabilities/obligations under finance leases	35,589	209

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and other payables, leases liabilities/obligations under finance leases, bank borrowings, amounts due to directors and bond payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

Currency risk

The Group's exposure to foreign currency risk is arising mainly from the bank balances and bank borrowings of the Taiwan operating subsidiary which is denominated in foreign currency of the relevant group entities. Except for the bank balances and bank borrowings denominated in foreign currency of the relevant group entities, the group entities did not have any other monetary assets or liabilities denominated in foreign currency as at the end of the reporting period.

The carrying amounts of the bank balances and bank borrowings of the Taiwan operating subsidiary that are denominated in foreign currency of group entities, representing NT$, as at 31 March 2020 is HK$36,000 (2019: HK$864,000) and HK$Nil (2019: HK$1,525,000) respectively.

The Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile by way of arrangement of foreign currency forward contracts and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in the relevant foreign currency (NT$) against functional currency, HK$ or NT$ 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year end for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss for the year and a negative number below indicates an increase in loss for the year where the relevant foreign currency fluctuate 5% against HK$.

	2020 **HK$'000**	2019 HK$'000
HK$ impact		
— HK$ strengthens against NT$ by 5%	**(2)**	33
— HK$ weakens against NT$ by 5%	**2**	(33)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and bank borrowings (see note 20 and 24). The Group is also exposed to fair value interest rate risk in relation to fixed-rate bond payables, lease liabilities and obligations under finance leases (see note 23, 25 and 26). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arises.

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

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

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

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's loss for the year ended 31 March 2020 would increase/decrease by HK$13,000 (2019: loss for the year increase/decrease HK$115,000).

Credit risk and impairment assessment

The Group's credit risk is principally attributable to trade and other receivables, deposits, amounts due from related parties, pledged bank deposits and bank balances.

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

The Group trades with a large number of individual customer and trading terms are mainly on cash and credit card settlement. In view of the Group's operations, the Group does not have significant credit risk exposure to any single individual customer.

The Group had significant concentration of credit risk on amounts due from related parties. Details of amounts due from related parties are disclosed in notes 22. The management of the Group considers the counterparties with good credit worthiness based on its past repayment history and subsequent settlement.

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

Under HKAS 39, provisions for impairment loss are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 April 2018, the Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables; and recognises 12-month ECL on other receivables. To measure the ECL of trade receivables, they are assessed collectively using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate. To measure the ECL of other receivables, they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information.

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of trade and other receivables.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amounts is written off	Amounts is written off

As at 31 March 2020 and 2019, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL and determined that the trade receivables is not credit impairment. For other financial assets, the Group measures the loss allowance at 12-month ECL.

Liquidity risk

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

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

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

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2020							
Non-derivative financial liabilities							
Trade and other payables	N/A	–	15,470	–	–	15,470	15,470
Amounts due to directors	N/A	–	–	–	313	313	313
Bond payables	10.00	–	11,200	–	2,200	13,400	12,000
Bank borrowings	6.90	2,693	–	–	–	2,693	2,618
Lease liabilities	5.50	–	8,691	11,321	15,577	35,589	35,589
		2,693	35,361	11,321	18,090	67,465	65,990

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2019							
Non-derivative financial liabilities							
Trade and other payables	N/A	–	13,227	–	–	13,227	13,227
Amounts due to directors	N/A	–	–	–	8,062	8,062	8,062
Bank borrowings	3.98	24,065	–	–	–	24,065	23,005
Obligations under finance leases	2.51	–	22	66	133	221	209
		24,065	13,249	66	8,195	45,575	44,503

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amount of these bank borrowings was approximately HK$2,618,000 (2019: HK$23,005,000). Taking into account the Group's financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

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

	Weighted Average effective interest rate	Within 3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings:							
As at 31 March 2020	6.90	606	2,087	–	–	2,693	2,618
As at 31 March 2019	3.98	15,939	1,057	3,884	3,185	24,065	23,005

Fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

34. RELATED PARTY TRANSACTIONS

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

	2020 HK$'000	2019 HK$'000
Catering income from:		
— Darnassus	–	5
— Mr. Stanley Chuk	74	210
— Mr. KY Chuk	21	33
— Mr. Steve Chuk	–	2
	95	250
Advertising fee paid/payable to Darnassus	–	63
Parking fee paid/payable to Darnassus	–	344
Rental expenses paid/payable to Charm Region	1,900	2,450

Details of the balances with related parties are disclosed in the consolidated statement of financial position and note 22.

