



B & S International Holdings Ltd. 賓仕國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1705

2020 ANNUAL REPORT





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日本畜産物輸出促進協議會
(雞蛋輸出部會)
官方認證 TAMAGO 標誌

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玉子之家®



極濃蛋



白蛋



粉紅蛋

UHA グミサプリ

Gummy Supplement

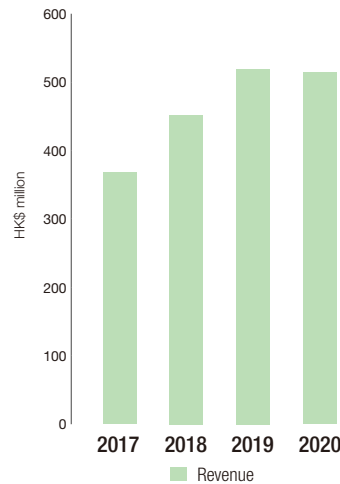


FINANCIAL HIGHLIGHTS

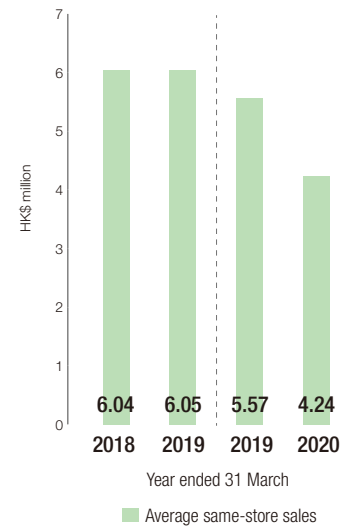
REVENUE BREAKDOWN



REVENUE



SAME-STORE SALES PERFORMANCE – TENREN (天仁茗茶)



- Revenue reached approximately HK\$513.7 million for the year ended 31 March 2020, representing a decrease of approximately 1.1% as compared with the year ended 31 March 2019. Net profit for the year ended 31 March 2020 declined by approximately 87.8% to approximately HK\$1.8 million.
- Our retail business was severely hit by the weakened demand under the COVID-19 outbreak. Strong actions have been taken to control operating costs including staff costs and rental expenses. The Group is confident of its business growth when the market situation recovers.
- In view of the operating results for the year and to maintain a healthy financial position, the Board has resolved not to propose the payment of a dividend for the year ended 31 March 2020.

	For the year ended 31 March 2020 HK\$ million	For the year ended 31 March 2019 HK\$ million	Increase/ (decrease)
Revenue	513.7	519.5	(1.1%)
Gross profit	94.2	113.3	(16.9%)
Net profit	1.8	14.7	(87.8%)
Basic earnings per share (HK cents)	0.27	3.37	(92.0%)

CORPORATE INFORMATION

PLACE OF INCORPORATION

The Cayman Islands

BOARD OF DIRECTORS

Executive Directors:

Mr. Chan Kam Chuen Andrew
(Chief Executive Officer & Chairman)
Mr. Chan Siu Cheung Stephen
Mr. Chau Wing Kong William
Ms. Tin Hau Ling Janny

Independent Non-executive Directors:

Mr. Pang Koon Kwai
Mr. See Hung Yan Peter
Mr. Chung Kwok Mo John

COMPANY SECRETARY

Mr. Tang Kwok Hay *(FCPA, FRM)*

AUTHORISED REPRESENTATIVES

Mr. Chan Kam Chuen Andrew
Mr. Tang Kwok Hay *(FCPA, FRM)*

AUDIT COMMITTEE

Mr. Chung Kwok Mo John *(Chairman)*
Mr. Pang Koon Kwai
Mr. See Hung Yan Peter

REMUNERATION COMMITTEE

Mr. Pang Koon Kwai *(Chairman)*
Mr. See Hung Yan Peter
Mr. Chung Kwok Mo John

NOMINATION COMMITTEE

Mr. See Hung Yan Peter *(Chairman)*
Mr. Pang Koon Kwai
Mr. Chung Kwok Mo John

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 01, 11/F, Block A
Ko Fai Industrial Building
7 Ko Fai Road, Yau Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point, Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building, Central, Hong Kong
Certified Public Accountants and Registered PIE Auditor

LEGAL ADVISER

Holman Fenwick Willan
15/F, Tower One
Lippo Centre, 89 Queensway
Admiralty, Hong Kong

STOCK CODE

1705

COMPANY'S WEBSITE

www.bandshk.com

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of B & S International Holdings Ltd. (the “Company”, together with its subsidiaries, the “Group”), I am pleased to present the annual report of the Company for the financial year ended 31 March 2020 (“FY2020”).

REVIEW

FY2020 was a year marked by unusual macroeconomic uncertainties and intense challenges which began under the uncertainty of the Sino-US trade war. The regional economies continue to dampen consumer confidence and caused customers to become more cost-conscious. As part of the impact of these events was reflected in the interim results, the Group made strong efforts to preserve profit margins by cost controls and rationalising store networks.

Nevertheless, the COVID-19 pandemic continues its rapid spread across the world and has caused a global health emergency and disruptions to the global business landscape. A series of precautionary and control measures have been and continued to be implemented in Hong Kong, including suspension of school, work from home practice, encouraged social distancing, restrictions and controls over the inbound and outbound travelling and heightening of hygiene and epidemic prevention requirements in restaurants. Despite that we are out of control of all these uncertainties and their potential fallout, we have continuously strengthened the business by maintaining our products quality and the multi-brand development strategy.



CHAIRMAN'S STATEMENT

The Group is a well-established food and beverage company with over 30 years of operating history in Hong Kong. The Group is principally engaged in two business segments, namely: (i) the distribution business, and (ii) the retail business.

For the distribution business, the Group distributes and markets a diversified portfolio of overseas branded food and beverage products through its supply chain solutions to overseas brand owners and local retailers. These products include sweets and candies, biscuits, cakes and pastries, instant drink powders, dried meat products, tea leaves, pasta, fresh eggs and condiments, etc., which are sourced from Japan, Taiwan, Malaysia, Argentina, the People's Republic of China (the "PRC"), Turkey and the United Kingdom, etc. The Group is able to offer a total of approximately 7,000 stock keeping units ("SKUs") of food and beverage products from over 100 brands, including "UHA (味覺糖)" and "Hsin Tung Yang (新東陽)", which are widely sold in supermarkets and convenience stores.

