



Fulum Group Holdings Limited  
富臨集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 1443

2018年報  
ANNUAL REPORT報

富臨皇宮

FULUM PALACE

富臨酒家  
Fulum Restaurant



富臨漁港  
Fulum Fisherman's Wharf Restaurant

富臨  
Fulum



富臨酒家  
Fulum Restaurant  
燒烤大王  
The Kings of Roasted Food



禧臨門酒家  
PLEASANT PALACE



陶源酒家  
Sportful Garden Restaurant



ROYAL ONE

皇室1號  
PLEASANT PALACE  
禧臨門



# ABOUT **FULUM GROUP**

Established in 1992, Fulum Group has been adhering to the spirit of “The Rationale of Three Excellence – Excellent Environment, Excellent Supply, Excellent Service” with its dedication to innovation and ongoing commitment to excellence. Today, Fulum Group has been developed into a highly renowned restaurant group in Hong Kong. Apart from providing mass and high-end Chinese catering services, the Group is recently committed to enrich its restaurant portfolio by launching more diversified restaurants so as to keep abreast of the local dining trends.



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. YEUNG Wai  
(Chairman and Chief Executive Officer)  
Mr. YEUNG Yun Chuen  
Mr. YEUNG Yun Kei  
Mr. LEUNG Siu Sun

### Independent Non-executive Directors

Mr. FAN Chun Wah Andrew  
Mr. WU Kam On Keith  
Mr. NG Ngai Man Raymond  
(appointed on 22 September 2017)  
Mr. LOCK Kwok On Anthony  
(retired on 22 September 2017)

## COMPANY SECRETARY

Mr. NG Kam Tsun Jeffrey

## AUTHORISED REPRESENTATIVES

Mr. YEUNG Wai  
Mr. NG Kam Tsun Jeffrey

## MEMBERS OF AUDIT COMMITTEE

Mr. WU Kam On Keith (Chairman)  
Mr. FAN Chun Wah Andrew  
Mr. NG Ngai Man Raymond  
(appointed on 22 September 2017)  
Mr. LOCK Kwok On Anthony  
(retired on 22 September 2017)

## MEMBERS OF NOMINATION COMMITTEE

Mr. FAN Chun Wah Andrew (Chairman)  
Mr. NG Ngai Man Raymond  
(appointed on 22 September 2017)  
Mr. YEUNG Wai  
Mr. LOCK Kwok On Anthony  
(retired on 22 September 2017)

## MEMBERS OF REMUNERATION COMMITTEE

Mr. NG Ngai Man Raymond (Chairman)  
(appointed on 22 September 2017)  
Mr. FAN Chun Wah Andrew  
Mr. YEUNG Wai  
Mr. LOCK Kwok On Anthony  
(retired on 22 September 2017)

## MEMBERS OF EXECUTIVE COMMITTEE

Mr. YEUNG Wai (Chairman)  
Mr. YEUNG Yun Chuen  
Mr. YEUNG Yun Kei  
Mr. LEUNG Siu Sun

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15/F., Luk Hop Industrial Building  
8 Luk Hop Street, San Po Kong  
Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HONG KONG SHARE REGISTRAR

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

## PRINCIPAL BANKERS

Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited  
Bank of China (Hong Kong) Limited

## AUDITOR

Ernst & Young  
Certified Public Accountants

## LEGAL ADVISER

As to Hong Kong Laws  
Benny Pang & Co

## STOCK CODE

The Stock Exchange of Hong Kong Limited  
01443

## WEBSITE

[www.fulumgroup.com](http://www.fulumgroup.com)



- Revenue was approximately HK\$2,962.0 million (2017: approximately HK\$2,966.0 million), representing a decrease of approximately 0.1%
- Gross profit margin<sup>1</sup> was at approximately 70.5% (2017: approximately 71.6%), representing a decrease of approximately 1.1 percentage point
- Earnings before interest expense, tax, depreciation and amortisation was approximately HK\$159.8 million (2017: approximately HK\$202.7 million), representing a decrease of approximately 21.2%
- Profit for the year attributable to owners of the Company was approximately HK\$42.5 million (2017: approximately HK\$82.8 million), representing a decrease of approximately 48.7%
- Basic earnings per share<sup>2</sup> was approximately HK3.27 cents (2017: approximately HK6.37 cents), representing a decrease of approximately 48.7%
- The guest count was approximately 27.5 million (2017: approximately 28.7 million), representing a decrease of approximately 4.2%
- The gearing ratio of the Group was down to approximately 1.2% (2017: approximately 2.0%)
- The Board recommends a special final dividend of HK3.69 cents per ordinary share and final dividend of HK1.31 cents per ordinary share for the year ended 31 March 2018 (2017: special final – Nil; final – HK2.55 cents per ordinary share)

<sup>1</sup> Gross profit equals revenue minus cost of inventories sold. Gross profit margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%.

<sup>2</sup> The calculation of the basic earnings per share amounts is based on profit for the year attributable to ordinary equity holders of the Company of approximately HK\$42,477,000 (2017: approximately HK\$82,842,000) and the weighted average number of ordinary shares of 1,300,000,000 (2017: 1,300,000,000) in issue during the year.

# MESSAGE

from the

# CHAIRMAN

*During the year, the Group took advantage of differentiated positioning of the main brands to consolidate its catering business of Chinese or Cantonese cuisines. It engaged actively in developing a wider range of new brands and successfully introduced “FL Fusion (富臨薈)” and “Cafe Coco (加多樂餐廳)” with various restaurants opened to meet customers’ needs and cater for the preferences of customers from various segments.*



The Group is confident of the long-term prospects of the catering market in Hong Kong and the PRC, and will continue to commit resources to develop each main brand and proactively look for the opportunity of mergers and acquisitions so as to provide better dining experience and further expand the branding empire of the Fulum Group.



# MESSAGE FROM THE CHAIRMAN

## DEAR SHAREHOLDERS,

On behalf of the board (the “Board”) of directors (the “Directors”) of Fulum Group Holdings Limited (the “Company”, together with its subsidiaries, “Fulum Group” or the “Group”), I am pleased to present the annual report of the Company for the year ended 31 March 2018.

Over the last year, benefited from buoyant inbound tourism and strong local consumer sentiment, the domestic retail market showed indication of recovery. According to the latest statistics of retail sales released by the Census and Statistics Department, the value of total retail sales in March 2018 was provisionally estimated at HK\$39.8 billion, representing an increase of 11.4% as compared with the same month of 2017. The Group expected the catering industry would be benefited.

As a renowned and well-recognised Chinese catering brand in Hong Kong, the Group maintained a stable growth. Leveraging on over 27 years’ experience in catering management of Chinese or Cantonese cuisines, the Group, with restaurants under the “Fulum (富臨)” main brand, the “Sportful Garden (陶源)” main brand and the “Fulum Concept (富臨概念)” main line which are differently positioned, continued to provide a variety of catering services and cater for the needs of a wide customer base, as well as to open a number of restaurants and further expand Fulum Group branding.





## MESSAGE FROM THE CHAIRMAN

Given the continuous changes in the catering market in recent years, the demand of local consumers for fusion cuisine has significantly increased, which has driven us to devote more resources to the development of the “Fulum Concept (富臨概念)” main line to cater for the preferences of customers from various segments so as to expand customer base and capture a larger market share. During the year, “MeokBang Korean BBQ & Bar (沐八韓烤)” specialising in Korean cuisine grew fast with a total of 17 restaurants after 2 new restaurants were opened, and attracted young customers with increasingly strong consumption power. In addition, the Group added two new brands under “Fulum Concept (富臨概念)”, which are “FL Fusion (富臨薈)” leading with the contemporary twist to the concept of traditional Chinese culinary practice and “Cafe Coco (加多樂餐廳)” offering local bing sutt fast food. They are all popular among the diners.

Looking ahead, we remain highly confident of the prospects of the catering industry and will continue to closely observe the changes in market conditions, adjust our cuisine offerings and brand structure, reduce the size or number of some of the larger restaurants and enhance the proportion of restaurants under the “Fulum Concept (富臨概念)” main line so as to further improve our operation efficiency. In the future, the Group will operate restaurants under the “Fulum (富臨)” main brand, the “Sportful Garden (陶源)” main brand and the “Fulum Concept (富臨概念)” main line in a strategically balanced manner and identify sites for new restaurants in order to broaden its customer base while providing customers with better dining experience.





## MESSAGE FROM THE CHAIRMAN

Lastly, on behalf of the Board, I wish to extend my sincere appreciation to the management team and our employees for their unremitting efforts, and to express my gratitude to all shareholders, investors, customers and business partners for their steadfast support. We will continue to grasp every opportunity and endeavour to strive for the greatest interest for the shareholders and the Company.

**Yeung Wai**

*Chairman*

27 June 2018



Announcement of interim results	15 November 2017
Announcement of annual results	27 June 2018
Despatch of annual report to shareholders	27 July 2018
<b>Closure of register of members</b>	
for attending the annual general meeting	22 August 2018 to 28 August 2018
for proposed special final and final dividends	3 September 2018 to 5 September 2018
Annual general meeting	28 August 2018
<b>Dividends</b>	
Special final: HK3.69 cents per ordinary share	13 September 2018 (subject to approval of the Shareholders at the forthcoming annual general meeting of the Company on 28 August 2018)
Final: HK1.31 cents per ordinary share	

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

At present, the global economy is ridden with uncertainties, while inflation is rising in Hong Kong. According to the data released by the Census and Statistics Department of Hong Kong, the underlying consumer price inflation rate increased from 1.4% in the first quarter of last year to 2.4% in the first quarter of this year. Amongst the various Consumer Price Index components, food (excluding meals bought away from home) recorded the most significant rise in the Consumer Price Index, with an increase of 4.9% compared with the same period last year. In the meantime, economic instability may lead to higher prices of commodities and food ingredients, posing certain pressure to the catering industry. However, after netting out the effect of price changes over the period, the provisional estimate of the volume of total restaurant receipts increased by 6.9% in the first quarter of 2018 as compared with the corresponding quarter of last year. Despite great market volatility, the Group is still full of confidence towards the prospects of the industry and continues to implement prudent and positive development strategies in response to the challenges.

For the PRC market, according to the “Annual Report on Catering Industry of China in 2018 (2018年中國餐飲業年度報告)” released by the China Hotel Association, the revenue of the catering industry in the PRC in 2017 exceeded RMB3.9 trillion, representing an increase of 10.7% year on year. The China Cuisine Association forecasts that in 2018, the whole consumer market and catering market will have a stable development. The annual growth rate of the catering industry will maintain at approximately 10.0%, with an expectation that the revenue will reach RMB4.3 trillion. Factors such as improving living standard, booming middle class and consumption upgrade led to diversified market segments and product categories as well as rapid differentiation in the catering industry in the PRC. Amidst intensified competition of the catering industry, restaurant openings and closings at a faster pace is becoming a new industry norm.



# MANAGEMENT DISCUSSION AND ANALYSIS



## BUSINESS REVIEW

During the year under review, the Group continued to adopt proactive and aggressive expansion strategy to establish new restaurants and to actively explore diversifying catering brands to gratify local catering needs and enhance customers' dining experience. During the year under review, the Group has opened one restaurant under the "Fulum (富臨)" main brand and four restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong. As of 31 March 2018, the Group owned a total of 83 restaurants, among which 80 Group-owned restaurants were in Hong Kong, including 40 restaurants under the "Fulum (富臨)" main brand, 11 restaurants under the "Sportful Garden (陶源)" main brand and 29 restaurants under the "Fulum Concept (富臨概念)" main line, and 3 Group-owned restaurants under the "Fulum (富臨)" main brand were in the PRC.

"Fulum (富臨)" main brand and "Sportful Garden (陶源)" main brand are important cornerstone of the Group. Currently, restaurants under the "Fulum (富臨)" main brand, including "Royal One Pleasant Palace (皇室①號禧臨門)", "Fulum Palace (富臨皇宮)", "Fulum Restaurant (富臨酒家)", "Fulum Fisherman's Wharf Restaurant (富臨漁港)", "Pleasant Palace (禧臨門)", "Fulum (富臨粵之味)", "Banquet Palace (金皇廷禧宴)" and "Fulum (富臨)", provide Cantonese cuisine for mass market customers, while restaurants under the "Sportful Garden (陶源)" main brand focus on mid-high end Cantonese cuisine targeting mid-to-high end customers.

Meanwhile, the Group proactively launched different restaurants under the "Fulum Concept (富臨概念)" main line in recent years, including "MeokBang Korean BBQ & Bar (焯八韓烤)", "Co Co Kitchen (四季文昌)", "Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家)", "Winter Steam Pot Restaurant (正冬火鍋料理)", "The Orient Barbecue Cuisine (正東燒豬料理)" and "Winter Yutango Restaurant (正冬魚塘公)" which mainly serve hotpot cuisine. During the year under review, the Group introduced two new brands, including "FL Fusion (富臨薈)" opened in Sha Tin which leads with the contemporary twist to the concept of traditional Chinese culinary practice; and "Cafe Coco (加多樂餐廳)" currently opened in To Kwa Wan which offers local bing sutt fast food.



# MANAGEMENT DISCUSSION AND ANALYSIS

The Group introduced a customer loyalty membership card programme in June 2015. Various membership benefits and privileges are offered to loyal customers of restaurants of "Sportful Garden (陶源)" in Hong Kong to secure their long-term patronage. Currently, there are more than 45,000 members in total under such membership programme. The Group will provide more membership benefits and privileges in the future in order to increase the number of long-term customers.

For the PRC market, the Group currently operates "Fulum Palace (富臨皇宮)" restaurants in Guangzhou, Zhuhai and Fuzhou, respectively. All of them are located in the densely-populated residential areas and mainly provide mass catering services so as to meet the residents' demand for Chinese cuisine and wedding venues within the regions. Believing in the enormous consumption power in the PRC market, the Group will open new restaurants in due course in the future to provide PRC citizens with quality catering experience and services.

The following table sets forth the number of restaurants by business for the financial years indicated:

	2018	2017
<b>Number of restaurants (As at 31 March)</b>		
"Fulum (富臨)" main brand	43	46
"Sportful Garden (陶源)" main brand	11	12
"Fulum Concept (富臨概念)" main line	29	27
Total	83	85

## FINANCIAL RESULTS

During the year under review, the Group's revenue decreased by approximately 0.1% to approximately HK\$2,962.0 million (2017: approximately HK\$2,966.0 million) from last year.

The following table sets forth the breakdown of the Group's revenue and percentage change from restaurant operations by line of business for the financial years indicated:

	2018 HK\$'000	2017 HK\$'000	% Change
<i>Restaurant operations</i>			
"Fulum (富臨)" main brand	2,065,371	2,138,701	(3.4)
"Sportful Garden (陶源)" main brand	396,553	383,398	3.4
"Fulum Concept (富臨概念)" main line	431,028	373,583	15.4
<i>Sale of food and other operating items</i>	69,022	70,292	(1.8)

# MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group's gross profit margin was approximately 70.5% for the year (2017: approximately 71.6%). The profit attributable to owners of the Company decreased by approximately 48.7%, or approximately HK\$40.4 million, from approximately HK\$82.8 million for the year ended 31 March 2017 to approximately HK\$42.5 million for the year ended 31 March 2018. The decreases were mainly due to the increase in the cost of food and beverages used in the operation and the increase in the property rentals and related expenses incurred for the renewal of the Group's existing leased properties and the addition of five restaurants during the year under review. The Group's management has implemented strategies in response to the abovementioned circumstances and believes that the Group's performance will gradually improve in the future.

## PROSPECTS AND OUTLOOK

The Group is confident of the long-term prospects of the catering market in Hong Kong and the PRC. It will continue to adopt proactive and aggressive strategy to adjust its cuisine offerings and brand structure, reduce the size and number of some of the larger restaurants but increase the number of restaurants under the "Fulum Concept (富臨概念)" main line. Meanwhile, the Group is proactively looking for the opportunity of mergers and acquisitions and continues to identify different catering brands, in particular Asian catering brands, as targets for mergers and acquisitions in order to establish Fulum Group as a diversified catering kingdom.