Compensation of key management personnel

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

	2020 HK$'000	2019 HK$'000
Short-term benefits	1,720	2,346
Post-employment benefits	49	69
	1,769	2,415

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to directors HK$'000	Bond payables HK$'000	Bank borrowings HK$'000	Lease liabilities/ obligations under finance leases HK$'000	Total HK$'000
At 31 March 2018	–	–	21,740	193	21,933
Financing cash flows (note)	8,062	–	420	(69)	8,413
Finance cost recognised	–	–	845	10	855
Purchase of property and equipment through finance lease	–	–	–	75	75
At 31 March 2019	8,062	–	23,005	209	31,276
Financing cash flows (note)	11,551	12,000	(21,042)	(14,506)	(11,997)
Finance cost recognised	–	–	655	2,276	2,931
Contribution from a director/shareholder	(19,300)	–	–	–	(19,300)
New leases entered/leases modified	–	–	–	47,610	47,610
At 31 March 2020	313	12,000	2,618	35,589	50,520

Note: The financing cash flows represented the net amount of proceeds from bank borrowings and bond payables, payment of finance costs, advance from directors, repayment to related parties, bank borrowings, lease liabilities and obligations under finance leases.

36. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2020, amount due to a director/shareholder of HK$19,300,000 was waived and considered as capital contribution from a director/shareholder.

37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current asset		
Investment in a subsidiary	–*	–*
Current assets		
Other receivables and prepayments	74	231
Amounts due from subsidiaries	–	43,789
Bank balances and cash	2	28
	76	44,048
Current liabilities		
Other payables and accrued charges	1,907	530
Bond payables	10,000	–
	11,907	530
Net current (liabilities)/assets	(11,831)	43,518
Non-current liabilities		
Amount due to a director	2	–
Bond payables	2,000	–
	2,002	–
Net (liabilities)/assets	(13,833)	43,518
Capital reserves		
Share capital	8,000	8,000
Reserves (note)	(21,833)	35,518
(Deficit)/equity attributable to owners of the Company	(13,833)	43,518

* Less than HK$1,000

Note:

Reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	60,304	(18,619)	41,685
Loss and comprehensive expense for the year	–	(6,167)	(6,167)
At 1 April 2019	60,304	(24,786)	35,518
Loss and comprehensive expense for the year	–	(57,351)	(57,351)
At 31 March 2020	60,304	(82,137)	(21,833)

38. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Place of establishment	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at 31 March 2020	2019	Principal activities
Everbloom Group Limited	BVI	Hong Kong	United States Dollar ("USD")1	**100%**	100%	Investment holdings
Good Step Limited ("Good Step")	Hong Kong	Hong Kong	HK$2	**100%**	100%	Restaurant operation
Great Planner Limited	Hong Kong	Hong Kong	HK$1,000,000	**100%**	100%	Restaurant operation
Ironforge Group Limited	BVI	Hong Kong	USD1	**100%**	100%	Investment holding
Leading Win Limited	Hong Kong	Hong Kong	HK$500,000	**100%**	100%	Restaurant operation
Legion Holdings Group Limited	BVI	Hong Kong	USD1	**100%**	100%	Investment holding
Sky Honour Consultants Limited	Hong Kong	Hong Kong	HK$1,500,000	**100%**	100%	Restaurant operation
Skyreach Investment Holdings Limited ("Skyreach")	BVI	Hong Kong	USD1	**100%**	100%	Investment holding
Stormwind Limited	Hong Kong	Hong Kong	HK$10,000	**100%**	100%	Provision of management services to group companies
Dalaran Group Limited	BVI	Taiwan	USD1	**100%**	100%	Restaurant operation
Stormheim Group Limited	BVI	Hong Kong	USD1	**100%**	100%	Investment holding
Higher Top Limited	Hong Kong	Hong Kong	HK$1	**100%**	100%	Restaurant operation