For the retail business, the Group is licenced to set up and self-operate retail outlets for a few overseas food and beverage brands in Hong Kong. As at 31 March 2020, it sets up a total of 65 self-operated retail outlets. It was licenced by several brand owners, including "TenRen (天仁茗茶)" and "Chef Hung (洪師傅)". The Group has stayed innovative in food retail, and strives to introduce more brands and products of high quality from around the world.

PROSPECTS

Moving forward, we believe that COVID-19 outbreak will force a re-shuffle of the way we conduct and operate our business. The crisis provides us with an opportunity to reflect on our innovative business model as businesses around the globe adapt to the new market landscape. In the face of the setbacks stemming from the dampened consumer sentiment, we have and will continue to make the necessary adaptations on the mode of business, and perseveres to overcome these setbacks. We will strive to introduce more brands and products of high quality from around the world to further diversify our product portfolio and expand our customer base, while maintaining and improving the quality of our existing brands and products.

APPRECIATION

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 endeavor to strive for the greatest interest for the shareholders and the Company.

Chan Kam Chuen Andrew

Chairman, Chief Executive Officer & Executive Director
Hong Kong, 29 June 2020



手復白即女子以椰又♡
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台灣古早味
手工柴燒黑糖

職人手工柴燒古法熬煮出細膩

沈澱出一杯別出心裁 傳承著一杯獨具匠心



MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2020, the turnover of the Group totalled approximately HK\$513.7 million (2019: approximately HK\$519.5 million), representing a decrease of approximately 1.1%, which was mainly attributable to the weakened market sentiment, in particular since the outbreak of the novel coronavirus disease (“COVID-19”). The Group’s gross profit decreased from approximately HK\$113.3 million in the previous year to approximately HK\$94.2 million for the year ended 31 March 2020, representing a decrease of approximately HK\$19.1 million which is equivalent to a decrease of approximately 16.9%. Profit attributable to owners of the Company for the year ended 31 March 2020 was approximately HK\$1.1 million (2019: approximately HK\$13.5 million), representing a decrease of approximately 91.9%.

The Group is a well-established food and beverage company with over 30 years of operating history in Hong Kong. It has two business segments, namely (i) the distribution business; and (ii) the retail business.

DISTRIBUTION BUSINESS

For distribution business, we distribute and market a diversified portfolio of overseas branded food and beverage products to mainly retailers, such as supermarkets, pharmacies, convenience stores and department store chains in Hong Kong. We also provide supply chain solutions from importing the products from the overseas brand owners to marketing the products to retailers in Hong Kong. Our services include (i) arranging inbound logistics; (ii) relabeling the products to comply with the relevant Hong Kong food safety and labelling laws; (iii) repackaging the products to suit the needs of the retailers or consumers; and (iv) formulating marketing and sales strategies, including advising on retail prices, organizing promotion campaigns as well as designing and producing

customized display racks or stands to be placed at the customers’ points of sales.

The Group was able to offer a total of approximately 7,000 SKUs of food and beverage products from over 100 brands, including “UHA” (味覺糖) and “Hsin Tung Yang” (新東陽) which are regarded as popular items in the market.

For the year ended 31 March 2020, the revenue generated from the distribution business increased to approximately HK\$267.2 million (2019: approximately HK\$265.3 million), representing an increase of approximately HK\$1.9 million, which contributed to approximately 52.0% of the total revenue.

RETAIL BUSINESS

We principally prepare and/or sell overseas branded food and beverage products licensed to us at our self-operated retail outlets in Hong Kong. As at 31 March 2020, we had set up 65 self-operated retail outlets and the details of the outlets are set out below:

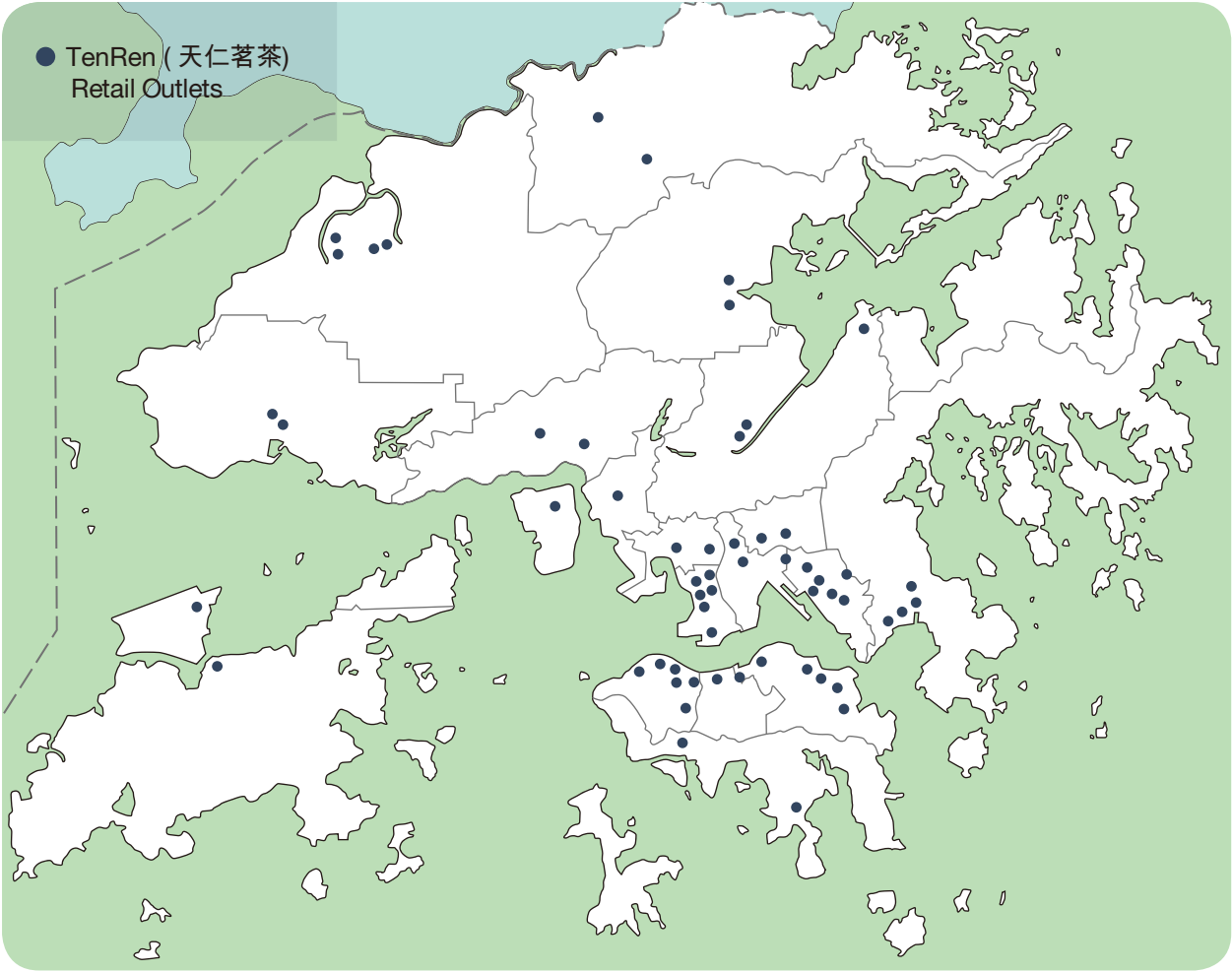


						OTHERS	TOTAL
2020	56	2	4	–	–	3	65
2019	49	–	5	–	–	3	57
2018	33	–	2	3	3	2	43

Total Number of Stores As at 31 March

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2020, the number of TenRen retail outlets has increased by 7 stores, from 49 stores as at 31 March 2019 to 56 stores as at 31 March 2020. Our “TenRen (天仁茗茶)” retail network spans across Hong Kong Island, Kowloon and the New Territories in Hong Kong.



The revenue generated from the retail business decreased to approximately HK\$246.5 million for the year ended 31 March 2020 (2019: approximately HK\$254.2 million), representing a decrease of approximately HK\$7.7 million, which contributed approximately 48.0% of the total revenue. The decline in revenue is mainly impacted by the COVID-19 during the fourth quarter of the year.

Revenue
 from the retail
 approximately
\$246.5 million

MANAGEMENT DISCUSSION AND ANALYSIS

Same store sales performance

We evaluate our performance in each individual outlets by calculating the average same-store sales growth, which compares the average revenue derived from outlets that were in operation throughout the financial periods under comparison. The following table sets forth the average same-store sales performance of our “TenRen (天仁茗茶)” retail outlets:

	Year ended 31 March					
	2017	2018	2018	2019	2019	2020
Number of same-store	24		33		48	
Average same-store sales	HK\$4.63	HK\$5.26	HK\$6.04	HK\$6.05	HK\$5.57	HK\$4.24
	million	million	million	million	million	million
Average same-store sales growth rate	13.6%		0.2%		(23.9%)	

Average selling prices and volume

The average selling price of our “TenRen (天仁茗茶)” beverage products increased slightly during the year ended 31 March 2020 primarily because we raised our product prices in light of inflation and rising raw material costs. The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” beverage products for the years indicated:

	Year ended 31 March	
	2019	2020
Average selling price (HK\$)		
Beverage products (per cup)	21.8	23.6
Side products (per unit) (Note)	26.2	29.6
Average daily sales volume		
Beverage products (per cup)	26,600	24,100
Side products (per unit) (Note)	1,500	800

Note: Side products include tea-favoured ice-cream, package tea leaves, packaged snacks and tea wares.

INDUSTRY OVERVIEW

The market condition is challenging and is significantly impacting consumer sentiment in Hong Kong during the year. Various external factors such as the Sino-US trade war have adversely impacted the Hong Kong business environment, leading a challenging trade environment for retail business in Hong Kong. Our business was further hit by the much weakened consumption sentiment resulting from the COVID-19 outbreak during the fourth quarter of the year. The Group recorded a decline in revenue and a significant drop in profit attributable to shareholders for the year ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Sector

In the retail sector, retail business operators in Hong Kong, especially the tea drinks serving retailers, continue to face the following challenges:

COVID-19 outbreak

The outbreak of COVID-19 has been causing a great impact all over the world and the consumption sentiment is further devastated. Food and beverage and retail industries are especially suffering from the economic downturn.

Given the reduction of consumer confidence, retail operators would need to spend more effort to control operating costs including manpower and rental expenses, as well as enhance efficiency in operation.

Fierce competition in the tea drinks serving industry

The competition within the tea drinks serving industry is increasingly fierce because of the massive number of new entrants to the market followed by the upsurge trend of the tea drinks in Hong Kong.

Given the keen competition, tea drinks operators would need to spend more effort on product offering and marketing to attract more consumers.

Pressure from rental and labour costs

The cost of operating a food and beverage serving establishment in Hong Kong is continuously increasing due to the significant increase in market wages and the year-on-year increase in average rental price of private retail premises. The rising operating cost translates into intensifying financial burden to the operators.

Distribution Sector

In the distribution sector, distribution business operators in Hong Kong continue to face the following challenges:

Increasing operating costs

Distribution businesses are facing increasing rental costs of warehouses and retail premises. This has restricted the expansions of business scale and increased operational costs for distribution businesses. On the other hand, as the distribution business is highly labour intensive and service-oriented, increasing labour costs in the import/export trading, wholesaling and retail industries have laid pressure to the distribution businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

The ease of online retailing

Nowadays, consumers can access to almost all products and services via the internet, contributed by the online retailing and emergence of various payment platforms. Also, many food and beverage brands allow online purchases and offer fast delivery service, providing great convenience for customers. This somehow creates competition for traditional brick-and-mortar retailers, as customers can directly purchase online rather than buying from the franchised outlets of these brands.

NEW RETAIL BRAND

Although the outlook remains uncertain at the moment, and the challenges of the COVID-19 situation are still continuing, the Group is focused on refining its business strategies to address the fast-changing consumer behaviour by introducing a new food brand – Chef Hung Taiwanese Beef Noodle (“Chef Hung”), to capitalize market demand.

Chef Hung is a Taiwanese brand originated in Taiwan in 2014 which has won various awards for beef noodle dishes. The products offered at our retail outlets include Taiwanese beef noodle and other side dishes. As at 31 March 2020, we operated two Chef Hung retail outlets in Hong Kong.

PROSPECTS

Looking forward to the opportunities and challenges in the coming financial year, the Group will continue to adhere to products of high quality and the multi-brand development strategy.