For the PRC market, as the mass catering market in the PRC continues its rapid development, the Group is optimistic towards the long-term development of the market. Looking forward, the Group will continue to increase the number of restaurants in the PRC prudently to broaden its customer base and increase its market share.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is facing various risks and uncertainties. The following are the key risks and uncertainties faced by the Group:

### Reputation Risks

The Directors consider that the success of business and the strength of competitive position of the Group to a large extent depend on its customer awareness and recognition of the qualities for which its brands stand. If the efforts to maintain and protect the Group's intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on the Group's intellectual property, the value of its brands may be harmed, which could have a material adverse effect on its business and might prevent its brand from achieving or maintaining market acceptance. Even if the use by an infringing restaurant of identical or similar trademarks, brands and logos does not confuse customers, the distinctive nature of brand image could be blurred because the Group's trademarks, brands and logos may lose the distinctive association with the Group's restaurants that it is trying to establish with customers. Despite the efforts of the Group, it may not be able to prevent third parties from infringing upon its intellectual property rights, including its trademarks, brands and logos. Any failure to protect or safeguard its intellectual property rights could materially and adversely affect its business, financial condition and results of operations.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Risks

The profitability of the Group significantly depends on its ability to anticipate and react to changes in procurement costs of food ingredients. The availability of food ingredients, such as the type, variety and quality, and their prices, can fluctuate and be volatile and are subject to factors beyond the control of the Group, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental regulations, exchange rates and availability, each of which may affect its cost of food and beverages or cause a disruption in supply. The suppliers of the Group may also be affected by higher costs due to rising labour costs, import costs and other expenses. It will then lead to higher costs of goods and services supplied to the Group. As a result, the Group's business, margins and results of operations may be adversely affected.

## Compliance Risks

In accordance with the relevant laws and regulations in jurisdictions in which the Group operate, the Group is required to maintain various approvals, licenses and permits to operate its restaurant business, including food operation license, environmental protection assessment, fire safety verification and fire safety inspection. These approvals, licenses and permits are obtained upon satisfactorily comply with, amongst other things, the applicable food hygiene and safety, environmental protection, fire safety and liquor licensing laws and regulations. Going forward, if the Group fails to obtain all the necessary licenses, permits and approvals, it may be subject to fines, confiscation of the gains derived from the related restaurants or suspension of operation of the restaurants, which could materially and adversely affect its business and results of operations.

The executive Directors would hold regular meetings to ensure the Group's operations in compliance with all applicable statutory requirements.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2018, the Group's total assets increased to approximately HK\$1,337.0 million (2017: approximately HK\$1,308.0 million) while the total equity increased to approximately HK\$1,025.6 million (2017: approximately HK\$1,008.6 million).

As at 31 March 2018, the Group had approximately HK\$623.2 million in cash and bank balances available (2017: approximately HK\$637.4 million). The current ratio of the Group was approximately 3.4 (2017: approximately 3.5).

As at 31 March 2018, the Group's total borrowings amounted to approximately HK\$12.0 million (2017: approximately HK\$20.4 million), which mainly consisted of finance leases in the amount of approximately HK\$1.2 million (2017: approximately HK\$1.9 million) and a tax loan of approximately HK\$10.8 million (2017: approximately HK\$18.5 million). These finance lease liabilities were denominated in Hong Kong dollars and the effective interest rates ranged from approximately 3.6% to 6.6% while a tax loan was denominated in Hong Kong dollars with effective interest rate of approximately 2.7% per annum and were repayable within one year. There are no material covenants relating to these outstanding indebtedness.

As at 31 March 2018, the gearing ratio (being the total of finance lease, tax loans and interest-bearing borrowings divided by total equity attributable to the owners of the Company) of the Group decreased to approximately 1.2% (2017: approximately 2.0%).



# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL EXPENDITURE

The capital expenditure during the year under review was primarily related to expenditures on additions and renovation of property, plant and equipment for the Group's central kitchen and logistics center, new restaurants and maintenance of existing restaurants. The capital commitments were related to leasehold improvements and equipment for our restaurants and the acquisition of a property.

## CONTINGENT LIABILITIES

As at 31 March 2018, the Group had contingent liabilities not provided for in the consolidated financial statements in the amount of approximately HK\$48.8 million in relation to bank guarantees given in lieu of rental and utility deposits (2017: approximately HK\$57.3 million).

## FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (to the extent that revenue or expenses are denominated in a currency that is different from the functional currency of the relevant subsidiaries of the Group). Majority of the Group's purchase during the year under review was denominated in the functional currency of the relevant subsidiaries.

The Group's assets, liabilities and transactions are mainly denominated in Hong Kong dollars. Certain of the Group's bank balances are denominated in Renminbi ("RMB") which is not freely convertible into other currencies. However, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations of the PRC, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2018, the Group had approximately 4,530 employees. The Group believe that hiring, motivating and retaining qualified employees are crucial to the Group's success as a restaurant operator. During the year under review, the Group conducted a series of standardised training and advancement programs for all the Group's staff, from serving staff, cashiers, floor managers, chefs, restaurant managers to district managers. These training programs intend to ensure that all new staff are equipped with the skills required for their positions. The Group's internal advancement programs can provide its staff with clear advancement guidelines and promote employee satisfaction. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses.

In addition, the Group also adopted the Pre-IPO Share Option Scheme (as defined below) and Share Option Scheme (as defined below), where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 31 March 2018, 43,450,000 options (2017: 45,280,000 options) were outstanding under the Pre-IPO Share Option Scheme and no share options have been exercised during the year. Also, as at 31 March 2018, no share option has been granted or agreed to be granted pursuant to the Share Option Scheme.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 March 2018, certain assets of the Group with carrying amount in aggregate of approximately HK\$71.1 million (2017: approximately HK\$2.4 million) were pledged to secure its bank borrowings and/or utilities guarantees.

## MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

During the year under review, there was no material acquisition or disposal of subsidiaries or associated companies of the Company.

## DIVIDENDS

The Board has recommended a special final dividend of HK3.69 cents per ordinary share and a final dividend of HK1.31 cents per ordinary share for the year ended 31 March 2018 (2017: special final – Nil, final – HK2.55 cents per ordinary share) to shareholders whose names appear on the register of members of the Company on 5 September 2018. The special final and final dividends are subject to the approval of the shareholders of the Company at the forthcoming annual general meeting and, if approved, are to be payable in cash.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### MR. YEUNG WAI 楊維

Mr. Yeung Wai (“Mr. Yeung”), aged 54, has been an executive Director, the chairman of the Board and our chief executive officer since 24 February 2014. Co-founding the Group with Mr. Yeung Yun Chuen (“Mr. YC Yeung”) and Mr. Yeung Yun Kei (“Mr. YK Yeung”) in 1992, he is primarily responsible for the Group’s overall operation management and the governance and implementation of corporate strategies as well as overseeing the strategic planning of business and marketing.

Mr. Yeung began his career within the food and beverage industry (“F&B industry”) in the 1980s with over 30 years of relevant experience. Prior to founding of the Group, he had served various important positions in a number of well-known restaurants in Hong Kong and accumulated extensive experience in the management and day-to-day operations of restaurants.

As a restaurant entrepreneur, Mr. Yeung has been recognised within the F&B industry in Hong Kong and served several positions within the industry. He was appointed to the Quality Tourism Services Association (優質旅遊服務協會) as a governing council member from year 2013 to year 2015; currently, he is the vice president of the Association of Restaurant Managers (現代管理(飲食)專業協會) and also a permanent member of The Chinese General Chamber of Commerce (香港中華總商會).

Mr. Yeung is the brother of Mr. YC Yeung and Mr. YK Yeung. He is also a director of all members of the Group.

### MR. YEUNG YUN CHUEN 楊潤全

Mr. YC Yeung, aged 61, is one of the founders of the Group. He has been an executive Director since 10 June 2014. He concurrently serves as the co-chief operating officer of the Company. Mr. YC Yeung is primarily responsible for the strategic development and management of the restaurants under the “Sportful Garden (陶源)” main brand.

Mr. YC Yeung has over 40 years of experience in the F&B industry. Mr. YC Yeung’s specialities are restaurant operations and quality assurance, based on his extensive experience in the production department of a number of restaurants in Hong Kong and the PRC, including Shangri-La Hotel Beijing, The Garden Hotel Guangzhou, and the group of restaurants owned by Maxim’s Caterers Limited in the 1980s. He has gained substantial experiences in running and managing restaurants with his present and previous positions within the F&B industry.

Mr. YC Yeung has earned a number of accolades for works within the industry, including “Elite of China’s Hotel Industry” (中國飯店英才) in 2008 by the Editorial Committee of China Restaurants and Food Service Industry Series (中國飯店與餐飲系列叢書編輯委員會) and “Top Ten Chinese Restaurant Master” of the year 2007–2008 (十佳中國飯店策劃大師) by China Hotel Annual Awards (中國飯店年會). In June 2008, he was helmed as a member of Les Amis d’Escoffier Society, Inc. (廚皇會大使), an international non-profit organisation promoting fine dining. He has been honored as the Honorary President of the third council of Zhuhai Food & Beverage Association (珠海市餐飲協會第三屆理事會) in June 2010. He was awarded the Chinese Cuisine Chef Achievements Award by Unilever Hong Kong Limited (香港聯合利華有限公司) in year 2017.

# DIRECTORS AND SENIOR MANAGEMENT

Mr. YC Yeung is the brother of Mr. Yeung and Mr. YK Yeung. Mr. YC Yeung is also a director of the following members of the Group:

- Fulum Management Limited
- China Easy Investment Limited
- Super Rich International Limited
- Sino Scene Development Limited
- China Honest Development Limited
- Sino Emotion Limited
- Sino Favour (Hong Kong) Limited
- Chung Chun Enterprises Limited
- Sino Major Company Limited
- Sino Rainbow Development Limited
- Sino Target Investments Limited
- Sinotec H.K. Investments Limited
- Great Sino International Industrial Limited

## MR. YEUNG YUN KEI 楊潤基

Mr. YK Yeung, aged 56, has been an executive Director since 10 June 2014. He is the co-chief operating officer of the Group and one of the founders of the Group. His chief responsibilities are the management and strategic development of the restaurants under our “Fulum (富臨)” main brand.

Prior to founding of the Group in 1992, Mr. YK Yeung was an experienced practitioner in the F&B industry in Hong Kong with over 30 years of extensive experience, serving various positions in a number of restaurants in Hong Kong.

Mr. YK Yeung has been recognised within the F&B industry. In the year of 2009 to 2010, he was awarded with a “platinum five-star medal” (白金五星勳章) in the “China Hotel Industry 100 Elites” (飯店業中華英才百福榜). His industry recognition also includes his position as a current director of the Hong Kong Federation of Restaurants and Related Trades (香港餐飲聯業協會). He also received the “gold belt certificate” from, and was elected as a director of, The HK 5-S Association (香港五常法協會) in July 2013.

Mr. YK Yeung is the brother of Mr. Yeung and Mr. YC Yeung. Mr. YK Yeung is also a director of the following members of the Group:

- Fulum Management Limited
- China Easy Investment Limited
- China Weal (HK) Limited
- Chung Chun Enterprises Limited
- Super Rich International Limited

## MR. LEUNG SIU SUN 梁兆新

Mr. Leung, aged 56, has been an executive Director since 10 June 2014. He is the executive chef of the Group and heads the production and procurement departments, central kitchen and logistics centre. His responsibilities include managing productions, developing new products and quality control.

With over 30 years of experience, Mr. Leung is a seasoned chef with working experience in the F&B industry in Hong Kong, the PRC and Japan. His career highlights include his positions at Maxim’s Caterers Limited in Hong Kong in the 1980s, The Garden Hotel Guangzhou in the PRC, and The Royal Hotel in Aomori, Japan, all held in the 1980s. Mr. Leung was appointed as committee member of Famous Chefs Committee of the World Master Chefs Association for Chinese Cuisine (世界粵菜廚皇協會) in year 2016. He was awarded the Chinese Cuisine Chef Achievements Award by Unilever Hong Kong Limited (香港聯合利華有限公司) in year 2017. Mr. Leung joined the production department in July 1995 as a chef and has since been involved in the quality assurance functions. He was promoted to his current position of executive chef in June 2004.

# DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung sought to improve his industry knowledge by completing the “green belt” certificate course organised by The HK 5-S Association (香港五常法協會) in April 2007, and was subsequently advanced to the “black belt” certificate in July 2013. Mr. Leung has also attended an overseas training course on advanced food production and management organised by the Hong Kong Productivity Council and was helmed as a member of Les Amis d’Escoffier Society, Inc. (廚皇會大使), an international non-profit organisation promoting fine dining, in February 2005. Mr. Leung received a certificate for food hygiene managers from the Hong Kong Christian Service Kwun Tong Vocational Training Centre in April 2005.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### MR. FAN CHUN WAH ANDREW 范駿華

Mr. Fan, aged 39, has been an independent non-executive Director since 28 October 2014 and supervises the overall management of the Group.

Mr. Fan obtained a degree of Bachelor of Business Administration (Honours) in Accounting and Finance from the University of Hong Kong in December 1999 and a degree of Bachelor of Laws from University of London (United Kingdom) as an external student in August 2007.

Mr. Fan has substantial experience in accounting field. Mr. Fan is currently holding a practising certificate issued by the Association of Chartered Certified Accountants and is a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan was a manager of the assurance department of PricewaterhouseCoopers from September 1999 to November 2004. He has been the managing partner of C.W. Fan & Co. (泛華會計師行) from January 2006 to November 2015. He is the managing director of C.W. Fan & Co. Limited (泛華會計師事務所有限公司) and Fan, Mitchell & Co., Limited (尚德會計師事務所有限公司) and the managing partner of Fan, Mitchell & Co. (尚德會計師行).

Mr. Fan was a member of the 10th, the 11th and 12th Zhejiang Province Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議浙江省第十屆、第十一屆及第十二屆委員會). From 2008 to 2015, Mr. Fan was a member of the 4th and 5th Shenzhen Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議廣東省深圳市第四屆及第五屆委員會). Mr. Fan was the chairman of the 23rd Committee of the Hong Kong United Youth Association.

# DIRECTORS AND SENIOR MANAGEMENT

Mr. Fan had been the independent non-executive director of the following listed companies:

<b>Period of services</b>	<b>Name of the listed companies</b>
February 2009 to March 2014	CIG Yangtze Ports PLC, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8233)
October 2009 to February 2012	Far East Holdings International Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0036)
March 2013 to July 2015	Milan Station Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1150)
March 2013 to December 2016	LT Commercial Real Estate Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0112)
September 2015 to August 2016	On Real International Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8245)
July 2015 to May 2017	Hong Kong Resources Holdings Company Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2882)

Mr. Fan is the independent non-executive director of the following listed companies:

<b>Period of services</b>	<b>Name of the listed companies</b>
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)
March 2014 to present	Sinomax Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1418)
April 2015 to present	Culturecom Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0343)
January 2016 to present	Nameson Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1982)
June 2017 to present	Omnibridge Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8462)
December 2017 to present	Sanbase Corporation Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8501)



# DIRECTORS AND SENIOR MANAGEMENT

Period of services	Name of the listed companies
December 2017 to present	Space Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2448)
January 2018 to present	CNC Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8356)

## MR. WU KAM ON KEITH 鄔錦安

Mr. WU, aged 43, has been an independent non-executive Director since 28 October 2014 and supervises the overall management of the Group.

Mr. Wu has extensive experience in the food and beverage industry in Hong Kong as well as over 21 years of financial and accounting experience. He is currently an executive director and the group chief operation officer of Tsit Wing International Holdings Limited (“Tsit Wing”) (stock code: 2119), which is a leading integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and the PRC with an established food products business. Prior to joining Tsit Wing in July 2005, he was an accountant of Hongkong International Terminals Limited which operates a number of ports at the Kwai Chung Container Terminals, Hong Kong, from April 2001 to June 2004 and practiced as a certified public accountant at Deloitte Touche Tohmatsu from June 1997 to July 2000.

Mr. Wu received a Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong on 18 November 1997 and a degree of Master of Corporate Governance from the Hong Kong Polytechnic University on 17 October 2009. Mr. Wu was admitted as a fellow and accredited as an authorized supervisor of Hong Kong Institute of Certified Public Accountants in September 2008 and July 2012, respectively. He was admitted as a fellow and registered as a certified tax advisor of The Taxation Institute of Hong Kong in July 2010 and August 2010, respectively. He was also admitted as an associate of The Hong Kong Institute of Chartered Secretaries in April 2010 and elected as an associate of The Institute of Chartered Secretaries and Administrations in the United Kingdom in April 2010. Mr. Wu is also a member of the executive committee member of Group 8 (food, beverages and tobacco) of the Federation of Hong Kong Industries for a term from July 2015 to July 2019.