38. PARTICULARS OF SUBSIDIARIES (Continued)

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

Skyreach is directly held by the Company and all other subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at 31 March 2020 and 2019 or at any time during both years.

39. CONTINGENT LIABILITIES

During the year ended 31 March 2020, certain subsidiaries of the Company has arrears rent and salaries and has been recognised in the other payables and accrual and salaries payables, respectively. Additional interest and penalty might be incurred due to the delay in settlement of such payables and the Group has several litigations related to arrears salaries. Nevertheless, management of the Company is negotiating with those parties and considers no additional interest and penalty is required apart from the amount stated in the other payables and accrual and salaries payables.

40. EVENT AFTER THE REPORTING PERIOD

(i) Since the outbreak of the COVID-19 in January 2020, the prevention and control of the COVID-19 has been going on throughout the globe. The COVID-19 has affected the operation of businesses globally and in varying degrees, the extent of which will depend on factors, including evolvement of the pandemic, macro policies, resumption of work and activities in enterprises, and may have a further impact on the industry as well as businesses of the Group to a certain extent. The Group has closely monitored the situation of COVID-19 and the Group's exposure to the risks and uncertainties in connection with the outbreak. The Group have also started assessment of its impact on the Group's operation and financial performance, maintained close communication with different stakeholders of the Group.

Due to the inherent nature and unpredictability of future development and market sentiment, the actual financial impacts could be different depending on future development of the outbreak, government policies and measures in response to the outbreak. The directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but will be reflected in the Group's future financial statements and beyond.

(ii) On 26 June 2020, the Group and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to acquire Good Step (a wholly owned subsidiary which operates Ronin) shares and the benefit of and interest in Good Step from the Group, at an aggregate consideration of HK$1 due to the unexpected political activities in Hong Kong since June 2019 and the recent outbreak of the COVID-19 pandemic. The relevant sale shares in respect of the Good Step represents its total issued share capital.

The net liabilities of Good Step was approximately HK$2,199,000 as at 31 March 2020.

Upon Completion, the Company will cease to hold any interest in the Good Step, and Good Step will cease to be a subsidiary of the Company and the financial results of Good Step will no longer be consolidated into the consolidated financial statements of the Company. The directors are assessing the financial impacts of the transaction to the Group.

Save as disclosed above and in the opinion of the directors of the Company, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2020 and up to the date of this report.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out below:

	For the year ended 31 March			
	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
RESULTS				
Revenue	79,951	116,142	129,168	**96,646**
Profit (loss) before taxation	10,464	(20,716)	(37,405)	**(93,202)**
Income tax expense	(2,131)	(1,178)	(249)	**(101)**
Profit (loss) for the year	8,333	(21,894)	(37,654)	**(93,303)**
Attributable to:				
Owners of the Company	7,406	(21,894)	(37,654)	**(93,303)**
Non-controlling interests	927	–	–	**–**
	HK cents	HK cents	HK cents	**HK cents**
Profit (loss) per share				
Basic	1.50	(3.50)	(4.71)	**(11.66)**

	As at 31 March			
	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
ASSETS AND LIABILITIES				
Total assets	40,244	89,136	65,045	**8,979**
Total liabilities	(28,742)	(39,296)	(53,122)	**(73,065)**
	11,502	49,840	11,923	**(64,086)**
Equity/(deficit) attributable to owners of the Company	11,502	49,840	11,923	**(64,086)**