For the retail business, the Group plans to strengthen the leading market position of our TenRen business and expand our Chef Hung business through brand building, improving customer experience and product innovations.

On the other hand, the Group is proactively reviewing its lease agreements with landlords to optimise our cost structure for the future. At the same time, we will take strong actions to control operating costs including manpower, rental expenses and other operating expenses and further drive efficiency.

For the distribution business, the Group intends to enlarge its brand and product portfolio to remain competitive in the market and to ensure a wider selection for its customers. The Group will focus on identifying overseas brands and products that suit the tastes and preferences of Hong Kong consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue

For the year ended 31 March 2020, the Group's revenue amounted to approximately HK\$513.7 million, representing a decrease of approximately 1.1% from approximately HK\$519.5 million for the same period in 2019. The weakening of consumer's spending sentiment in Hong Kong and the disruption brought by the COVID-19 outbreaks led to a tough year. Nevertheless, the number of TenRen retail outlets has increased by 7 stores, from 49 stores as at 31 March 2019 to 56 stores as at 31 March 2020. The revenue generated from the retail business decreased to approximately HK\$246.5 million for the year ended 31 March 2020, representing a decrease of approximately HK\$7.7 million (2019: approximately HK\$254.2 million), which contributed approximately 48.0% of the total revenue. Such decrease was mainly due to the outbreak of COVID-19 during the year ended 31 March 2020.

The revenue generated from the distribution business increased to approximately HK\$267.2 million for the year ended 31 March 2020, representing an increase of approximately HK\$1.9 million (2019: approximately HK\$265.3 million), which contributed approximately 52.0% of the Group's total revenue. Such increase in revenue was mainly due to the increase in sales volume to local retailers in Hong Kong.

Cost of Sales

For the year ended 31 March 2020, the Group's cost of sales amounted to approximately HK\$419.5 million, representing an increase of approximately 3.3% from approximately HK\$406.2 million for the same period in 2019. Such increase was mainly due to the increase in rental expenses for our retail outlets. Our cost of sales accounted for approximately 81.7% of the revenue for the year ended 31 March 2020 (2019: approximately 78.2%).

Gross Profit and Gross Profit Margin

For the year ended 31 March 2020, the Group's gross profit amounted to approximately HK\$94.2 million, representing a decrease of approximately 16.9% from approximately HK\$113.3 million for the same period in 2019. The Group's gross profit margin for the year ended 31 March 2020 decreased by approximately 3.5% to approximately 18.3% as compared to that of approximately 21.8% in 2019. The decrease in gross profit margin was mainly due to the fierce competition in the tea drinks serving industry and the negative impact resulting from the decline in revenue as a result of COVID-19 outbreak during the year ended 31 March 2020.

Selling and distribution expenses

For the year ended 31 March 2020, selling and distribution expenses of the Group amounted to approximately HK\$49.1 million, representing an increase of approximately 2.5% from approximately HK\$47.9 million for the same period in 2019. Such increase was mainly due to the increase in advertising and promotion expenses as a result of the increase in number of promotion activities and marketing events held during the year ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

For the year ended 31 March 2020, administrative expenses of the Group amounted to approximately HK\$42.0 million, representing a decrease of approximately 5.6% from approximately HK\$44.5 million for the same period in 2019. Such decrease was mainly attributable to the decrease in professional fee during the year ended 31 March 2020.

Finance costs, net

For the year ended 31 March 2020, net finance costs of the Group amounted to approximately HK\$6.4 million, representing an increase of approximately 178.3% from approximately HK\$2.3 million for the same period in 2019 which was mainly attributable to the initial adoption of HKFRS 16.

Income tax expenses

For the years ended 31 March 2019 and 2020, the Group recorded income tax expenses of approximately HK\$2.7 million and income tax credit of approximately HK\$1.0 million, respectively, representing an effective tax rate of approximately 15.3% and (111.1%), respectively, for the corresponding years. The negative effective tax rate for the year ended 31 March 2020 was due to the recognition of government subsidy granted by the Government of the Hong Kong Special Administrative Region under the anti-epidemic fund, which was a non-taxable income.

Net Profit

Profit attributable to owners of the Company for the year ended 31 March 2020 was approximately HK\$1.1 million, representing a decrease of approximately 91.9% from approximately HK\$13.5 million for the same period in 2019. Such decrease was mainly attributable to (i) the intense competition of retail business, (ii) the weakened market sentiment in Hong Kong, (iii) outbreak of the COVID-19 as well as (iv) the shift of consumption pattern shifted in response to the implementation of the social distancing regulations. The net profit margin (calculated as the ratio of the profit for the year to the revenue) for the year ended 31 March 2020 was approximately 0.4%, as compared to that of approximately 2.8% for the same period in 2019. Basic earnings per share for the year ended 31 March 2020 amounted to approximately HK0.27 cents, as compared to that of approximately HK3.37 cents for the same period in 2019.

Capital Expenditure

During the year ended 31 March 2020, capital expenditure amounted to approximately HK\$74.9 million (2019: approximately HK\$31.2 million). This amount was used mainly for the opening of new retail outlets and addition of right-of-use assets due to initial adoption of HKFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Governance Practices

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard interests of shareholders of the Company (the “Shareholders”).

The Company has been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 March 2018 (the “Listing Date”). During the year ended 31 March 2020, the Company has applied the principles in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange. The corporate governance principles of the Company are to emphasize an effective board with a high level of integrity, sound internal controls, as well as ensuring a high degree of transparency and accountability, which does not only enhance corporate value for the Shareholders but also protect the long-term sustainability of the Group.

In the opinion of the Board, during the period from 1 April 2019 up to the date of this annual report, the Company has complied with all the code provisions of the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group.

The Board believes that vesting the roles of the chairman and chief executive officer in the same individual (that is, Mr. Chan Kam Chuen Andrew) would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Chan Kam Chuen Andrew) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and to ensure compliance with the code provisions of the CG Code.

Liquidity and financial resources review

The Group is financially sound with bank deposits and cash amounting to approximately HK\$38.5 million as at 31 March 2020 (2019: approximately HK\$54.0 million). As at 31 March 2020, the gearing ratio of the Group was approximately 52.7% (2019: approximately 30.6%), which was calculated based on total debt divided by total capital at the end of the financial year and multiplied by 100%. Debt of the Group refers to bank borrowings and lease liabilities. As at 31 March 2020, the Group has total banking facilities of approximately HK\$103.4 million (2019: approximately HK\$145.9 million) of which approximately HK\$75.9 million (2019: approximately HK\$73.0 million) has been utilised. We aim to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable us to continue our business in a manner consistent with the short-term and long-term financial strategies of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign currency risk

The Group operates in Hong Kong and is exposed to foreign exchange risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to Japanese Yen, Taiwan New dollar and United States dollar.