Mr. Wu is the director of the following companies:

Period of services	Name of the listed companies	Position
January 2010 to present	Tsit Wing International Holdings Limited, whose shares are listed in the Main Board of the Stock Exchange (Stock Code: 2119)	Executive director
January 2017 to present	Hao Bai International (Cayman) Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8431)	Independent Non-executive director
December 2017 to present	Sanbase Corporation Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8501)	Independent Non-executive director

# DIRECTORS AND SENIOR MANAGEMENT

## MR. NG NGAI MAN RAYMOND 伍毅文

Mr. Ng, aged 56, has been an independent non-executive Director since 22 September 2017 and supervises the overall management of the Group.

Mr. Ng has over 26 years of experience in the legal industry in Hong Kong. Mr. Ng is currently the partner of Messrs. Fung, Wong, Ng & Lam LLP Solicitors. Prior to his current placement with Messrs. Fung, Wong, Ng & Lam LLP Solicitors, Mr. Ng worked as an executive officer of the Government of Hong Kong from October 1985 to September 1989. Subsequent to his graduation from the University of London in August 1989 and the completion of his articleship in Messrs. C.C. Lee & Co. in September 1992, he was qualified as a solicitor in Hong Kong in October 1992. Mr. Ng worked as an assistant solicitor in Messrs. Ko & Co from October 1992 to December 1995. In January 1996, Mr. Ng set up Messrs. Chan, Ng & Lam and worked as a partner until March 1999 when the firm changed its name to Messrs. Fung, Wong, Ng & Lam Solicitors & Notaries. From April 1999 to March 2016, he worked as a partner of Messrs. Fung, Wong, Ng & Lam Solicitors & Notaries. On 1 April 2016, Messrs. Fung, Wong, Ng & Lam Solicitors & Notaries changed its names to Messrs. Fung, Wong, Ng & Lam LLP Solicitors and Mr. Ng worked as a partner since then.

Mr. Ng graduated from the Chinese University of Hong Kong with a degree of Bachelor of Social Science in December 1985. He subsequently obtained his degree of Bachelor of Laws from the University of London (external studies) in August 1989. He has been an accredited mediator of the Hong Kong International Arbitration Centre since October 2002 and a civil celebrant of marriages since June 2006. Mr. Ng also has been appointed as a Chinese Attesting Officer by the Ministry of Justice of China since December 2015. Mr. Ng was a part-time member of the Central Policy Unit of the Government of Hong Kong in 2012 and has been a SanShui District CPPCC member (佛山市三水區政協委員) of the PRC since November 2016.

Save as otherwise disclosed, there was no change to any information required to be disclosed in relation to any Director pursuant to Rule 13.51(2)(a) to (e) and (g) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 March 2018. All Directors are not involved in any matter concerning Rule 13.51(2)(h) to (v) of the Listing Rules.

## SENIOR MANAGEMENT

### MR. LAM CHI KUI 林子駒

#### ***Operation director***

Mr. Lam, aged 51, is the operation director of the Group. He first joined the Group in February 1993 as a manager of the restaurant of the Group in Tai Kok Tsui, Hong Kong. He pursued his personal business venture between June 1998 and June 2005 and re-joined the Group as a branch manager of the restaurant in Mong Kok, Kowloon. Starting from September 2006, Mr. Lam became involved in the central management of the Group, serving as the property development manager.

Mr. Lam is in charge of the daily management of the operations, including matters relating to business, human resources, public relations, marketing and information technology. Mr. Lam is the brother-in-law of Mr. Yeung Wai, a controlling shareholder of the Company and an executive Director.



# DIRECTORS AND SENIOR MANAGEMENT



## MR. NG KAM TSUN JEFFREY 伍鑑津

### **Chief financial officer and company secretary**

Mr. Ng, aged 45, was appointed as the chief financial officer, company secretary and authorised representative of the Company on 23 September 2015. Mr. Ng is responsible for the corporate finance management, corporate governance, investor relations management and company secretarial function of the Group. Prior to joining the Group, Mr. Ng served various listed companies in Hong Kong and was responsible for financial management, corporate financing, mergers and acquisitions, investor relations management and corporate governance, through which he accumulated extensive experience. Mr. Ng is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. He also obtained a master degree of Management from Shanghai University of Finance and Economics and a master degree of Law from The Chinese University of Hong Kong.

## MR. CHAN CHOK HIM 陳作謙

### **Business director**

Mr. Chan, aged 37, is the business director of the Group and joined the Group in February 2002. Mr. Chan was appointed to his current position in April 2014 and is primarily responsible for setting business targets and executing the daily operations of the “Fulum (富臨)” and “Sportful Garden (陶源)” lines of restaurants. Mr. Chan has over thirteen years of experience in restaurant operations. He also worked in the Group as the branch manager of a number of restaurants between February 2006 and April 2009, the district manager between May 2009 and September 2013 and deputy operations director.



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

Corporate governance is the responsibility of the Board and the Board believes that good corporate governance is essential for long-term success and sustainability of our business.

This Report describes the corporate governance practices that the Company has adopted and highlights how the Company has applied the principles of the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules.

## CORPORATE GOVERNANCE CODE

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules. For the year ended 31 March 2018 and up to the date of this annual report, save for the deviation from code provision A.2.1 of the CG Code, the Board considered that the Company has complied with the code provisions set out in the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer of the Company should be separate and should not be performed by the same individual. For the year under review, the Company did not have a separate Chairman and Chief Executive Officer, with Mr. Yeung Wai performing these two roles. As Mr. Yeung Wai has in-depth experience and knowledge of the Group and its businesses, the Board is of the view that his appointment into the dual roles as the Chairman and the Chief Executive Officer is in the best interest of the Group in order to ensure continuity of leadership and efficiency in formulation and execution of corporate strategies, and that there is adequate balance of power and authority in place.

The Board is committed to maintain a high standard of corporate governance practices to safeguard the interests of the shareholders of the Company, and to enhance corporate value and accountability. These objectives can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal controls, appropriate risk assessment procedures and transparency to all the Company’s shareholders.

## MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the “Code of Conduct”) regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Based on responses of specific enquiries of the Directors, all of the Directors have confirmed that they have complied with required standards as set out in the Model Code and Code of Conduct during the year ended 31 March 2018 and up to the date of this annual report.

## BOARD OF DIRECTORS

The Board is responsible for formulating overall strategic policies of the Company, setting objectives for the management, monitoring and controlling the performance of the management. The management of the Company implements the strategic decisions and deals with operational matters of the Group under the delegation and authority of the Board.

# CORPORATE GOVERNANCE REPORT

The Board considered that it possesses various experience, capabilities, and expertise suitable for and relevant to the Company's businesses in order to provide sound judgement on strategic issues and effective oversight of and guidance to management. The Board includes experts in catering, food and beverage area and professional in accounting and finance.

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises of seven directors, including four executive Directors and three independent non-executive Directors. Board members are listed below:

## EXECUTIVE DIRECTORS

Mr. Yeung Wai (*Chairman & Chief Executive Officer*)  
Mr. Yeung Yun Chuen  
Mr. Yeung Yun Kei  
Mr. Leung Siu Sun

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan Chun Wah Andrew  
Mr. Wu Kam On Keith  
Mr. Ng Ngai Man Raymond

Biographical information of the directors is set forth on pages 17 to 23 of this annual report.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have been appointed by the Company for a term of three years, renewable automatically for successive terms of one month each commencing from the next day after the expiry of the then current term of appointment. Such appointment may be terminated in accordance with the terms of the letters of appointment, including by either party giving to the other party not less than three months' advance written notice of termination.

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company is of the view that all independent non-executive Directors are independent in accordance with the relevant requirements under the Listing Rules.

## CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

On appointment to the Board, the Directors have been provided with the comprehensive induction to ensure that (i) they have a proper understanding of the business and operations of the Company; (ii) they are fully aware of the responsibilities and obligations as being a Director of a listed company; and (iii) the compliance practice under the Listing Rules. Directors are kept updated on the statutory and regulatory development and changes in the business and the market so as to facilitate the discharge of their responsibilities. Continuous briefing and professional development for Directors will be arranged where necessary.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2018, the Directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each Director to discharge their duties. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

According to the records provided by the Directors, a summary of training received by Directors during the year under review is as follows:

<b>Name of Directors</b>	<b>Type of continuous professional development</b>
<b>Executive Directors</b>	
Mr. Yeung Wai	A
Mr. Yeung Yun Chuen	A
Mr. Yeung Yun Kei	A
Mr. Leung Siu Sun	A
<b>Independent non-executive Directors</b>	
Mr. Fan Chun Wah Andrew	A
Mr. Wu Kam On Keith	A
Mr. Ng Ngai Man Raymond	A

*Note:*

A: attending briefing sessions and/or seminars relating to matters in financial, legal and corporate governance

## BOARD MEETINGS

The Board met regularly in person or by means of electronic communication. It is intended that the Board should meet as least four times a year pursuant to code provision A1.1 of the CG Code. Regular board meetings are usually scheduled in the first quarter of the year to give all directors adequate time to plan their schedules to attend. Directors receive at least 14 days' prior written notice of regular board meetings and an agenda.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2018, the Board has convened and held four Board meetings. Attendance records of the Directors at the Board meeting is tabulated as follows:

	<b>Number of meetings attended/ Number of meetings convened</b>
<b>Executive Directors:</b>	
Mr. Yeung Wai	4/4
Mr. Yeung Yun Chuen	3/4
Mr. Yeung Yun Kei	3/4
Mr. Leung Siu Sun	3/4
<b>Independent non-executive Directors:</b>	
Mr. Fan Chun Wah Andrew	4/4
Mr. Wu Kam On Keith	3/4
Mr. Ng Ngai Man Raymond ( <i>Note</i> )	2/4

*Note:* Mr. Ng Ngai Man Raymond was appointed as an independent non-executive Director on 22 September 2017.

## BOARD COMMITTEES

To facilitate the work of the Board, board committees have been set up with written terms of reference which clearly define the role, authority and functions of each committee. Each board committee is required to report their decisions or recommendations to the Board. Details of Directors' attendances at the board committee meetings are shown on above.

The composition, role and function and summary of work done of each board committee are set forth below:

## EXECUTIVE COMMITTEE

The Company established an executive committee (the "Executive Committee") on 31 December 2014 with written terms of reference. The primary duties of the Executive Committee include the approval and entering into any agreement or document or transaction on behalf of the Company as the committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company. Currently, Mr. Yeung Wai, Mr. Yeung Yun Chuen, Mr. Yeung Yun Kei and Mr. Leung Siu Sun, all being executive Directors, are members of the Executive Committee with Mr. Yeung Wai, being the chairman.

During the year ended 31 March 2018, the Executive Committee has convened three meetings. The individual attendance record of the members of the Executive Committee is tabulated as follows:

	<b>Number of meetings attended/ Number of meetings convened</b>
<b>Executive Directors:</b>	
Mr. Yeung Wai	3/3
Mr. Yeung Yun Chuen	3/3
Mr. Yeung Yun Kei	3/3
Mr. Leung Siu Sun	3/3

## AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 28 October 2014 with the revised written terms of reference adopted on 1 February 2016. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment and removal of the external auditor, to review the financial statements and material advice in respect of financial reporting and to oversee the audit process, risk management system and internal control procedures of the Group. Currently, Mr. Fan Chun Wah Andrew, Mr. Wu Kam On Keith and Mr. Ng Ngai Man Raymond, all being independent non-executive Directors, are members of the Audit Committee with Mr. Wu Kam On Keith, being the chairman.

During the year ended 31 March 2018, the Audit Committee has convened three meetings. The individual attendance record of the members of the Audit Committee is tabulated as follows:

	<b>Number of meetings attended/ Number of meetings convened</b>
<b>Independent non-executive Directors:</b>	
Mr. Wu Kam On Keith	3/3
Mr. Fan Chun Wah Andrew	3/3
Mr. Ng Ngai Man Raymond ( <i>Note</i> )	1/3

*Note:* Mr. Ng Ngai Man Raymond was appointed as an independent non-executive Director on 22 September 2017.

The work performed by the Audit Committee during the year ended 31 March 2018 included (i) to review external auditor's management letter and management response; (ii) to review the interim and annual reports before submission to the Board for approval; (iii) to review the progress and effectiveness of the Group's internal control and risk management; (iv) to review the continuing connected transactions of the Company; and (v) to consider the terms of engagement and remuneration of external auditor for its provision of audit and permitted non-audit related services.

The terms of reference of the Audit Committee were revised with effect from 1 February 2016 to include the following corporate governance functions delegated by the Board:

1. develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
2. review and monitor the training and continuous professional development of Directors and senior management;
3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
5. review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
6. review and monitor the Company's compliance with the Company's whistleblowing policy.

# CORPORATE GOVERNANCE REPORT

At the Audit Committee's meeting, members of the Audit Committee had performed the above-mentioned corporate governance functions by reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

## NOMINATION COMMITTEE

The Company established the nomination committee (the "Nomination Committee") on 28 October 2014 with written terms of reference. The Nomination Committee has three members comprising Mr. Fan Chun Wah Andrew and Mr. Ng Ngai Man Raymond, being independent non-executive Directors and Mr. Yeung Wai, the executive Director. The chairman of the Nomination Committee is Mr. Fan Chun Wah Andrew.

The Nomination Committee is mainly responsible for, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on matters relating to the appointment and re-election of Directors. The Committee will also periodically review the board diversity policy of the Company (the "Board Diversity Policy"), as appropriate, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 March 2018, the Nomination Committee has convened two meeting and had performed the above mentioned duties. The individual attendance record of the members of the Nomination Committee is tabulated as follows:

	<b>Number of meetings attended/ Number of meetings convened</b>
<b>Executive Director:</b>	
Mr. Yeung Wai	2/2
<b>Independent non-executive Directors:</b>	
Mr. Fan Chun Wah Andrew	2/2
Mr. Ng Ngai Man Raymond ( <i>Note</i> )	0/2

*Note:* Mr. Ng Ngai Man Raymond was appointed as an independent non-executive Director on 22 September 2017.

During the year ended 31 March 2018, the Nomination Committee had reviewed the Board Diversity Policy and reported on the Board's composition under diversified perspectives, and had monitored the implementation of the Board Diversity Policy.

Pursuant to the Board Diversity Policy adopted by the Board, when reviewing the composition of the Board and considering the nomination of new Directors, the Nomination Committee will take into account gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of potential candidates and also business needs of the Company.

With reference to the business needs of the Group, measurable objectives have been set for implementing the Board Diversity Policy. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

# CORPORATE GOVERNANCE REPORT

During the year, the Company has achieved the following measurable objectives:

- (1) at least one-third of the Board is composed of independent non-executive Directors;
- (2) at least one-third of the Board are holders of a Bachelor's degree or above;
- (3) at least one Director is a qualified accountant;
- (4) at least one Director has relevant experience in F&B industry; and
- (5) at least one Director has relevant experience in finance.

Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board Diversity Policy for the year under review.

## REMUNERATION COMMITTEE

The Company established the remuneration committee (the "Remuneration Committee") on 28 October 2014 with written terms of reference. The Remuneration Committee has three members comprising Mr. Fan Chun Wah Andrew and Mr. Ng Ngai Man Raymond, being independent non-executive Directors and Mr. Yeung Wai, an executive Director. The Remuneration Committee is chaired by Mr. Ng Ngai Man Raymond.

The primary duties of the Remuneration Committee include (i) making recommendations to the Board on the policy and structure for all remuneration of all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations to the Board on the remuneration package of all Directors and senior management of the Group; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended 31 March 2018, the Remuneration Committee has convened one meeting and had performed the above mentioned duties. The individual attendance record of the members of the Remuneration Committee is tabulated as follows:

	<b>Number of meetings attended/ Number of meetings convened</b>
<b>Executive Director:</b>	
Mr. Yeung Wai	3/3
<b>Independent non-executive Directors:</b>	
Mr. Fan Chun Wah Andrew	3/3
Mr. Ng Ngai Man Raymond ( <i>Note</i> )	2/3

*Note:* Mr. Ng Ngai Man Raymond was appointed as an independent non-executive Director on 22 September 2017.





## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by bands for the year ended 31 March 2018 is set out below:

<b>Bands of remuneration</b>	<b>Number of individuals</b>
HK\$1,000,001 to HK\$1,500,000	2
HK\$1,500,001 to HK\$2,000,000	1
	3

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9, respectively, to the financial statements.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibilities for preparing the accounts for the year under review.

The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 50 to 54 of this annual report.

## COMPANY SECRETARY

Mr. Ng Kam Tsun Jeffrey, the company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, and the applicable laws, rules and regulations are being followed.

During the year ended 31 March 2018, Mr. Ng Kam Tsun Jeffrey has taken no less than 15 hours of relevant professional training.

# CORPORATE GOVERNANCE REPORT

## EXTERNAL AUDITOR

The Group appointed Ernst & Young as the Group's principal external auditor. During the year ended 31 March 2018, the total fee paid/payable in respect of audit and non-audit services provided by Ernst & Young, and its affiliated firms is set out below:

Items of auditor's services	Amount (HK\$'000)
Audit service	3,350
Non-audit services	
– Tax advisory and compliance	583
– Others	325
<b>Total</b>	<b>4,258</b>

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditor. Such appointment, re-appointment and removal are subject to the approval by the Board and the general meetings of the Company by the shareholders of the Company. The statement of the independent auditor of the Company about their audit opinion and reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 50 to 54 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control system is designed to facilitate the achievement of the Group's strategies, safeguard the assets of the Group, assure the proper maintenance of accounting records, and to ensure the compliance with the relevant laws and regulations. The Board has overall responsibility for maintaining a sound and effective risk management and internal control system throughout the Group which includes a defined management structure with limits of authority, and is designed to ensure the proper application of accounting standard and the provision of reliable financial information for internal use and for publication, and to secure compliance with the relevant laws and regulations. The system is developed to provide reasonable, but not absolute, assurance against material misstatement or losses and is designed to manage rather than eliminate, the risks of failure to achieve business objectives.

The Group has established a risk management framework in line with the Three Lines of Defense model. Operational managers at business units own and manage risks at the first line of defense whereas management has established a risk management team as the second line of defense to oversee and monitor the implementation of effective risk management and internal control system. At the third line of defense, internal audit function provides the Audit Committee and management with independent assessment of the effectiveness of the risk management and internal control system.

# CORPORATE GOVERNANCE REPORT

The Group's risk management process includes the identification, evaluation, management and reporting of risks. Risk exposures across the Group are identified by management and a comprehensive list of risks containing external risks, strategic risks and preventable risks is then compiled. The identified risks are evaluated in terms of the likelihood of happening and the overall impact to the Group and are further prioritized based on the evaluation results and confirmation by the management to identify the key risks. The corresponding risk treatment for the key risks are identified and evaluated with the results documented in the Group's risk register. The results of the risk management processes are reported to the Audit Committee and the Board will review the risk management and internal control system on a semi-annual basis to review the effectiveness of the system.

During the year, the Board, with the assistance of the internal audit department, had performed a review on the efficiency and effectiveness of the Group's risk management and internal control system on different aspects of the Group such as finance, operation, compliance and risk management, and we had also assessed the accounting and financial reporting functions of the Group, estimated the resources and budgets for training programmes and appraised the staff members' qualifications and experience.

The Board considers that the existing risk management and internal control system cover the current operations of the Group, and are effective and adequate. The risk management and internal control system of the Group will be constantly optimised to match the continuous development of the business within the Group.

## HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company regulates the handling and dissemination of inside information as set out in the Information Disclosure Policy to ensure inside information can be promptly identified, assessed and disseminated to the public in timely manner in accordance with the applicable laws and regulations.

## INVESTOR RELATIONS

To enhance transparency and effectively communicate with the investment community, the executive Directors and senior management of the Group actively maintain close communications with various institutional investors, financial analysts and financial media. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong head office or sending enquiries to the Company's website at [www.fulumgroup.com](http://www.fulumgroup.com). Investors and shareholders of the Company are welcome to review the Company's recent announcements on the Group's website at [www.fulumgroup.com](http://www.fulumgroup.com).

## SHAREHOLDERS' RIGHTS

### CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 58 of the articles of association of the Company ("Articles of Association"), extraordinary general meetings of the Company may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail 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 Directors shall be reimbursed to the requisitionist(s) by the Company.

### SHAREHOLDERS' ENQUIRIES TO THE BOARD

To ensure effective communication between the Board and the Shareholders, the Company has adopted a shareholder's communication policy (the "Policy") on 28 October 2014. Under the Policy, the annual shareholders' meetings and other shareholders' meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholder participation. Information about the Company including shareholder communications shall be published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.fulumgroup.com](http://www.fulumgroup.com)). Shareholders may at any time put enquiries to the Board. Any such questions shall be directed to the company secretary of the Company.

### PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

#### (i) To propose a person for election as a Director

Pursuant to article 85 of the Articles of Association and the "Procedures for shareholder to propose a person for election as a director of the Company" published by the Company on the Company's website, a shareholder of the Company who wishes to propose a person other than a Director for election as a Director at a general meeting should lodge a written notice at the Company's principal place of business in Hong Kong at 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong, for the attention of the company secretary of the Company.

The period for lodgement of the above notice shall be a 7-day period commencing on the day after the despatch of the notice of the general meeting appointed for such election of Director(s) and ending on the date falling 7 days after the despatch of the said notice of the general meeting. For details of the procedure, please refer to "Procedures for shareholder to recommend a person for election as a director of the Company" published by the Company on the Company's website.

#### (ii) Other proposals

If a shareholder of the Company wishes to make other proposals at a general meeting, he may lodge a written request, duly signed, at the Company's principal place of business at 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong marked for the attention of the company secretary of the Company.



## CONTACT DETAILS

Shareholders of the Company may send their enquiries or requests as mentioned above to the following:

Address: 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong  
Email: [investor@fulum.com.hk](mailto:investor@fulum.com.hk)

## CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2018, there was no significant change in the Company's constitutional documents.



# REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2018.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The Group is principally involved in restaurant operations in Hong Kong and Mainland China, production, sale and distribution of food products related to restaurant operations. The principal activities of the principal subsidiaries are set forth in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 10 to 16 of this annual report. The discussion forms part of this Directors' report.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 and the Group's financial position at that date are set forth in the financial statements on pages 57 to 58.

The Directors recommended the payment of a special final dividend of HK3.69 cents per ordinary share and a final dividend of HK1.31 cents per ordinary share, totalling approximately HK\$65,000,000, in respect of the year to shareholders whose names appear on the register of members on Wednesday, 5 September 2018. The proposed special final and final dividends for the year ended 31 March 2018 have been approved at the Company's board meeting on 27 June 2018. The proposed special final and final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Details of the dividends for the year ended 31 March 2018 are set forth in note 11 to the financial statements.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 August 2018 to Tuesday, 28 August 2018, both days inclusive, during which no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the AGM to be held on 28 August 2018, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investors Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 21 August 2018 for registration.

Subject to the approval of shareholders at the meeting, the proposed special final and final dividends will be payable on or about Thursday, 13 September 2018 to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Wednesday, 5 September 2018, and the register of members of the Company will be closed from Monday, 3 September 2018 to Wednesday, 5 September 2018, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed special final and final dividends, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 31 August 2018 for registration.



## USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the listing of shares of the Company (the "Listing") on the Main Board of the Stock Exchange on 13 November 2014 (the "Listing Date"), after the deduction of related issuance expenses, amounted to approximately HK\$431.8 million. During the year ended 31 March 2018, the balance of net proceeds from the Listing were fully utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 4 November 2014 (the "Prospectus").

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the audited consolidated financial statements or the Prospectus, is set out on page 126 of this annual report. This summary does not form part of the audited financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in notes 26 and 27 to the financial statements, respectively.

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

## PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

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



# REPORT OF THE DIRECTORS

## DISTRIBUTABLE RESERVES

At 31 March 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK\$793,968,000, of which HK\$17,030,000 and HK\$47,970,000 has been proposed as a final dividend and a special final dividend for the year, respectively. The amount of HK\$540,140,000 included the Company's share premium account which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts when they fall due in the ordinary course of business.

## CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$825,000.

## MAJOR CUSTOMERS AND SUPPLIERS

As a restaurant chain, the Company had a large and diversified customer base across Hong Kong and Mainland China and did not rely on any single customer during the year. For the year ended 31 March 2018, the five largest suppliers and the single largest supplier of the Group accounted for approximately 48.5% (2017: 42.9%) and 17.6% (2017: 16.1%) of the total purchases of the Group, respectively.

Save as disclosed above, during the year under review, none of the Directors, their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

## DIRECTORS

The Directors of the Company during the year and as at the date of this annual report were as follows:

### Executive Directors:

Mr. Yeung Wai (Chairman & Chief Executive Officer)  
Mr. Yeung Yun Chuen  
Mr. Yeung Yun Kei  
Mr. Leung Siu Sun

### Independent Non-executive Directors:

Mr. Fan Chun Wah Andrew  
Mr. Wu Kam On Keith  
Mr. Ng Ngai Man Raymond (appointed on 22 September 2017)  
Mr. Lock Kwok On Anthony (retired on 22 September 2017)

Pursuant to articles 84(1) and 84(2) of the Company's articles of association, Mr. Yeung Yun Kei, Mr. Fan Chan Wah Andrew and Mr. Wu Kam On Keith will retire as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.





## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years with expiry date of 27 October 2020, and such service agreements may be terminated in accordance with the terms of the service agreements, including by either party giving to the other party not less than three months' advance written notice of termination.

Each of the independent non-executive Directors has been appointed to the Board pursuant to their respective letters of appointment, for an initial term of three years, renewable automatically for successive terms of one month each commencing from the next day after the expiry of the then current term of appointment, and such appointment may be terminated in accordance with the terms of the letters of appointment, including by either party giving to the other party not less than three months' advance written notice of termination.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' EMOLUMENTS

The emoluments payable to Directors is determined by the Board with reference to recommendations given by the Remuneration Committee to the Board taking into account the Directors' duties, responsibilities and performance and the results of the Group. A summary of the Directors' remuneration is set out in note 8 to the financial statements.

## PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate Directors' liability insurance coverage for the Directors of the Group.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Continuing Connected Transactions" on pages 45 to 47 of the annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year.

## 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.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2018, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had 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 in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	The Company/ name of associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Yeung Wai	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. Yeung Yun Chuen	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. Yeung Yun Kei	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. Leung Siu Sun	The Company	Beneficial owner	70,625,000 Shares (L) (Note 4)	5.43%

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying shares of the Company or the relevant associated corporation.
2. Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei being our executive Directors, are siblings, associates of each other under the Listing Rules and are deemed to be persons acting in concert under the Codes on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong. As such, each of Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei is deemed to be interested in all the Shares in which the others are interested.
3. These interests consist of 908,375,000 Shares and 18,300,000 underlying Shares ("Share Option Shares") comprised in the options granted to Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei pursuant to the Pre-IPO Share Option Scheme. (i) In respect of the 908,375,000 Shares, 272,025,000 Shares were held by Mr. Yeung Yun Chuen, 184,275,000 Shares were held by Mr. Yeung Yun Kei, and 452,075,000 Shares were held by China Sage International Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yeung Wai; (ii) in respect of the 18,300,000 Share Option Shares, 8,300,000 Share Option Shares, 6,000,000 Share Option Shares and 4,000,000 Share Option Shares were granted to Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei, respectively. As described in Note 2 above, each of Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei is deemed to be interested in these 908,375,000 Shares and 18,300,000 Share Option Shares held by them in aggregate.
4. These interests consist of 66,625,000 Shares and 4,000,000 Share Option Shares granted to Mr. Leung Siu Sun.

# REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executive had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register that was required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2018, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the Shares and underlying Shares of the Company, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of shareholder	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding in the Company
Ms. Lam Man Ki, Elane	Interest of spouse (Note 2)	926,675,000 Shares (L)	71.28%
Ms. Yung Yuk Ling	Interest of spouse (Note 3)	926,675,000 Shares (L)	71.28%
Ms. Hui Lin Na	Interest of spouse (Note 4)	926,675,000 Shares (L)	71.28%
China Sage International Limited	Beneficial owner (Note 5)	452,075,000 Shares (L)	34.78%
Ms. Leung Siu Kuen	Interest of spouse (Note 6)	70,625,000 Shares (L)	5.43%

### Notes:

1. The letter "L" denotes the person or entity's long position in the shares and underlying shares of the Company.
2. Ms. Lam Man Ki, Elane was deemed to be interested in all the Shares in which Mr. Yeung Wai, her spouse, was interested by virtue of the SFO.
3. Ms. Yung Yuk Ling was deemed to be interested in all the Shares in which Mr. Yeung Yun Chuen, her spouse, was interested by virtue of the SFO.
4. Ms. Hui Lin Na was deemed to be interested in all the Shares in which Mr. Yeung Yun Kei, her spouse, was interested by virtue of the SFO.
5. These Shares were held by China Sage International Limited. The entire issued shares of China Sage International Limited are owned by Mr. Yeung Wai.
6. Ms. Leung Siu Kuen was deemed to be interested in all the Shares in which Mr. Leung Siu Sun, her spouse, was interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2018, no person, other than the Directors and chief executive of the Company, had registered an interest or short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEMES

The Company operates a pre-initial public offering share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”) (collectively, the “Schemes”) for the purpose of motivating eligible participants to optimise their future contributions to the Group and to reward them for the past contributions and to attract and retain or otherwise maintain ongoing relationships with such eligible participants whose contributions are or will be beneficial to the performance, growth or success of the Group.

Eligible participants of the Schemes include the Company’s Directors, including independent non-executive Directors, other employees of the Group and any consultants, business or joint venture partners, franchisees, contractors, agents, representatives or service providers of any member of the Group. The Pre-IPO Share Option Scheme and the Share Option Scheme were adopted by the Company on 28 October 2014 and became effective on 28 October 2014 and 13 November 2014, respectively, and, unless otherwise cancelled or amended, will remain in force for 5 years and 10 years, respectively, from the respective effective dates.

The maximum number of shares in respect of which options may be granted under the Schemes and any other schemes by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date unless shareholders’ approval has been obtained.

The maximum number of shares issuable under the share options to each eligible participant in the Schemes within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in advance in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associate, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and may commence from the date of the offer of the share options and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry dates of the Schemes, if earlier.

# REPORT OF THE DIRECTORS

Details of the movements in the Company's outstanding share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme for the year ended 31 March 2018 were as follows:

Name or category of participant	Balance as at 31 March 2017	Exercised during the year	Lapsed or cancelled during the year	Balance as at 31 March 2018	Date of grant	Exercise period	Exercise price per Share (HK\$)	Closing price of the Shares on the trading day immediately before the date of grant (HK\$)
Directors								
Yeung Wai	8,300,000	-	-	2,739,000	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		-	-	2,739,000	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		-	-	2,822,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Yeung Yun Chuen	6,000,000	-	-	1,980,000	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		-	-	1,980,000	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		-	-	2,040,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Yeung Yun Kei	4,000,000	-	-	1,320,000	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		-	-	1,320,000	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		-	-	1,360,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Leung Siu Sun	4,000,000	-	-	1,320,000	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		-	-	1,320,000	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		-	-	1,360,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Employees of the Group	22,980,000	-	(603,900)	6,979,500	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		-	(603,900)	6,979,500	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		-	(622,200)	7,191,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Total	45,280,000	-	(1,830,000)	43,450,000				



# REPORT OF THE DIRECTORS

## (A) PRE-IPO SHARE OPTION SCHEME

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted 54,000,000 options to eligible Directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms stipulated under the Pre-IPO Share Option Scheme. The exercise price is 60% of the final offer price of the Shares issued in connection with the Listing (HK\$0.93). No options were exercised during the year. 1,830,000 options were cancelled upon the termination of employment of the respective grantees during the year. As at the date of this annual report, the Company had 43,200,000 share options under the Pre-IPO Share Option Scheme, representing approximately 3.3% of the issued share capital of the Company as at that date.

## (B) SHARE OPTION SCHEME

Pursuant to the Share Option Scheme, the Directors may invite participants to take up options at a price determined by the Board but in any event shall not be less than the highest of (i) the nominal value of a Share; (ii) the closing price of the Share as stated in the Stock Exchange's daily quotation sheet on the offer date; and (iii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer. As at the date of this annual report, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 27 to the financial statements.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations" and the section headed "Share Option Schemes" in this annual report, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Continuing Connected Transactions" on pages 45 to 47 of this annual report, no contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

## CONTINUING CONNECTED TRANSACTIONS

During the year under review, the Group has entered into 28 tenancy agreements with various entities controlled by the controlling shareholders of the Company or their associates (the “Connected Landlord Entities”) to lease certain properties for restaurant operations, as office premise/warehouse or as the central kitchen/logistics centre from the Connected Landlord Entities in accordance with the respective terms of the relevant tenancy agreements (the “Connected Tenancy Agreements”). These Connected Tenancy Agreements were entered into by the Group after having considered, among others, the prime location of these properties and the terms offered by the Connected Landlord Entities. The Connected Tenancy Agreements were entered into in the ordinary and usual course of the Group’s business. For details, please refer to the announcements of the Company dated 20 October 2015 and 30 June 2016, and the circular of the Company dated 28 February 2017.