The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

Treasury policies

The Group adopts prudent treasury policies. The Group's management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable by taking into account the market conditions, customers' profiles and contractual terms to ensure that adequate impairment is made for irrecoverable amounts. On top of these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Capital structure

The Shares were successfully listed on the Main Board of the Stock Exchange on 14 March 2018. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises ordinary Shares. As at 31 March 2020, the Company had 400,000,000 Shares in issue.

Capital commitments and contingent liabilities

Details of the capital commitments are set out in Note 29 to the consolidated financial statements. The Group has no material contingent liabilities as at 31 March 2020.

Employees and remuneration policies

As at 31 March 2020, the Group employed a total of 730 employees (2019: 805) and the employee benefit expenses including directors' emoluments were approximately HK\$109.3 million. The Group offers a comprehensive remuneration package which is reviewed by management on a regular basis.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 March 2020, the Group did not have any significant investments, acquisitions or disposals of subsidiaries/associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Shares have been successfully listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds from the listing, after deducting commission and expenses in connection with the listing, were approximately HK\$71.1 million.

As at 31 March 2020, unused net proceeds from the share offer were approximately HK\$4.4 million. The Directors will review the business opportunities available to the Group from time to time for applying the net proceeds according to the purposes stated in the Prospectus (as defined below). Save for the announcement of the Company dated 14 August 2019 (the “14 August 2019 Announcement”) regarding a change in allocation of the net proceeds from the share offer and the announcement of the Company dated 20 August 2018 (the “20 August 2018 Announcement”), the Directors do not anticipate that there will be any material change in the proposed use of the net proceeds from the share offer.

References are made to: (1) the prospectus of the Company dated 26 February 2018 (the “Prospectus”); (2) the Company’s announcement dated 13 March 2018 (the “Allotment Results Announcement”); (3) the 20 August 2018 Announcement; and (4) the second revised announcement dated 14 August 2019.

An analysis of the utilisation of the net proceeds from the share offer up to the period ended 31 March 2020 is set out below:

	Original allocation of the IPO Proceeds (as disclosed in the Allotment Results Announcement)	Second revised allocation of IPO Proceeds (as disclosed in the 14 August 2019 Announcement)	Utilised IPO Proceeds as at 31 March 2020	Unutilised IPO Proceeds as at 31 March 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening new shops				
– TenRen	26,200	33,030	(33,030)	–
– Jiu Tang Wu	18,000	3,170	(3,170)	–
– Uncle Tetsu	2,400	–	–	–
Introducing a new beverage brand	–	1,640	(1,640)	–
Introducing another new food brand	–	8,000	(8,000)	–
Upgrading the ERP system	3,600	3,600	(3,600)	–
Leasing of warehouse facilities	12,300	12,300	(7,894)	4,406
Expansion of sales and marketing team	2,500	2,500	(2,500)	–
General working capital	6,100	6,860	(6,860)	–
Total	71,100	71,100	(66,694)	4,406

EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting period up to the date of this annual report.

BIOGRAPHIES DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Kam Chuen Andrew (陳錦泉) (“Mr. Andrew Chan”), aged 59, is our chairman, chief executive officer and was appointed as our executive Director on 21 August 2017. He joined our Group in February 1992 and is primarily responsible for sourcing brands and products, liaising with suppliers, overall management of retail business, strategic planning and business development of our Group. Mr. Andrew Chan is a director of Wise Fine Enterprise Limited (“Wise Fine”), Saw Corporation Limited (“Saw Corporation”), National Jade Limited (“National Jade”) and Sunny Land Corporation Limited (“Sunny Land”), our operating subsidiaries. From May 1985 to February 1992, Mr. Andrew Chan worked at three different companies as sales and marketing manager and merchandise manager. Mr. Andrew Chan received his bachelor’s degree in arts from The University of Hong Kong in November 1985.

Mr. Andrew Chan is the brother of Mr. Chan Siu Cheung Stephen and the spouse of Ms. Tin Hau Ling Janny.

Mr. Chan Siu Cheung Stephen (陳紹璋) (formerly known as Mr. Chan Siu Cheung (陳小璋)) (“Mr. Stephen Chan”), aged 61, was appointed as our executive Director on 21 August 2017. He joined our Group in February 1990 and is primarily responsible for overall management of sales and marketing and liaising with customers of our Group. Mr. Stephen Chan is a director of Wise Fine, Saw Corporation and Sunny Land, our operating subsidiaries. In 1980s, he accumulated work experience in the field of sales and marketing at two trading companies in Hong Kong. In February 1990, he founded the business of our Group as a sole proprietor, with Mr. William Chau joining him as a partner in December 1990 and his brother Mr. Andrew Chan joining him as a partner in 1992.

Mr. Stephen Chan is the brother of Mr. Andrew Chan and the brother-in-law of Ms. Tin Hau Ling Janny.

Mr. Chau Wing Kong William (周永江) (“Mr. William Chau”), aged 59, was appointed as our executive Director on 21 August 2017. He is primarily responsible for overall management of finance, inventory control, logistics and operation of our Group. Mr. William Chau is a director of Wise Fine, Saw Corporation and Sunny Land, our operating subsidiaries. Mr. Chau accumulated work experience in the field of sales and marketing as well as inventory control at three companies in Hong Kong. From 1985 to 1989, he ran a silk screen printing business. In December 1990, he joined our Group as a business partner.

Ms. Tin Hau Ling Janny (田巧玲) (“Ms. Janny Tin”), aged 58, was appointed as our executive Director on 14 November 2017. She joined our Group on 14 November 2017 and is primarily responsible for strategic planning, business development and overseeing compliance matters of our Group. From April 1994 to March 1997, Ms. Janny Tin worked at a Hong Kong law firm where she was primarily responsible for conveyancing and litigation works. From July 1997 to May 2001, Ms. Janny Tin was a partner at another Hong Kong law firm and she was responsible for litigation works and administration. Ms. Janny Tin worked as a partner at Lo, Wong & Tsui Solicitors from May 2001 to April 2004, and she continued as a consultant since April 2004, where she is responsible for general practice. Ms. Janny Tin received her bachelor’s degree in laws from the University of London in the United Kingdom in August 1990. Ms. Janny Tin was admitted as a solicitor in the United Kingdom and Hong Kong in October 1993 and January 1994, respectively.