### (A) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNOUNCEMENT, ANNUAL REVIEW AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

Pursuant to the tenancy framework agreement dated 18 January 2017 entered into between the Company and Mr. Yeung Wai, Mr. Yeung Yun Kei, Mr. Yeung Yun Chuen and Mr. Yeung Chun Nin (楊振年) (the “Tenancy Framework Agreement”) and the 25 connected tenancy agreements entered into between the relevant members of the Group and the relevant members of the Connected Landlord Entities under the Tenancy Framework Agreement (the “2017 Connected Tenancy Agreements”), the aggregate annual caps for the rent payable to the Connected Landlord Entities under the 2017 Connected Tenancy Agreements and the Tenancy Framework Agreement for each of the financial years ended 31 March 2017 and 2018, and each of the financial years ending 31 March 2019 and 2020 are approximately HK\$80.0 million, HK\$89.4 million, HK\$89.6 million and HK\$89.6 million, respectively. During the year under review, amounts payable/paid by the Group to the Connected Landlord Entities amounted to HK\$89,351,000.

Based on the annual caps that have been proposed, the highest relevant percentage ratios in respect of the aggregation of the 2017 Connected Tenancy Agreements and the Tenancy Framework Agreement with the Connected Landlord Entities will, on an annual basis, exceed 5% and the total consideration for these transactions will, on an annual basis, exceed HK\$10 million. Accordingly, the Connected Tenancy Agreements with the Connected Landlord Entities constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

### (B) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNOUNCEMENT AND ANNUAL REVIEW REQUIREMENTS

Pursuant to a lease entered into between Sino Horse Investment Limited (“Sino Horse”) and Glory Food Services Limited (“Glory Food”), an indirect wholly-owned subsidiary of the Company, on 20 October 2015 (the “Agreement I”), Glory Food agreed to lease from Sino Horse the premises located at Shop A on the basement of Kimberley House, No.35 Kimberley Road, Kowloon, Hong Kong (the “Premise I”) at a monthly rent of HK\$148,000. The term of the lease granted under the Agreement I is valid from 1 November 2015 to 31 October 2018. The Premise I has been used by Glory Food as a restaurant.



## REPORT OF THE DIRECTORS

Pursuant to a lease entered into between Sino Horse and Central Crest Limited (“Central Crest”), an indirect wholly-owned subsidiary of the Company, on 30 June 2016 (the “Agreement II”), Central Crest agreed to lease from Sino Horse the premises located at Shops A and B on the ground floor of Kimberley House, No.35 Kimberley Road, Kowloon, Hong Kong (the “Premise II”) at a monthly rent of HK\$300,000. The term of the lease granted under the Agreement II is valid from 1 August 2016 to 31 July 2019. The Premise II has been used by Central Crest as a restaurant.

Pursuant to a lease entered into between Central Base Industrial Limited (“Central Base”) and Sino Emotion Limited (“Sino Emotion”), an indirect wholly-owned subsidiary of the Company, on 30 June 2016 (the “Agreement III”), Sino Emotion agreed to lease from Central Base the premises located at Shop 201 on the second floor of Kings Wing Plaza 2, No.1 On Kwan Street, Sha Tin, New Territories, Hong Kong (the “Premise III”) at a monthly rent of HK\$536,750. The term of the lease granted under the Agreement III is valid from 1 August 2016 to 31 July 2019. The Premise III has been used by Sino Emotion as a restaurant.

Sino Horse and Central Base are principally engaged in the business of property investment. They are wholly owned by Mr. Yeung, an executive Director, the chairman, the chief executive officer and the controlling shareholder of the Group. Accordingly, Sino Horse and Central Base are associates of Mr. Yeung and therefore regarded as connected persons of the Group.

The aggregate annual cap for the rent payable of the above three premises for each of the financial years ended 31 March 2017 and 2018, and each of the financial years ending 31 March 2019 and 2020 are HK\$8,470,000, HK\$11,817,000, HK\$11,077,000 and HK\$3,347,000, respectively. During the year under review, amounts payable/paid by the Group to Sino Horse and Central Base of the above three premises amounted to HK\$11,817,000.

Based on the annual caps that have been proposed, the highest relevant percentage ratio in respect of the aggregation of the Agreement I, Agreement II and Agreement III with the Connected Landlord Entities, on an annual basis, should be less than 5%. Accordingly, the aggregation of the Agreement I, Agreement II and Agreement III with the Connected Landlord Entities are subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions during the year under review and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties conducted in accordance with the terms of the respective tenancy agreements; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.



Ernst & Young, the Company's external auditor, was engaged to report on the Group's continuing connected transactions during the year ended 31 March 2018, in accordance with Hong Kong Standard on Assurance Engagements 3000 "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. Ernst & Young issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions during the year under review by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save for the aforementioned continuing connected transactions disclosed in this annual report, the related party transactions disclosed in note 35 to the financial statements are either exempted or non-exempted continuing connected transactions or connected transactions which have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## ANNUAL OFFER ARRANGEMENTS AND RIGHT OF FIRST REFUSAL

### BACKGROUND

As stated in the Prospectus, Mr. Yeung, Sportful Garden Restaurant Limited ("SGRL" which is not a member of the Group) and the Company have entered into an option deed dated 28 October 2014 (the "Deed of Annual Offer and ROFR"), pursuant to which Mr. Yeung and SGRL agreed to offer, on an exclusive basis, an option to the Company to, at our sole and absolute discretion, acquire (i) all or part of their respective interests in China Best Development Limited ("China Best"), Faith Linkage Limited ("Faith Linkage") and United Team Trading Limited ("United Team"), the holding companies of five mid-to-high end Chinese restaurants in Guangdong, the PRC under the brand of "Sportful Garden (陶源)" ultimately controlled by the controlling shareholders of the Company, namely Mr. Yeung Wai, China Sage International Limited, Mr. Yeung Yun Kei and Mr. Yeung Yun Chuen (the "Controlling Shareholders") (four of which are owned by Mr. Yeung and one of which is owned by SGRL) which were excluded from the Group as further described in the section headed "Relationship with our Controlling Shareholders" in the Prospectus (the "Excluded PRC Restaurants"); and/or (ii) certain trademarks in the PRC containing the Chinese character "陶源" and English letters "Sportful Garden" (the "PRC Sportful Garden Trademarks") or any one of them, once in each financial year upon the Listing (the "Annual Offer Arrangements"), subject to compliance with the necessary government approvals, board approvals and shareholders' approval requirements (as required by the Listing Rules, if applicable). The consideration of such transfer will be the average appraised value under the valuation reports to be conducted by two independent valuers, who shall be appointed by our independent non-executive Directors. Under the Deed of Annual Offer and ROFR, Mr. Yeung and SGRL will make the annual offer on 31 January in each financial year by giving a written notice of offer (the "Annual Offer Notice") to the Company.

Under the Deed of Annual Offer and ROFR, Mr. Yeung and SGRL have further granted to the Company a right of first refusal (the "ROFR"), pursuant to which, in the event that Mr. Yeung and/or SGRL receive an offer from any independent third party to purchase, or contemplate to dispose of to any independent third party, the whole or any part of their respective interests in any of the Excluded PRC Restaurants and/or any of the PRC Sportful Garden Trademarks (the "Third Party Disposal"), the Company shall have the right to acquire the relevant Excluded PRC Restaurant(s) and/or the relevant PRC Sportful Garden Trademark(s) at the average appraised value under the valuation reports to be conducted by two independent valuers, who shall be appointed by the independent non-executive Directors, within 30 business days.

# REPORT OF THE DIRECTORS

## CORPORATE MEASURES IN RELATION TO THE ANNUAL OFFER ARRANGEMENTS AND ROFR

The following additional corporate measures are implemented to protect the rights of the minority Shareholders in considering the Annual Offer Arrangements and/or ROFR:

- (i) decision for the acceptance of the offer under the Annual Offer Arrangements and/or ROFR shall be determined by our independent non-executive Directors only;
- (ii) the independent non-executive Directors are empowered to engage professional advisors at the costs of the Group for advice on matters relating to the Annual Offer Arrangements and/or ROFR; and
- (iii) the Company will disclose in its annual reports on the decision, with basis, of the independent non-executive Directors to accept or reject the offers under the Annual Offer Arrangements and/or ROFR.

The Annual Offer Arrangements and/or ROFR will be considered in the best commercial interests of the Shareholders as a whole and will be determined by the independent non-executive Directors upon taking appropriate professional advice as mentioned above, and taking into account, as a minimum, (i) the Company's management resources; (ii) the competitive strengths and prospects of the Excluded PRC Restaurants; (iii) the value of the PRC Sportful Garden Trademarks to the overall corporate strategy in the PRC; and (iv) the financial positions of the Excluded PRC Restaurants. If the offers under the Annual Offer Arrangements and/or ROFR were accepted in the future, the acquisition would be financed through our internal resources or through obtaining external financings, or a combination of both, depending on the financial positions of the Group at the relevant time. The Directors have been advised that there is no legal impediment restricting Mr. Yeung and SGRL from transferring China Best, Faith Linkage and United Team, the holding companies of the Excluded PRC Restaurants, to the Group under the Annual Offer Arrangements and/or ROFR.

## DECISION MADE DURING THE YEAR UNDER REVIEW

The independent non-executive Directors, on behalf of the Company, had unanimously declined the annual offer under the Annual Offer Notice for the year ended 31 March 2018 given by Mr. Yeung and SGRL after evaluating the financial and operational performance of the Excluded PRC Restaurants for the financial year ended 31 December 2017 with the following reasons:

- (i) due to the recent state policy against high-end consumption sentiments in the PRC, the Directors have confirmed that the Group has no current intention to tap into the mid-to-high end segment in the PRC. For the time being, all future investments of the Group into the PRC market are expected to focus on the mass market segment. In the event that there is an uplift of or change to the state policy against high end consumption sentiment in the PRC, the Group may consider acquiring the Excluded PRC Restaurants under the Deed of Annual Offer and ROFR before tapping into the mid-to-high end market in the PRC on our own venture to avoid direct or indirect competition with our Controlling Shareholders; and
- (ii) according to the information provided by Mr. Yeung and SGRL, the consolidated operating and financial results of the Excluded PRC Restaurants were still in loss performance for the financial year ended 31 December 2017, and the business environment for mid-to-high end catering segments in the PRC was still sluggish.

In addition, during the year under review, there was no Third Party Disposal.



## DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 March 2018, save as disclosed in the section headed "Relationship with our Controlling Shareholders" in the Prospectus, none of the Directors of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

## DEED OF NON-COMPETITION

The Company has received the written confirmations from Mr. Yeung, China Sage International Limited, Mr. YK Yeung and Mr. YC Yeung in respect of the compliance with the provisions of the deed of non-competition ("Deed of Non-competition"), entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" of the Prospectus, from the Listing Date to the date of this annual report.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms from the Listing Date to the date of this annual report.

## STATUS UPDATE AS TO THE 34 BUILDING ORDERS

Reference is made to the 34 unreleased building orders registered against our leased premises in the section headed "Business – Building orders and fire safety directions registered against our leased premises" in the Prospectus. Among those 34 unreleased building orders, 4 of them were released, 23 of them have been completed with rectification works and are subject to the release of the building orders while the remaining building orders are still being followed up, including those that we are unable to obtain co-operation from the relevant landlord(s) or incorporated owners to carry out the relevant rectification works.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by public as at the date of this annual report.

## AUDITOR

Ernst & Young retires and a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Yeung Wai**  
*Chairman*

Hong Kong  
27 June 2018

# INDEPENDENT AUDITOR'S REPORT



**To the shareholders of Fulum Group Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Fulum Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 125, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### Key audit matter

### How our audit addressed the key audit matter

#### ***Assessment of the recoverable amounts of cash-generating units***

Management performed the impairment assessment of the Group's goodwill and intangible assets on an annual basis as at 31 March 2018 or where an indication of impairment of non-financial assets exists, including property, plant and equipment of identified branches that continued to underperform. As at 31 March 2018, the Group had goodwill, intangible assets and property, plant and equipment in aggregate of approximately HK\$295,307,000, representing 22.1% of the Group's total assets. When performing the impairment test, management determines the recoverable amounts of the allocated cash-generating units ("CGUs") or groups of CGUs based on a value in use calculation using the discounted cash flow method and its fair value less costs of disposal, whichever is the higher. During the year, an impairment of approximately HK\$287,000 has been recorded to reduce the carrying amount of property, plant and equipment of identified underperformed branches of approximately HK\$28,648,000 (before impairment) to their estimated recoverable amount. Significant management judgement was involved in the assessments of the recoverable amounts of CGUs, including assumptions on the budgeted revenue, budgeted expenses, discount rates, growth rates and general price inflation or fair value less costs of disposal. The outcome is sensitive to expected future market conditions and the CGUs' or groups of CGUs' actual performance.

In evaluating management's impairment assessment, we tested the assumptions used in the value in use calculations by: (i) comparing the expected growth rate with historical results and other industry specific statistics; (ii) comparing the discount rate with relevant industry's weighted average cost of capital; and (iii) assessing the sensitivity of management estimates and assumptions used in evaluating whether a reasonably possible change in assumptions could cause the carrying amounts to exceed their recoverable amounts. Furthermore, we have evaluated management's assessment on fair value less costs of disposal based on the available information.

The relevant accounting policies, judgements and assessments are disclosed in notes 2.4, 3, 13, 14 and 15 to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><b>Recognition of deferred tax assets</b></p> <p>As at 31 March 2018, the Group recognised deferred tax assets on deductible temporary differences and unused tax losses of approximately HK\$21,190,000. Recognition of deferred tax assets is made to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Significant management judgement is involved to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.</p>	<p>Our audit procedures included: (i) reviewing management's assessment on the recoverability of deferred tax assets based on the Group's projection of future taxable income in the jurisdictions from which the tax losses had arisen; (ii) assessing the profit forecasts by comparing the key assumptions such as growth rate, gross profit margins and key operating costs to historical results and other industry specific statistics; and (iii) comparing the Group's projection to its tax planning strategies and historical financial information.</p>

Relevant disclosures of deferred tax assets are set out in notes 2.4, 3 and 25 to the financial statements.

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai Cary.

**Ernst & Young**  
*Certified Public Accountants*  
22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong  
27 June 2018





# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
REVENUE	5	2,961,974	2,965,974
Other income and gains, net	5	21,269	19,643
Cost of inventories sold		(874,762)	(842,926)
Staff costs		(977,101)	(990,064)
Property rentals and related expenses		(545,771)	(523,660)
Depreciation	13	(98,800)	(97,529)
Fuel and utility expenses		(180,472)	(184,709)
Other expenses		(245,307)	(241,515)
Finance costs	6	(622)	(691)
<b>PROFIT BEFORE TAX</b>	7	<b>60,408</b>	104,523
Income tax expense	10	(17,931)	(21,681)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>42,477</b>	82,842
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
– Basic	12	HK3.27 cents	HK6.37 cents
– Diluted	12	HK3.26 cents	HK6.36 cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
PROFIT FOR THE YEAR	42,477	82,842
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	6,020	(3,155)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	48,497	79,687

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	223,600	261,362
Goodwill	14	58,707	58,707
Intangible assets	15	13,000	13,000
Deposits	18	110,168	88,341
Deferred tax assets	25	21,190	25,931
<b>Total non-current assets</b>		<b>426,665</b>	<b>447,341</b>
<b>CURRENT ASSETS</b>			
Inventories	16	72,088	78,348
Trade receivables	17	20,906	8,610
Prepayments, deposits and other receivables	18	116,173	116,166
Tax recoverables		6,822	17,801
Pledged time deposit	19	71,142	2,377
Cash and cash equivalents	19	623,169	637,353
<b>Total current assets</b>		<b>910,300</b>	<b>860,655</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	20	111,138	78,489
Other payables, accruals and deferred income	21	124,966	129,162
Interest-bearing bank borrowings	22	10,783	18,467
Finance lease payables	23	484	682
Provision	24	12,439	12,501
Tax payables		4,910	9,977
<b>Total current liabilities</b>		<b>264,720</b>	<b>249,278</b>
<b>NET CURRENT ASSETS</b>		<b>645,580</b>	<b>611,377</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,072,245</b>	<b>1,058,718</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Accruals and deferred income	21	27,371	27,427
Finance lease payables	23	741	1,225
Provision	24	18,300	20,430
Deferred tax liabilities	25	279	1,082
<b>Total non-current liabilities</b>		<b>46,691</b>	<b>50,164</b>
<b>Net assets</b>		<b>1,025,554</b>	<b>1,008,554</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	26	1,300	1,300
Reserves	28	1,024,254	1,007,254
<b>Total equity</b>		<b>1,025,554</b>	<b>1,008,554</b>

**Yeung Wai**  
*Director*

**Yeung Yun Chuen**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	Notes	Attributable to owners of the Company							Total equity HK\$'000
		Issued capital HK\$'000	Share premium account HK\$'000	Other reserve HK\$'000 (Note 28(a))	Merger reserve HK\$'000 (Note 28(b))	Share option reserve HK\$'000 (Note 28(c))	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2016		1,300	540,140	(5,372)	31,073	15,845	(1,404)	377,837	959,419
Profit for the year		-	-	-	-	-	-	82,842	82,842
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations		-	-	-	-	-	(3,155)	-	(3,155)
Total comprehensive income for the year		-	-	-	-	-	(3,155)	82,842	79,687
Final 2016 dividend	11	-	-	-	-	-	-	(40,560)	(40,560)
Equity-settled share option arrangement	27	-	-	-	-	10,008	-	-	10,008
Transfer of share option reserve upon the forfeiture of share options	27	-	-	-	-	(189)	-	189	-
At 31 March 2017		1,300	540,140*	(5,372)*	31,073*	25,664*	(4,559)*	420,308*	1,008,554
At 1 April 2017		1,300	540,140	(5,372)	31,073	25,664	(4,559)	420,308	1,008,554
Profit for the year		-	-	-	-	-	-	42,477	42,477
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		-	-	-	-	-	6,020	-	6,020
Total comprehensive income for the year		-	-	-	-	-	6,020	42,477	48,497
Final 2017 dividend	11	-	-	-	-	-	-	(33,150)	(33,150)
Equity-settled share option arrangement	27	-	-	-	-	1,653	-	-	1,653
Transfer of share option reserve upon the forfeiture of share options	27	-	-	-	-	(573)	-	573	-
At 31 March 2018		1,300	540,140*	(5,372)*	31,073*	26,744*	1,461*	430,208*	1,025,554

\* These reserve accounts comprise the consolidated reserves of HK\$1,024,254,000 (2017: HK\$1,007,254,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		60,408	104,523
Adjustments for:			
Depreciation		98,800	97,529
Interest income	5	(3,339)	(4,539)
Gain on disposal of subsidiaries	5	–	(286)
Gain on waiver of reinstatement liabilities	5	(3,052)	(1,689)
Finance costs	6	622	691
Equity-settled share option expense	7	1,653	10,008
Impairment of trade receivables	7	–	3,390
Impairment/(reversal of impairment) of other receivables	7	(15)	285
Impairment of items of property, plant and equipment	7	287	–
Loss/(gain) on disposal of items of property, plant and equipment, net	7	(454)	118
Write-off of items of property, plant and equipment	7	4,287	1,567
		<b>159,197</b>	<b>211,597</b>
Decrease/(increase) in inventories		6,422	(10,910)
Increase in trade receivables		(12,198)	(4,349)
Decrease/(increase) in prepayments, deposits and other receivables		5,039	(51,062)
Increase/(decrease) in trade payables		32,187	(8,957)
Decrease in other payables, accruals and deferred income		(8,953)	(2,693)
Decrease in provision	24	(648)	(250)
		<b>181,046</b>	<b>133,376</b>
Cash generated from operations		3,339	4,539
Interest received		(90)	(97)
Interest element of finance lease rental payments		(5,946)	(23,107)
Hong Kong profits tax paid		(2,200)	(2,032)
PRC corporate income tax paid			
		<b>176,149</b>	<b>112,679</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(57,208)	(77,401)
Proceeds from disposal of items of property, plant and equipment		524	1,208
Deposits paid for purchase of items of property, plant and equipment		(26,494)	(219)
Disposal of subsidiaries	29	–	1
Increase in a pledged time deposit		(68,765)	(12)
		<b>(151,943)</b>	<b>(76,423)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

Notes	2018 HK\$'000	2017 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	42,938	21,300
Repayment of bank loans	(50,622)	(36,166)
Capital element of finance lease rental payments	(682)	(570)
Dividend paid	(33,150)	(40,560)
Repayment to related parties	–	(884)
Interest paid	(532)	(594)
<b>Net cash flows used in financing activities</b>	<b>(42,048)</b>	<b>(57,474)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of year	637,353	659,845
Effect of foreign exchange rate changes, net	3,658	(1,274)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>623,169</b>	<b>637,353</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the consolidated statement of financial position and in the consolidated statement of cash flows	19 623,169	637,353

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 1. CORPORATE AND GROUP INFORMATION

Fulum Group Holdings Limited is an exempted company with limited liability incorporated in the Cayman Islands on 24 February 2014. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 15th Floor, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company and the Company's subsidiaries are principally engaged in restaurant operations in Hong Kong and the People's Republic of China (the "PRC" or "Mainland China"). The shares of the Company (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 November 2014 (the "Listing Date") (the "Listing").

### INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chung Sing Holdings Limited <sup>^</sup>	British Virgin Islands ("BVI")	–	100	–	Investment holding
Chung Tao Holdings Limited <sup>^</sup>	BVI	–	–	100	Investment holding
Chung Fu Holdings Limited <sup>^</sup>	BVI	–	–	100	Investment holding
Chung Wong Holdings Limited <sup>^</sup>	BVI	–	–	100	Investment holding
Chung Ling Management & Logistic Holdings Limited <sup>^</sup>	BVI	–	–	100	Investment holding
Fu Tao (China) Holdings Limited <sup>^</sup>	BVI	–	–	100	Investment holding
Fulum Food (China) Holdings Limited <sup>^</sup>	BVI	–	–	100	Investment holding
China Flower Hong Kong Limited	Hong Kong	HK\$1	–	100	Investment holding
Fulum Food Investment Limited	Hong Kong	HK\$1	–	100	Investment holding
Fulum Investment (HK) Limited <sup>#</sup>	Hong Kong	HK\$1	–	100	Investment holding
Chung Chun Enterprises Limited	Hong Kong	HK\$38,000	–	100	Restaurant operation
Sino Rainbow Development Limited	Hong Kong	HK\$100	–	100	Restaurant operation
China Easy Investment Limited	Hong Kong	HK\$100	–	100	Restaurant operation
Sino Emotion Limited	Hong Kong	HK\$100	–	100	Restaurant operation



# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### INFORMATION ABOUT SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sino Target Investments Limited	Hong Kong	HK\$100	–	100	Restaurant operation
China Vantage Enterprise Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Acezone Enterprises Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Centralink International Development Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Sino Talent Investment Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Grander Creation Limited	Hong Kong	HK\$2,000,000	–	100	Restaurant operation
Sinobond Investment Development Limited	Hong Kong	HK\$100	–	100	Restaurant operation
Midway Enterprise Limited	Hong Kong	HK\$100	–	100	Restaurant operation
New Central Hong Kong Development Limited	Hong Kong	HK\$100	–	100	Restaurant operation
China Show Industrial Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Beauty Enterprises Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Miracle Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Gold China Enterprise Limited	Hong Kong	HK\$100	–	100	Restaurant operation
China Talent Asia Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Sino Well Properties Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Luck China International Trading Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Excellent International Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Central Method Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Topworld Investment Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Solar Industrial Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Extreme Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Enviro Investments Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Enviro Enterprises Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Central Keen Industrial Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Great Sino International Industrial Limited	Hong Kong	HK\$100	–	100	Restaurant operation

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### INFORMATION ABOUT SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sino Favour (Hong Kong) Limited	Hong Kong	HK\$100	–	100	Restaurant operation
China Honest Development Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Park Sun Property Agency Limited	Hong Kong	HK\$10,000	–	100	Restaurant operation
Middle East Development Limited	Hong Kong	HK\$100	–	100	Restaurant operation
Central Loyal Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Sino Copper Limited	Hong Kong	HK\$1	–	100	Restaurant operation
New Central Industrial Limited	Hong Kong	HK\$80,000	–	100	Restaurant operation
Sun Profit Hong Kong Development Limited	Hong Kong	HK\$3,000,000	–	100	Restaurant operation
China Forward Development Limited	Hong Kong	HK\$1	–	100	Restaurant operation
China Base Development Limited	Hong Kong	HK\$10,000	–	100	Restaurant operation
China Order Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Central Dynamic International Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Central Crest Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Korean Catering Concepts Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Glory Food Services Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Union Catering Concepts Limited	Hong Kong	HK\$1	–	100	Restaurant operation
Sino Rank Limited	Hong Kong	HK\$1	–	100	Processing, sale and distribution of food products
Fulum Management Limited	Hong Kong	HK\$100	–	100	Provision of management service
Sino Mountain Trading Limited	Hong Kong	HK\$1	–	100	Trading of kitchen utensils and other operating items
Fulum Food (International) Limited	Hong Kong	HK\$1	–	100	Sale and distribution of food products

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 1. CORPORATE AND GROUP INFORMATION *(Continued)*

### INFORMATION ABOUT SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sino Forest Limited	Hong Kong	HK\$1	–	100	Owner of trademarks
Right Proceed Limited <sup>#</sup>	Hong Kong	HK\$1	–	100	Property holding
廣州加盈餐飲管理有限公司 <sup>^*</sup>	PRC/Mainland China	HK\$23,000,000	–	100	Restaurant operation
珠海中域富臨餐飲管理有限 公司 <sup>^*</sup>	PRC/Mainland China	HK\$15,000,000	–	100	Restaurant operation
福建中浩富臨餐飲管理有限公 司 <sup>^*</sup>	PRC/Mainland China	HK\$15,000,000	–	100	Restaurant operation
中花食品進出口貿易(深圳)有 限公司 <sup>^*</sup>	PRC/Mainland China	HK\$1,000,000	–	100	Sale and distribution of food products

<sup>^</sup> The statutory financial statements of these companies are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

<sup>\*</sup> These companies are registered as wholly-foreign-owned enterprises established under PRC law.

<sup>#</sup> Incorporated during the year ended 31 March 2018.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, with a loss of control, is accounted for as an equity transaction.

## 2.1 BASIS OF PREPARATION *(Continued)*

### BASIS OF CONSOLIDATION *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7  
Amendments to HKAS 12  
Amendments to HKFRS 12  
included in *Annual  
Improvements to HKFRSs  
2014-2016 Cycle*

*Disclosure Initiative  
Recognition of Deferred Tax Assets for Unrealised Losses  
Disclosure of Interests in Other Entities: Clarification of the  
Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 30(b) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>2</sup>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>
<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28 <sup>1</sup>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

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

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During the year ended 31 March 2018, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

### (b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

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

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The Group expects that the transitional adjustment to be made on 1 April 2018 upon initial adoption of HKFRS 15 will not be material. The Group also expects the expected changes in accounting policies will not have a material impact on the Group's financial statements from 1 April 2018 onwards.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 33 to the financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$748,539,000 (2017: HK\$700,198,000). Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### BUSINESS COMBINATIONS AND GOODWILL *(Continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### FAIR VALUE MEASUREMENT

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

### RELATED PARTIES

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

# NOTES TO FINANCIAL STATEMENTS

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### RELATED PARTIES *(Continued)*

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

### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and a range of 14.3% to 16.7%
Furniture, fixtures and equipment	20%
Computer equipment	30%
Air conditioning	20%
Kitchen equipment	30%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

### FINANCIAL ASSETS

#### ***Initial recognition and measurement***

Financial assets are all classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### ***Subsequent measurement of loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the statement of profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### FINANCIAL LIABILITIES

#### ***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

#### ***Subsequent measurement of loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

### DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

### OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### INCOME TAX *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from restaurant operations, when catering services have been provided to customers;
- (ii) from the sale of food and other operating items, when the food and other operating items are sold to customers and the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the food and other operating items sold;
- (iii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (iv) sponsorship income, when there is reasonable assurance that the sponsorship income will be received and all attaching conditions will be complied with. Where the sponsorship income relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments; and
- (v) licensing income, on a time proportion basis over the lease terms.

### SHARE-BASED PAYMENTS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### SHARE-BASED PAYMENTS *(Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because of non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### OTHER EMPLOYEE BENEFITS

#### ***Pension schemes***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in certain employee social security plans (the "Plans"), including pension and other welfare benefit plans, administered by the government authorities. These subsidiaries are required to contribute a certain percentage of their payroll costs to the Plans. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Plans.

# NOTES TO FINANCIAL STATEMENTS

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

### FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### ESTIMATION UNCERTAINTY

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

#### ***Impairment of non-financial assets***

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (a) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (b) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (c) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

#### ***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2018 was HK\$58,707,000 (2017: HK\$58,707,000). Further details are contained in note 14 to the financial statements.

#### ***Useful lives and residual values of items of property, plant and equipment***

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the reporting period based on changes in circumstances. The carrying amount of property, plant and equipment at 31 March 2018 was HK\$223,600,000 (2017: HK\$261,362,000). Further details are contained in note 13 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

### ESTIMATION UNCERTAINTY *(Continued)*

#### ***Net realisable value of inventories***

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. Management reassesses these estimates at each reporting date. The carrying amount of inventories at 31 March 2018 was HK\$72,088,000 (2017: HK\$78,348,000). Further details are contained in note 16 to the financial statements.

#### ***Impairment of loans and receivables***

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

#### ***Deferred tax assets***

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets relating to recognised tax losses at 31 March 2018 was HK\$8,320,000 (2017: HK\$11,864,000). Further details are contained in note 25 to the financial statements.



# NOTES TO FINANCIAL STATEMENTS

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## 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in restaurant operations in Hong Kong and Mainland China. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

### INFORMATION ABOUT GEOGRAPHICAL AREAS

The following tables present revenue from external customers for the years ended 31 March 2018 and 2017 and certain non-current asset information as at 31 March 2018 and 2017 by geographical area.

#### (a) Revenue from external customers

	2018 HK\$'000	2017 HK\$'000
Hong Kong	2,850,850	2,850,405
Mainland China	111,124	115,569
	<b>2,961,974</b>	<b>2,965,974</b>

The revenue information above is based on the locations of the customers.

#### (b) Non-current assets

	2018 HK\$'000	2017 HK\$'000
Hong Kong	283,777	294,968
Mainland China	38,024	38,320
	<b>321,801</b>	<b>333,288</b>

The non-current asset information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

### INFORMATION ABOUT MAJOR CUSTOMERS

Since no single customer of the Group has contributed over 10% of the Group's total revenue during the year, no information about major customers in accordance with HKFRS 8 *Operating Segments* is presented.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the gross revenue from restaurant operations and net invoiced value of goods sold and other operating items, after allowances for returns and trade discounts. An analysis of revenue, other income and gains, net is as follows:

	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>		
Restaurant operations	2,892,952	2,895,682
Sale of food and other operating items	69,022	70,292
	<b>2,961,974</b>	<b>2,965,974</b>
<b>Other income and gains, net</b>		
Bank interest income	3,339	4,539
Licensing income	2,086	2,104
Sponsorship income	8,314	8,322
Gain on disposal of subsidiaries (note 29)	–	286
Gain on disposal of items of property, plant and equipment, net	454	–
Gain on waiver of reinstatement liabilities	3,052	1,689
Foreign exchange differences, net	1,313	–
Others	2,711	2,703
	<b>21,269</b>	<b>19,643</b>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK\$'000	2017 HK\$'000
Interest on bank overdrafts and bank loans	532	594
Interest on finance leases	90	97
	<b>622</b>	<b>691</b>

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018 HK\$'000	2017 HK\$'000
Lease payments under operating leases:		
Minimum lease payments	462,610	439,139
Contingent rents	1,468	3,074
	<b>464,078</b>	<b>442,213</b>
Employee benefit expenses (including directors' remuneration (note 8))		
Salaries, bonuses and other allowances	938,971	941,679
Equity-settled share option expense	1,653	10,008
Retirement benefit scheme contributions (defined contribution schemes)^	36,477	38,377
	<b>977,101</b>	<b>990,064</b>
Auditor's remuneration	3,350	3,350
Impairment of trade receivables*	–	3,390
Impairment/(reversal of impairment) of other receivables*	(15)	285
Impairment of items of property, plant and equipment*	287	–
Loss/(gain) on disposal of items of property, plant and equipment, net*	(454)	118
Write-off of items of property, plant and equipment*	4,287	1,567
Foreign exchange differences, net	(1,313)	10,604

^ At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future year (2017: Nil).