Ms. Janny Tin is the spouse of Mr. Andrew Chan and the sister-in-law of Mr. Stephen Chan.

BIOGRAPHIES DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Pang Koon Kwai (彭觀貴) (“Mr. Pang”), aged 66, has appointed as our independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company on 30 April 2019. Mr. Pang graduated with a bachelor degree in business administration from the University of Hawaii, College of Business in May 1978 and obtained a master degree in business administration from the Chaminade University of Honolulu in December 1979. Mr. Pang has worked in various banks and financial institutions over the years. From April 1999 to August 2009, Mr. Pang has worked in the predecessor companies and various subsidiaries of Industrial and Commercial Bank of China (Asia) group, with the last position as the chief executive officer of 華商銀行 (Chinese Mercantile Bank*) in Shenzhen, a subsidiary of Industrial and Commercial Bank of China (Asia) Limited. From February 2011 to October 2013, Mr. Pang was the chief executive officer and chairman of 捷貸小額貸款公司 (Jet Credit Small Loan Company*) in Chongqing and the chief executive officer of Nation Wide Financial Service Company Limited in Hong Kong.

Mr. See Hung Yan Peter (施鴻仁) (“Mr. See”), aged 58, was appointed as our independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company on 12 February 2018. From July 1986 to September 2015, Mr. See served various positions at Federal Express (Hong Kong) Limited with his last position as the managing director of the customer service planning & engineering department, where he was primarily responsible for overall management of the planning and engineering business.

Mr. See received his high diploma in civil engineering (municipal) and associateship in civil and structural engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1985 and November 1986, respectively. Mr. See then obtained his master’s degree in science in management (business) from The Hong Kong Polytechnic University in October 1995.

Mr. Chung Kwok Mo John (鍾國武) (“Mr. Chung”), aged 51, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Company on 12 February 2018. He obtained a bachelor’s degree in economics from Macquarie University in April 1992 and is a member of CPA Australia and Hong Kong Institute of Certified Public Accountants, with over 20 years of experience in auditing, financial management and corporate finance. Mr. Chung was an auditor of an international accounting firm from 1992 to 1999.

From 2000, Mr. Chung held several senior management positions, including chief financial officer, executive director and independent non-executive director, in a number of listed companies in Hong Kong. Mr. Chung is presently a vice president of Yongsheng Advanced Materials Company Limited, a company listed on the Stock Exchange (stock code: 3608). Mr. Chung is also currently an independent non-executive director of the following companies listed on the Stock Exchange: (i) BYD Electronic (International) Company Limited (stock code: 285) since June 2013; (ii) Zhengye International Holdings Company Limited (stock code: 3363) since March 2011; (iii) YTO Express (International) Holdings Limited (stock code: 6123) since December 2017; and (iv) Tokyo Chuo Auction Holdings Limited (stock code: 1939) since September 2018.

BIOGRAPHIES DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Tang Kwok Hay (鄧國禧) (“Mr. Tang”), aged 34, is the chief financial officer and company secretary of our Group. Mr. Tang joined the Group in June 2017 and is responsible for overseeing the Group’s daily financial operations, managing its accounting and internal control, as well as its legal affairs and investor relations.

Mr. Tang has over 10 years of experience in accounting, auditing and financial control. Prior to joining our Group, Mr. Tang served as the financial controller in WPP Marketing Communications (HK) Limited from 2013 to 2017, where he was primarily responsible for overseeing financial operations and providing commercial support to management. From 2007 to 2013, Mr. Tang worked for PricewaterhouseCoopers, with his last position as manager, where he was involved in a number of audit and assurance, capital market transactions and advisory projects advising corporate clients including listed companies and multinational companies.

Mr. Tang received his bachelor degree in business administration from The Chinese University of Hong Kong in December 2007. He obtained the qualification of financial risk manager (FRM) from the Global Association of Risk Professionals and certified public accountant (CPA) from the Hong Kong Institute of Certified Public Accountants in September 2009 and January 2011, respectively, and was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2018.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard Shareholder's interests.

The Company has been listed on the Stock Exchange since 14 March 2018. During the year ended 31 March 2020, the Company has applied the principles in the CG Code as set out in Appendix 14 to the Listing Rules. The corporate governance principles of the Company emphasises an effective Board with a high level of integrity, sound internal controls, as well as ensuring a high degree of transparency and accountability, which does not only enhance corporate value for Shareholders but also protect the long-term sustainability of the Group.

In the opinion of the Board, during the year and up to the date of this annual report, the Company has complied with all the code provisions of the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group.

The Board believes that vesting the roles of the chairman and chief executive officer in the same individual (that is, Mr. Chan Kam Chuen Andrew) would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Chan Kam Chuen Andrew) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and ensure compliance with the code provisions of the CG code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct governing the Directors' transactions in the listed securities of the Company. Employees of the Group (the "Relevant Employees") who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code.

The Company has made specific enquiry of all Directors, and each Directors has confirmed that he or she has complied with the standards as set out in the Model Code during the period from the Listing Date to the date of this annual report. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for the leadership and control of the Company and is vested with the overall management of the Group's business. The Board is collectively responsible for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. Such responsibilities include implementing the strategies and plans as approved by the Board, formulating and monitoring the operation and production plans and budgets, as well as internal control systems, risk management systems, material transactions (in particular those that may involve a conflict of interest), financial information, appointment of Directors and other significant financial and operational matters.

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this annual report.

BOARD COMPOSITION

Currently, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors.

Membership of Board Committee(s)

Executive Directors

Mr. Chan Kam Chuen Andrew (<i>Chief Executive Officer & Chairman</i>)	N/A
Mr. Chan Siu Cheung Stephen	N/A
Mr. Chau Wing Kong William	N/A
Ms. Tin Hau Ling Janny	N/A

Independent non-executive Directors

Mr. Yu Ka Ho Bernard (resigned on 30 April 2019)	Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee
Mr. Pang Koon Kwai (appointed on 30 April 2019)	Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee
Mr. See Hung Yan Peter	Chairman of Nomination Committee Member of Audit Committee Member of Remuneration Committee
Mr. Chung Kwok Mo John	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee

Detailed biographies of the Directors can be found on pages 20 to 22 of this annual report. The relationships between the members of the Board are also disclosed under the same section.