\* The gain on disposal of items of property, plant and equipment of HK\$454,000 for the year ended 31 March 2018 was included in "Other income and gains, net" while the other items were included in "Other expenses" in the consolidated statement of profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 HK\$'000	2017 HK\$'000
Fees	721	720
Other emoluments:		
Salaries and bonuses	8,200	4,200
Equity-settled share option expense	1,075	5,223
Retirement benefit scheme contributions (defined contribution scheme)	72	72
	9,347	9,495
	10,068	10,215

In the prior years, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

### (a) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2018 HK\$'000	2017 HK\$'000
Mr. Fan Chun Wah Andrew	240	240
Mr. Wu Kam On Keith	240	240
Mr. Ng Ngai Man Raymond*	126	–
Mr. Lock Kwok On Anthony*	115	240
	721	720

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

\* Mr. Ng Ngai Man Raymond was appointed as a director of the Company on 22 September 2017 and on the same date, Mr. Lock Kwok On Anthony resigned as a director of the Company.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 8. DIRECTORS' REMUNERATION *(Continued)*

### (b) EXECUTIVE DIRECTORS

	Fees HK\$'000	Salaries and bonuses HK\$'000	Equity- settled share option expense HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2018</b>					
Mr. Yeung Wai	–	2,200	400	18	2,618
Mr. Yeung Yun Chuen	–	2,080	289	18	2,387
Mr. Yeung Yun Kei	–	1,960	193	18	2,171
Mr. Leung Siu Sun	–	1,960	193	18	2,171
	–	8,200	1,075	72	9,347
<b>Year ended 31 March 2017</b>					
Mr. Yeung Wai	–	1,200	1,944	18	3,162
Mr. Yeung Yun Chuen	–	1,080	1,405	18	2,503
Mr. Yeung Yun Kei	–	960	937	18	1,915
Mr. Leung Siu Sun	–	960	937	18	1,915
	–	4,200	5,223	72	9,495

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

There was no remuneration paid during the year to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2017: four) directors, details of whose remuneration are set out in the note 8 above. Details of the remuneration for the year of the remaining one (2017: one) non-director highest paid employee are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries	1,503	962
Equity-settled share option expenses	–	656
Retirement benefit scheme contributions	18	18
	<b>1,521</b>	<b>1,636</b>

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2018	2017
HK\$1,500,001 to HK\$2,000,000	1	1

In the prior years, share options were granted to a non-director highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such options, which had been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above non-director highest paid employee's remuneration disclosures.

There was no remuneration paid during the year to the non-director highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2017: 25%) during the year.

	2018 HK\$'000	2017 HK\$'000
Current – Hong Kong		
Charge for the year	12,528	18,043
Underprovision/(overprovision) in prior years	(341)	26
Current – Mainland China		
Charge for the year	1,753	2,694
Deferred (note 25)	3,991	918
<b>Total tax charge for the year</b>	<b>17,931</b>	<b>21,681</b>

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory rate to the tax expense at the Group's effective tax rate is as follows:

	2018 HK\$'000	2017 HK\$'000
Profit before tax	60,408	104,523
Tax at the Hong Kong statutory tax rate of 16.5% (2017: 16.5%)	9,967	17,246
Difference in tax rates applied for specific provinces in Mainland China	571	918
Adjustment in respect of current tax of previous periods	(341)	26
Income not subject to tax	(1,275)	(1,015)
Expenses not deductible for tax	3,355	4,337
Tax losses utilised from previous periods	(491)	(5,548)
Tax losses not recognised	6,088	1,536
Temporary differences not recognised	1,036	5,153
Others	(979)	(972)
<b>Tax charge at the Group's effective tax rate</b>	<b>17,931</b>	<b>21,681</b>

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 11. DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
<b>Dividend recognised as distribution during the year:</b>		
Final 2017 – HK2.55 cents (2017: Final 2016 – HK3.12 cents) per ordinary share	33,150	40,560
<b>Dividends proposed after the end of the reporting period:</b>		
Proposed special final 2018 – HK3.69 cents (2017: Proposed special final 2017 – Nil) per ordinary share	47,970	–
Proposed final 2018 – HK1.31 cents (2017: Proposed final 2017 – HK2.55 cents) per ordinary share	17,030	33,150
	<b>65,000</b>	<b>33,150</b>

The proposed special final dividend and final dividend for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final dividend of HK\$33,150,000 for the year ended 31 March 2017 was approved by the Company's shareholders on 22 September 2017.



## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$42,477,000 (2017: HK\$82,842,000) and the weighted average number of ordinary shares of 1,300,000,000 (2017: 1,300,000,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$42,477,000 (2017: HK\$82,842,000), and the total of (i) the weighted average number of ordinary shares of 1,300,000,000 (2017: 1,300,000,000), as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of 2,060,300 (2017: 2,079,464) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2018 HK\$'000	2017 HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	42,477	82,842
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	1,300,000,000	1,300,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	2,060,300	2,079,464
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	1,302,060,300	1,302,079,464

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Air conditioning HK\$'000	Kitchen equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 March 2018</b>							
At 31 March 2017 and at 1 April 2017:							
Cost	476,087	123,206	29,598	76,256	47,091	4,879	757,117
Accumulated depreciation	(285,970)	(89,956)	(19,169)	(58,802)	(38,503)	(3,355)	(495,755)
Net carrying amount	190,117	33,250	10,429	17,454	8,588	1,524	261,362
At 1 April 2017, net of accumulated depreciation	190,117	33,250	10,429	17,454	8,588	1,524	261,362
Additions	40,816	8,691	4,928	2,505	4,569	576	62,085
Disposals	(13)	(57)	-	-	-	-	(70)
Write-off	(2,646)	(1,180)	(112)	(227)	(122)	-	(4,287)
Depreciation provided during the year	(66,184)	(12,217)	(6,518)	(6,881)	(6,229)	(771)	(98,800)
Impairment	(287)	-	-	-	-	-	(287)
Exchange realignment	2,967	267	11	221	120	11	3,597
At 31 March 2018, net of accumulated depreciation and impairment	164,770	28,754	8,738	13,072	6,926	1,340	223,600
At 31 March 2018:							
Cost	483,816	119,905	33,044	71,193	49,443	5,466	762,867
Accumulated depreciation and impairment	(319,046)	(91,151)	(24,306)	(58,121)	(42,517)	(4,126)	(539,267)
Net carrying amount	164,770	28,754	8,738	13,072	6,926	1,340	223,600

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Air conditioning HK\$'000	Kitchen equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 March 2017</b>							
At 1 April 2016:							
Cost	446,924	118,213	27,843	79,590	46,142	3,703	722,415
Accumulated depreciation	(243,526)	(86,863)	(16,938)	(59,069)	(34,567)	(3,083)	(444,046)
Net carrying amount	203,398	31,350	10,905	20,521	11,575	620	278,369
At 1 April 2016, net of accumulated depreciation							
	203,398	31,350	10,905	20,521	11,575	620	278,369
Additions	56,268	15,638	5,484	4,476	3,091	1,481	86,438
Disposals	(992)	(311)	–	(23)	–	–	(1,326)
Write-off	(1,090)	(419)	(32)	(26)	–	–	(1,567)
Depreciation provided during the year							
	(65,181)	(12,812)	(5,784)	(7,296)	(5,879)	(577)	(97,529)
Exchange realignment	(2,286)	(196)	(144)	(198)	(199)	–	(3,023)
At 31 March 2017, net of accumulated depreciation							
	190,117	33,250	10,429	17,454	8,588	1,524	261,362
At 31 March 2017:							
Cost	476,087	123,206	29,598	76,256	47,091	4,879	757,117
Accumulated depreciation	(285,970)	(89,956)	(19,169)	(58,802)	(38,503)	(3,355)	(495,755)
Net carrying amount	190,117	33,250	10,429	17,454	8,588	1,524	261,362

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amounts of motor vehicles as at 31 March 2018 was HK\$825,000 (2017: HK\$1,524,000).

As at 31 March 2018, the Group's management identified certain branches which continued to underperform and the estimated corresponding recoverable amount of their property, plant and equipment. Based on these estimates, an impairment loss of HK\$287,000 (2017: Nil) was recognised to write down the carrying amount of these items of property, plant and equipment to their recoverable amount as at 31 March 2018. The estimates of the recoverable amount were based on the higher of fair value less cost of disposal and value in use of these items of property, plant and equipment, determined using a discount rate of 12% (2017: 12%).

Further details of the impairment testing are set out in note 14 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 14. GOODWILL

	2018 HK\$'000	2017 HK\$'000
Cost and carrying amount: At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	58,707	58,707

### IMPAIRMENT TESTING OF GOODWILL, INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES AND PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of goodwill, intangible assets and property, plant and equipment allocated to each of the groups of cash-generating units are as follows:

	Fulum restaurant operation cash-generating units		Fulum Concept restaurant operation cash-generating units		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Carrying amount of goodwill	27,728	27,728	30,979	30,979	58,707	58,707
Carrying amount of intangible assets	13,000	13,000	–	–	13,000	13,000
Carrying amount of property, plant and equipment	99,942	123,114	54,177	47,247	154,119	170,361

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. Revenue from restaurant operations is estimated based on the business trend in the industry of restaurant operation, historical average check per guest and guest cover, taking into account the store area and locations, market conditions and economic outlook. Expenses, including cost of inventories sold and staff costs, are estimated based on the rate of increase in revenue and the expected market conditions.

The growth rate used to extrapolate the cash flows beyond the five-year (2017: five-year) period is 0.5% (2017: 0.5%). The discount rate used is before tax and reflects specific risks relating to the cash-generating units. The discount rate applied to the cash flow projections is 12% (2017: 12%).

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 15. INTANGIBLE ASSETS

	2018 HK\$'000	2017 HK\$'000
Cost and carrying amount: At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	13,000	13,000

The intangible assets represent direct costs incurred for the registration of the Group's trademarks.

The trademarks are considered by the directors of the Company as having indefinite useful lives because it is expected that the trademarks can be renewed continuously at a minimal cost and it will contribute to net cash inflows for the Group in the foreseeable future. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The trademarks with indefinite useful lives are allocated to the Fulum restaurant operation cash-generating unit for the purpose of impairment testing. Details of the impairment testing are set out in note 14 to the financial statements.

## 16. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Food and beverages	66,438	74,209
Other operating items for restaurant operations	5,650	4,139
	72,088	78,348

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 17. TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Credit card receivables	10,706	4,093
Others	13,011	7,328
	23,717	11,421
Impairment	(2,811)	(2,811)
	20,906	8,610

The Group's trading terms with its customers are mainly on cash and credit card settlement while trading terms for the sale of food are on credit with credit periods ranging from 30 to 60 days (2017: 30 to 60 days). 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.

Included in the balance was an amount of HK\$1,025,000 (2017: Nil) due from Mr. Yeung Wai, a director of the Company, arising from the sale of festival food. Pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, the maximum amount outstanding during the year was HK\$1,700,000 (2017: Nil).

The Group has a certain concentration of credit risk as certain of the Group's trade receivables were due from the Group's largest debtor and the five largest debtors as detailed below.

	2018 %	2017 %
Largest debtor	42	34
Five largest debtors	58	48

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	14,178	6,605
1 to 3 months	2,377	1,268
3 to 12 months	3,723	604
Over 12 months	628	133
	20,906	8,610

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 17. TRADE RECEIVABLES (Continued)

The movements in provision for impairment of trade receivables are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of year	2,811	–
Impairment losses recognised (note 7)	–	3,390
Amount written off as uncollectible	–	(579)
At end of year	2,811	2,811

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$2,811,000 (2017: HK\$2,811,000) with a carrying amount before provision of HK\$2,811,000 (2017: HK\$2,811,000).

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2018 HK\$'000	2017 HK\$'000
Neither past due nor impaired	14,722	6,292
1 to 3 months past due	1,833	1,558
3 to 12 months past due	3,723	627
Over 12 months past due	628	133
	20,906	8,610

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

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

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Prepayments	5,190	6,662
Deposits	127,801	128,940
Rental deposits paid to related companies*	17,158	14,977
Deposits for purchases of items of property, plant and equipment	26,494	219
Other receivables	49,698	53,709
	<b>226,341</b>	<b>204,507</b>
Analysed into:		
Non-current portion	110,168	88,341
Current portion	116,173	116,166
	<b>226,341</b>	<b>204,507</b>

\* These related companies were under common control of Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei (the "Controlling Shareholders") and/or their family members. In the opinion of the directors, these deposits arose from the ordinary course of business.

None of the above assets is either past due or impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.



# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 19. CASH AND CASH EQUIVALENTS AND A PLEDGED TIME DEPOSIT

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances	451,290	398,408
Time deposits	243,021	241,322
	694,311	639,730
Less: Time deposit pledged for a bank guarantee for a rental deposit	–	(2,377)
Time deposit pledged for a banking facility	(71,142)	–
	(71,142)	(2,377)
	623,169	637,353

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to HK\$37,468,000 (2017: HK\$147,866,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposit are deposited with creditworthy banks with no recent history of default.

## 20. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	74,693	65,005
1 to 3 months	35,075	12,495
3 to 12 months	1,043	949
Over 12 months	327	40
	111,138	78,489

The trade payables are non-interest-bearing and generally have payment terms of 45 to 90 days.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 21. OTHER PAYABLES, ACCRUALS AND DEFERRED INCOME

	2018 HK\$'000	2017 HK\$'000
Other payables	6,631	6,419
Accruals	134,715	139,031
Deferred income	10,991	11,139
	<b>152,337</b>	156,589
Analysed into:		
Non-current liabilities	27,371	27,427
Current liabilities	124,966	129,162
	<b>152,337</b>	156,589

Other payables are non-interest-bearing and have average payment terms of one to three months.

## 22. INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current – unsecured Bank loans	1-month HIBOR+1.75% <sup>^</sup>	2019	10,783	1-month HIBOR+1.75% <sup>^</sup>	2018	18,467

	2018 HK\$'000	2017 HK\$'000
Analysed into:		
Bank loans repayable within one year	<b>10,783</b>	18,467

Note:

All borrowings are in Hong Kong dollars.

<sup>^</sup> HIBOR denotes the Hong Kong Interbank Offered Rate.

## 23. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles for its operations. These leases are classified as finance leases and have remaining lease terms ranging from one to four years (2017: one to five years).

At the end of the reporting period, the Group's total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Amounts payable:				
Within one year	540	772	484	681
In the second year	421	540	389	484
In the third to fifth years, inclusive	367	788	352	742
Total minimum finance lease payments	1,328	2,100	1,225	1,907
Future finance charges	(103)	(193)		
Total net finance lease payables	1,225	1,907		
Portion classified as current liabilities	(484)	(682)		
Non-current portion	741	1,225		

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 24. PROVISION

	2018 HK\$'000	2017 HK\$'000
At beginning of year	32,931	31,519
Additional provision	1,447	3,388
Amounts utilised during the year	(648)	(250)
Reversal of unutilised amounts (note 5)	(3,052)	(1,689)
Exchange realignment	61	(37)
At end of year	30,739	32,931

	2018 HK\$'000	2017 HK\$'000
Analysed into:		
Non-current portion	18,300	20,430
Current portion	12,439	12,501
	30,739	32,931

The provision represents management's best estimate of the Group's liabilities of the costs of dismantling and removing the leasehold improvements and restoring the sites at which they are located.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

	Depreciation in excess of related depreciation allowance HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2016	15,783	11,470	2	3,313	30,568
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(2,804)	394	(2)	906	(1,506)
Exchange realignment	(12)	–	–	(28)	(40)
At 31 March 2017 and 1 April 2017	12,967	11,864	–	4,191	29,022
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(2,979)	(3,544)	–	235	(6,288)
Exchange realignment	57	–	–	6	63
At 31 March 2018	10,045	8,320	–	4,432	22,797

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 25. DEFERRED TAX *(Continued)*

### Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2016	4,652	112	–	4,764
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(569)	(84)	65	(588)
Exchange realignment	(2)	–	(1)	(3)
At 31 March 2017 and 1 April 2017	4,081	28	64	4,173
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(2,334)	(10)	47	(2,297)
Exchange realignment	–	–	10	10
At 31 March 2018	1,747	18	121	1,886

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 HK\$'000	2017 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	21,190	25,931
Net deferred tax liabilities recognised in the consolidated statement of financial position	(279)	(1,082)
	20,911	24,849

At 31 March 2018, the Group had tax losses arising in Hong Kong of HK\$93,818,000 (2017: HK\$80,758,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 March 2017, the Group also had estimated tax losses arising in Mainland China of HK\$408,000 that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

## 25. DEFERRED TAX *(Continued)*

Deferred tax assets have not been recognised in respect of tax losses of HK\$43,396,000 (2017: HK\$9,264,000) as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. In addition, the Group has deductible temporary differences of HK\$26,198,000 (2017: HK\$37,139,000) for which deferred tax assets have not been recognised. The related tax effects are as follows:

	2018 HK\$'000	2017 HK\$'000
Tax losses	7,160	1,563
Deductible temporary differences	4,323	6,128
	<b>11,483</b>	<b>7,691</b>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$1,731,000 (2017: HK\$944,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 26. ISSUED CAPITAL

### Shares

	2018 HK\$'000	2017 HK\$'000
Authorised: 2,000,000,000 shares of HK\$0.001 each	2,000	2,000
Issued and fully paid: 1,300,000,000 shares of HK\$0.001 each	1,300	1,300

### Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 27 to the financial statements.