CORPORATE GOVERNANCE REPORT

All Directors (except Mr. Pang Koon Kwai) are elected for a term of three years (renewable automatically for a successive term of three years after the expiry), subject to retirement by rotation and re-election at the Company's annual general meeting ("AGM"). Mr. Pang Koon Kwai is elected for a term of one year (renewable automatically for a successive term of one year after the expiry), is also subject to retirement by rotation and re-election at the Company's AGM.

The Directors bring a good balance of skill and experience to the Company. They have been made fully aware of their collective and individual responsibilities to Shareholders. All Board appointments are based on merit, and candidates are considered against various objective criteria, with due regard to the benefits of diversity on the Board. Oversight of the Board diversity policy is the responsibility of the nomination committee.

The Company has three independent non-executive Directors, who bring a wide range of business and financial experience to the Board. By their active participation in Board meeting and by their service on various Board committees, the independent non-executive Directors contribute in important ways to the effective direction and strategic decision-making of the Group. All of the independent non-executive Directors meet the guidelines under the Listing Rules for assessing independence, and each has signed a declaration confirming his independence pursuant to Rule 3.13 of the Listing Rules.

For the year ended 31 March 2020 up to the date of this annual report, the Board at all times met the requirement of Rules 3.10 (1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors. A full list of Directors is available on the respective websites of the Company and the Stock Exchange, and is disclosed in all corporate communications issued by the Company from time to time in accordance with the Listing Rules.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

For the year ended 31 March 2020 up to the date of this annual report, the Company organised a training session conducted by lawyers for Directors and all Directors have attended the training session. The training session conducted by lawyers focused on corporate governance, directors' duties, responsibilities and obligations under the Listing Rules.

BOARD COMMITTEES

The Board established the remuneration committee, nomination committee and audit committee to assist in carrying out its responsibilities and functions. Each of these committees has specific written terms of reference setting out its duties and authority. The committees have sufficient resources to execute their requisite duties and enjoy the support of the management.

REMUNERATION COMMITTEE

The primary duties of the remuneration committee are to (a) establish a formal and transparent procedure for developing remuneration policy; (b) formulate and recommend to the Board policies and structures for the remuneration of Directors and senior management; (c) determine specific remuneration packages for all executive Directors and senior management in the manner specified in its terms of reference; (d) make recommendations to the Board on the remuneration of independent non-executive Directors; (e) review the appropriateness of the remuneration policy; and (f) review and make recommendations to the Board as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the approval of the Shareholders in general meeting pursuant to the Listing Rules. The current members of the remuneration committee are Mr. Yu Ka Ho Bernard (resigned on 30 April 2019), Mr. Pang Koon Kwai (appointed on 30 April 2019), Mr. See Hung Yan Peter and Mr. Chung Kwok Mo John, all being independent non-executive Directors.

NOMINATION COMMITTEE

The primary duties of the nomination committee are to (a) review the structure, size and diversity of the Board; (b) assess the independence of independent non-executive Directors; (c) make recommendations to the Board on any proposed change to the Board or selection of individuals nominated for directorships, or on appointment or re-appointment of Directors. The current members of the nomination committee are Mr. See Hung Yan Peter, Mr. Yu Ka Ho Bernard (resigned on 30 April 2019), Mr. Pang Koon Kwai (appointed on 30 April 2019) and Mr. Chung Kwok Mo John, all being independent non-executive Directors.

To facilitate sustainable and balanced development of the Company, the nomination committee has adopted a board diversity policy (the "Board Diversity Policy"), which sets out the approach to achieve diversity of the Board. Under the Board Diversity Policy, the appointment and/or recommendation for appointment will be based on objective criteria, having due regard to the benefits of diversity on the Board, including, among others, the candidates' gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Decisions of the nomination committee are made based on the merits and contribution of the selected candidates.

The nomination committee has also adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedure of appointment and re-appointment of Directors.

Selection criteria for Directors

In assessing and selecting candidates for Directors, factors that the nomination committee should consider include, but not limited to, the candidate's character and integrity, professional skills and experience, and the potential contributions a candidate can bring to the Board in terms of diversity of gender, age, culture and educational background etc., whether the candidate meets the required independence criteria, whether the candidate is willing and able to devote sufficient time to fulfill the duties of being a director and a member under the Board; whether the candidate is suitable for the Company's actual situation, and other factors in relation to the Company's business model etc..

Nomination and appointment procedures for Directors

After the nomination committee receives the proposal to appoint a new Director or the nomination from a Shareholder, the nomination committee shall evaluate the candidate's eligibility to serve as a Director based on the above criteria in combination with his/her personal profile. If multiple candidates are involved, the nomination committee shall prioritize them according to the Company's needs and candidates' respective qualification. In the case of the re-appointment of a Director at the general meeting, the nomination committee shall review the overall contribution of the Directors and their services, their participation and performance within the Board, and whether such Director still meets the above criteria.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The primary duties of the audit committee are to (a) make recommendations to the Board on the appointment and removal of external auditor; (b) review the financial statements and material advice in respect of financial reporting and (c) oversee the internal control procedures of the Company. The current members of the audit committee are Mr. Chung Kwok Mo John, Mr. Yu Ka Ho Bernard (resigned on 30 April 2019), Mr. Pang Koon Kwai (appointed on 30 April 2019) and Mr. See Hung Yan Peter, all being independent non-executive Directors.

This annual report has been reviewed by the audit committee.

The terms of reference of the audit committee is available on the respective websites of the Company and the Stock Exchange.

BOARD MEETINGS

During the year ended 31 March 2020, four full meetings were held. Minutes of the Board meetings are being kept by the company secretary of the Company and are available for inspections by the Directors.