## 27. SHARE OPTION SCHEMES

The Company operates a pre-initial public offering share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") (collectively, the "Schemes") for the purpose of motivating eligible participants to optimise their future contributions to the Group and to reward them for the past contributions and to attract and retain or otherwise maintain ongoing relationships with such eligible participants whose contributions are or will be beneficial to the performance, growth or success of the Group. The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except that (i) no further options could be granted under the Pre-IPO Share Option Scheme upon the Listing of the Company; and (ii) the exercise price of the share options and the vesting period are different as further detailed below.

Eligible participants of the Schemes include the Company's directors, including independent non-executive directors, other employees of the Group and any consultants, business or joint venture partners, franchisees, contractors, agents, representatives or service providers of any member of the Group. The Pre-IPO Share Option Scheme and the Share Option Scheme became effective on 28 October 2014 and 13 November 2014, respectively, and, unless otherwise cancelled or amended, will remain in force for 5 years and 10 years, respectively, from the respective effective dates.

The maximum number of shares in respect of which options may be granted under the Schemes and any other schemes by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date unless shareholders' approval has been obtained.

The maximum number of shares issuable under the share options to each eligible participant in the Schemes within any 12-month period is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting.



## 27. SHARE OPTION SCHEMES *(Continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associate, in excess of 0.1% of the Shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's Shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and may commence from the date of the offer of the share options and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry dates of the Schemes, if earlier.

The exercise price of the share options under the Pre-IPO Share Option Scheme is 60% of the final offer price of the Shares issued in connection with the Company's international placing and initial public offering (i.e., HK\$0.93 per Share) and the share options are exercisable after a vesting period of two to four years in the following manner:

<b><u>Vesting period of the relevant percentage of the options</u></b>	<b>Maximum percentage of options exercisable</b>
From the Listing Date to the day immediately preceding the second anniversary of the Listing Date (both days inclusive)	33
From the Listing Date to the day immediately preceding the third anniversary of the Listing Date (both days inclusive)	33
From the Listing Date to the day immediately preceding the fourth anniversary of the Listing Date (both days inclusive)	34

The exercise price of share options under the Share Option Scheme is determinable by the directors, but may not less than the highest of (i) the nominal value of a Share on the date of offer of the share options; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the share options; and (iii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 27. SHARE OPTION SCHEMES (Continued)

The following share options granted under the Pre-IPO Share Option Scheme were outstanding during the year:

	2018		2017	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At beginning of year	0.93	45,280	0.93	47,430
Forfeited during the year	0.93	(1,830)	0.93	(2,150)
At end of year	0.93	43,450	0.93	45,280

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme as at the end of the reporting period are as follows:

### 2018

Number of options '000	Exercise price* HK\$ per share	Exercise period
14,338	0.93	13 November 2016 to 12 November 2019
14,338	0.93	13 November 2017 to 12 November 2019
14,774	0.93	13 November 2018 to 12 November 2019
<b>43,450</b>		

### 2017

Number of options '000	Exercise price* HK\$ per share	Exercise period
14,942	0.93	13 November 2016 to 12 November 2019
14,942	0.93	13 November 2017 to 12 November 2019
15,396	0.93	13 November 2018 to 12 November 2019
<b>45,280</b>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share options were granted under the Pre-IPO Share Option Scheme during the year (2017: Nil). The Group recognised a share option expense of HK\$1,653,000 (2017: HK\$10,008,000) during the year.

## 27. SHARE OPTION SCHEMES *(Continued)*

At the end of the reporting period, the Company had 43,450,000 (2017: 45,280,000) share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 3.3% (2017: 3.5%) of the Company's Shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 43,450,000 (2017: 45,280,000) additional ordinary shares of the Company and additional share capital of approximately HK\$43,000 (2017: HK\$45,000) and share premium of approximately HK\$40,365,000 (2017: HK\$42,065,000) (before share issue expenses).

No share options were granted under the Share Option Scheme during the year (2017: Nil).

At the date of approval of these financial statements, the Company had 43,200,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 3.3% of the Company's shares in issue as at that date.

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 59 of the annual report.

### (a) Other reserve

Other reserve represents (i) the gain on deemed disposal of an interest in a subsidiary amounting to approximately HK\$8,000; and (ii) the difference between the acquisition of additional equity interests from the then non-controlling shareholders and the consideration paid.

### (b) Merger reserve

The merger reserve represents reserves arising from a reorganisation of the Company in connection with the Listing.

### (c) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 29. DISPOSAL OF SUBSIDIARIES

On 29 March 2017, the Group disposed of its entire equity interests in China Ruby Enterprise Limited, China Supreme Industrial Limited, Central Man Limited, China Full Treasure Limited, China Mass Limited, China Moral Corporation Limited, Sino Copper Hong Kong Limited, Central Total Hong Kong Limited, China Queen Investment Limited, China Rock Properties Limited, China Grace Development Limited, Sino Win Hong Kong Limited and China Good Corporation Limited, to an independent third party for an aggregate consideration of HK\$1,300.

	2017 HK\$'000
Net liabilities disposed of:	
Other payables	(285)
Gain on disposal of subsidiaries (note 5)	286
	1
Satisfied by:	
Cash	1

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 HK\$'000
Cash consideration	1
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had the following major non-cash transactions:

- (i) During the year, the Group entered into rental agreements in respect of certain of its restaurant properties under operating leases. Pursuant to the terms and conditions of the rental agreements, the Group is required to restore the restaurant properties to the conditions as stipulated in the rental agreements. Accordingly, the Group has accrued and capitalised the estimated restoration costs of HK\$1,447,000 (2017: HK\$3,388,000) when such obligations arose.
- (ii) During the year, the Group entered into sponsorship agreements with certain utility companies. Pursuant to the terms and conditions of the sponsorship agreements, the Group received certain items of property, plant and equipment with a total value of HK\$3,211,000 (2017: HK\$4,216,000) at nil consideration. The Group has capitalised these items of property, plant and equipment with corresponding entries to a deferred income account on receipt of such items.
- (iii) During the year ended 31 March 2017, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of HK\$1,433,000.

### (b) Changes in liabilities arising from financing activities

	Interest- bearing bank borrowings HK\$'000	Finance lease payables HK\$'000
At 1 April 2017	18,467	1,907
Changes from financing cash flows	(7,684)	(682)
At 31 March 2018	10,783	1,225

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 31. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2018 HK\$'000	2017 HK\$'000
Bank guarantees given in lieu of rental and utility deposits	48,842	57,347

## 32. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank guarantee for a rental deposit and for a banking facility, are included in note 19 to the financial statements.

## 33. OPERATING LEASE ARRANGEMENTS

### As lessee

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

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	317,869	308,471
In the second to fifth years, inclusive	367,949	359,614
Beyond five years	62,721	32,113
	748,539	700,198

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and a contingent rent based on the sales of these restaurants pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
Contracted, but not provided for: Property, plant and equipment	9,037	–

In addition, on 28 March 2018, the Company, through its indirect wholly-owned subsidiary, entered into a provisional agreement and a commitment letter with an independent third party to acquire a property (which is currently under construction) and the right to name the Chinese name of the development to be erected in or upon all that piece of ground registered in Hong Kong for an aggregate cash consideration of HK\$194,712,000 (collectively, the "Acquisition"). As at 31 March 2018, an aggregate amount of deposits of HK\$20,671,000 was made by the Group in respect of the Acquisition and a further deposit of HK\$28,007,000 was paid on 26 April 2018. The remaining balance of the consideration of HK\$146,034,000 will be paid upon the completion of the Acquisition which is expected to be in 2019.

## 35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2018 HK\$'000	2017 HK\$'000
Related companies*: Purchase of food^ Rental expenses^	1,939 101,168	1,517 84,916

\* These related companies were controlled by the Controlling Shareholders and/or their family members.

^ These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 35. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 8 to the financial statements, is as follows:

	2018 HK\$'000	2017 HK\$'000
Short term employee benefits	7,810	7,726
Post-employment benefits	126	126
Equity-settled share option expense	1,305	6,347
Total compensation paid to key management personnel	9,241	14,199

## 36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Financial assets

	2018 HK\$'000	2017 HK\$'000
Loans and receivables:		
Trade receivables	20,906	8,610
Financial assets included in prepayments, deposits and other receivables	194,657	197,626
Pledged time deposit	71,142	2,377
Cash and cash equivalents	623,169	637,353
	909,874	845,966



# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

### Financial liabilities

	2018 HK\$'000	2017 HK\$'000
Financial liabilities at amortised cost:		
Trade payables	111,138	78,489
Financial liabilities included in other payables, accruals and deferred income	28,200	26,125
Interest-bearing bank borrowings	10,783	18,467
Finance lease payables	1,225	1,907
	<b>151,346</b>	<b>124,988</b>

## 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>				
Deposits, non-current portion	83,674	88,122	78,202	83,068
<b>Financial liabilities</b>				
Finance lease payables	1,225	1,907	1,328	2,100

Management has assessed that the fair values of cash and cash equivalents, a pledged time deposit, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in other payables, accruals and deferred income, and unsecured interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the non-current portion of deposits and finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables as at 31 March 2018 and 2017 was assessed to be insignificant.

### Fair value hierarchy

At the end of the reporting period, the Group had no financial assets or financial liabilities measured at fair value.

At the end of the reporting period, all financial assets and financial liabilities for which fair values were disclosed were categorised within Level 3 of the fair value hierarchy.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, other payables and accruals.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liability outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2018 and 2017 would have decreased/increased the Group's profit before tax by HK\$54,000 and HK\$92,000, respectively.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Foreign currency risk

The Group operates in Hong Kong and Mainland China. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities (to the extent that revenue or expenses denominated in a currency that is different from the functional currency of the relevant subsidiaries of the Group).

The Group's assets, liabilities and transactions are mainly denominated in HK\$. Certain of the Group's bank balances and time deposits were denominated in RMB, which was not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by domestic and international economic and political changes, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against the Hong Kong dollar may also have an impact on the operating results of the Group.

The directors are of the view that the Group's operating cash flows and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

### Credit risk

Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Details in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements. The credit risk of the Group's other financial assets, which comprise a pledged time deposit, cash and cash equivalents and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk

In order to manage 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 fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2018		
	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	111,138	–	111,138
Financial liabilities included in other payables, accruals and deferred income	28,200	–	28,200
Interest-bearing bank borrowings	10,918	–	10,918
Finance lease payables	540	788	1,328
	150,796	788	151,584

	2017		
	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	78,489	–	78,489
Financial liabilities included in other payables, accruals and deferred income	26,125	–	26,125
Interest-bearing bank borrowings	18,661	–	18,661
Finance lease payables	772	1,328	2,100
	124,047	1,328	125,375

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

The Group monitors capital using a gearing ratio, which is interest-bearing debt divided by capital. Debt includes, interest-bearing bank borrowings and finance lease payables. Capital represents equity attributable to owners of the Company. The gearing ratio as at the end of the reporting period was as follows:

	2018 HK\$'000	2017 HK\$'000
Interest-bearing bank borrowings	10,783	18,467
Finance lease payables	1,225	1,907
	12,008	20,374
Equity attributable to owners of the Company	1,025,554	1,008,554
Gearing ratio	1.2%	2.0%

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSET</b>		
Investment in a subsidiary	77,000	77,000
<b>CURRENT ASSETS</b>		
Other receivables	573	312
Due from subsidiaries	522,934	318,079
Cash and cash equivalents	243,774	252,874
<b>Total current assets</b>	<b>767,281</b>	<b>571,265</b>
<b>CURRENT LIABILITIES</b>		
Due to subsidiaries	11,486	–
Interest-bearing bank borrowings	10,783	18,467
<b>Total current liabilities</b>	<b>22,269</b>	<b>18,467</b>
<b>NET CURRENT ASSETS</b>	<b>745,012</b>	<b>552,798</b>
<b>Net assets</b>	<b>822,012</b>	<b>629,798</b>
<b>EQUITY</b>		
Issued capital	1,300	1,300
Reserves (note)	820,712	628,498
<b>Total equity</b>	<b>822,012</b>	<b>629,798</b>

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2016	540,140	15,845	59,623	615,608
Profit and total comprehensive income for the year	–	–	43,442	43,442
Equity-settled share option expense	–	10,008	–	10,008
Transfer of share option reserve upon the forfeiture of share options	–	(189)	189	–
Final 2016 dividend declared	–	–	(40,560)	(40,560)
At 31 March 2017 and 1 April 2017	540,140	25,664	62,694	628,498
Profit and total comprehensive income for the year	–	–	223,711	223,711
Equity-settled share option expense	–	1,653	–	1,653
Transfer of share option reserve upon the forfeiture of share options	–	(573)	573	–
Final 2017 dividend declared	–	–	(33,150)	(33,150)
At 31 March 2018	540,140	26,744	253,828	820,712

## 40. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company, through its indirectly wholly-owned subsidiaries, entered into certain cooperative agreements with independent third parties to set up two companies which are involved in the operation of seven restaurants in Hong Kong. The Group holds a 19% equity interest in each of these two companies with initial share capital of HK\$15,000 and shareholder's loans of HK\$9,915,000 were contributed by the Group in aggregate.

## 41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2018.

# FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements or published prospectus of the Company is set out below.

	Year ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>RESULTS</b>					
REVENUE	2,961,974	2,965,974	2,773,289	2,528,689	2,226,189
Cost of inventories sold	(874,762)	(842,926)	(801,116)	(734,398)	(639,343)
	<b>2,087,212</b>	<b>2,123,048</b>	<b>1,972,173</b>	<b>1,794,291</b>	<b>1,586,846</b>
Other income and gains, net	21,269	19,643	21,442	17,033	7,376
Staff costs	(977,101)	(990,064)	(903,855)	(772,644)	(685,567)
Property rentals and related expenses	(545,771)	(523,660)	(475,468)	(372,274)	(301,513)
Depreciation	(98,800)	(97,529)	(85,281)	(78,540)	(65,299)
Fuel and utility expenses	(180,472)	(184,709)	(183,030)	(170,314)	(155,627)
Other expenses	(245,307)	(241,515)	(221,171)	(215,646)	(165,525)
Finance costs	(622)	(691)	(796)	(936)	(792)
PROFIT BEFORE TAX	60,408	104,523	124,014	200,970	219,899
Income tax expense	(17,931)	(21,681)	(22,610)	(40,678)	(39,841)
PROFIT FOR THE YEAR	42,477	82,842	101,404	160,292	180,058
Attributable to:					
Owners of the Company	42,477	82,842	101,404	160,292	167,541
Non-controlling interests	–	–	–	–	12,517
	42,477	82,842	101,404	160,292	180,058

## ASSETS AND LIABILITIES

	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
TOTAL ASSETS	1,336,965	1,307,996	1,283,663	1,248,645	973,865
TOTAL LIABILITIES	(311,411)	(299,442)	(324,244)	(334,917)	(490,144)
TOTAL EQUITY	1,025,554	1,008,554	959,419	913,728	483,721



**富城火鍋海鮮酒家**  
TREASURE CITY HOT POT SEAFOOD RESTAURANT

**正冬火鍋料理**  
Winter Steam Pot Restaurant

**正東燒豬料理**  
The Orient Barbecue Cuisine

**味TASTE**

**COCO Kitchen**  
四季文昌

**加多樂**  
CAFE COCO

**BANQUET PALACE**  
金皇廷

**海里鮮蒸氣石鍋**  
STEAMY SEAFOOD CUISINE

**正冬魚塘**  
WINTENGO RESTAURANT

**FL Fusion**  
富臨薈



Fulum Group Holdings Limited  
富臨集團控股有限公司

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