DIRECTORS' LIABILITIES INSURANCE

For the year ended 31 March 2020, the Company had arranged for appropriate and adequate insurance cover to protect the Directors from legal action arising from the performance of their duties as a Director. Such insurance coverage is reviewed and renewed by the Board on an annual basis.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for ensuring that the Company maintains and implements comprehensive corporate governance practices and procedures. For the year ended 31 March 2020, the Board:

- (1) established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;
- (2) reviewed and monitored the training and continuous professional development of the Directors and senior management of the Group;
- (3) reviewed and monitored the policies and practices of the Company to ensure compliance with relevant legal and regulatory requirements;
- (4) established, reviewed and monitored the code of conduct of Directors and employees of the Group; and
- (5) reviewed compliance with the CG Code and made necessary disclosure in the annual report.

This corporate governance report has been reviewed by the Board in fulfillment of its corporate governance responsibilities.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meeting and Board Committee meetings of the Company held during the year ended 31 March 2020 is set out in the table below:

Name of Directors	Attendance/Number of Meetings				Annual General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee	
<i>Executive Directors</i>					
Mr. Chan Kam Chuen Andrew	4/4	N/A	N/A	N/A	1/1
Mr. Chan Siu Cheung Stephen	4/4	N/A	N/A	N/A	1/1
Mr. Chau Wing Kong William	4/4	N/A	N/A	N/A	1/1
Ms. Tin Hau Ling Janny	4/4	N/A	N/A	N/A	1/1
<i>Independent non-executive Directors</i>					
Mr. Chung Kwok Mo John	4/4	2/2	2/2	2/2	1/1
Mr. Yu Ka Ho Bernard (resigned on 30 April 2019)	–	–	–	–	–
Mr. See Hung Yan Peter	4/4	2/2	2/2	2/2	1/1
Mr. Pang Koon Kwai (appointed on 30 April 2019)	4/4	2/2	2/2	2/2	1/1

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2020. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 58 to 62 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, PricewaterhouseCoopers, for the audit of the year ended 31 March 2020 and non-audit services is set out below:

	Service Category Fees Paid/Payable HK\$'000
Services rendered	
Audit services	1,360
Non-audit services	340
Total	1,700

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

Sound and effective internal control systems are important to safeguard the Shareholders' investment and the Company's assets and the Board is responsible for maintaining an adequate internal control system to safeguard them.

Procedures have been put in place to safeguard the Group's assets against unauthorised use or disposal, to ensure proper accounting records are kept so that reliable financial information can be provided when required, and to ensure compliance with all applicable laws and regulations. These procedures have been based on industry norms and are designed to provide reasonable assurance and protection against errors, losses and fraud.

In compliance with code provision C.2.5 of the CG Code the management has evaluated and reviewed the risk management system on an annual basis. In addition, an evaluation and review of the Group's internal control system was conducted by an external independent professional consultant during the year.

The Board, through the audit committee, conducted an annual review on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to (i) the Group's ability to respond to changes in its business and external environment in terms of significant risks; (ii) the scope and quality of management's ongoing monitoring of risks and of monitoring results to the Board in relation to the result of risk and internal control review; (iii) significant control failing or weakness having been identified and their related implications; and (iv) status of compliance with the Listing Rules. The Board is of the opinion that the Group's risk management and internal control systems were adequate and effective during the year ended 31 March 2020.

The Board, also through the audit committee, has reviewed the adequacy of the Group's resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions as well as qualifications and experience of the internal auditors.

COMPANY SECRETARY

Mr. Tang Kwok Hay ("Mr. Tang") is the company secretary of the Company. Mr. Tang supports the Board by ensuring that reliable and relevant flow of information is maintained amongst members of the Board and that all procedures have been adhered to in accordance with applicable laws, rules and regulations. Mr. Tang is also the primary contact person within the Company for all matters relating to the duties and responsibilities of the company secretary.

During the year ended 31 March 2020, Mr. Tang has complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

SHAREHOLDERS' RIGHTS

The company is committed to maximizing transparency for Shareholders, and ensuring that Shareholders have clear knowledge of the decisions made by the Company.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to Convene an Extraordinary General Meeting

In accordance with article 58 of the articles of association of the Company (the "Articles of Association"), extraordinary general meeting shall 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 carrying the right of voting at the general meetings of the Company. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting should be held within two months after the deposit of such requisition.

Procedures for Raising Enquiries

The Shareholders may at any time send their enquiries and concerns in respect of the Company to the following correspondence address, email address and fax number of the Company for the attention of the company secretary:

Address: Unit 01, 11/F, Block A, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon

Email: investor-relations@bandshk.com

Fax: (852) 2893 6632

The Shareholders may also direct their queries regarding their shareholdings, share transfer/registration, payment of dividend and change of correspondence address to the Company's branch share registrar in Hong Kong, Union Registrars Limited:

Address: Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong

Email: info@unionregistrars.com.hk

Tel: (852) 2849 3399

Fax: (852) 2849 3319

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through AGM(s) and other extraordinary general meetings. At the AGM, Directors (or their delegates as appropriate) are available to meet with Shareholders and answer their enquiries. The Company's website (www.bandshk.com) provides comprehensive and accessible news and information of the Company to the Shareholders, other stakeholders and investors. The Company will also update the website information from time to time to inform the Shareholders and investors of the latest development of the Company.

CONSTITUTIONAL DOCUMENTS

An up-to-date version of the Articles of Association is available on both the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is pleased to present the Environmental, Social and Governance (“ESG”) Report for the year ended 31 March 2020. The content of this ESG Report covers the performance and efforts towards environment, society and governance of the Company and its subsidiaries (the “Group”) in its major operating locations.

This ESG report is prepared in accordance with the requirements set forth in the ESG Reporting Guide under Appendix 27 of the Listing Rules, it presents our major ESG policies, initiatives and performance of the Group for the year ended 31 March 2020 (“the reporting period”).

This ESG report was approved by the Board and aims to provide a balanced representation of the Group’s effort on the ESG matters which covered the Group’s operations for the reporting period.

Scope of report

The Group has its major operations in Hong Kong. The ESG Report’s contents focused on the Group’s distribution and retail operations in Hong Kong which included the offices, warehouse, and retail shops.

Stakeholders Engagement and Materiality Assessment

Our approach to stakeholder engagement is designed to ensure that our stakeholders’ perspectives and expectations are fully understood to help define our current and future sustainability strategies.

The Group believes that the interests of all stakeholders must be taken in account in order to strengthen the relationship with our Shareholders, investors, employees, suppliers, customers, government authorities and the society as a whole.

The Group proactively engaged with the key stakeholder groups in a variety of ways to ensure effective communication of our objective and progress in relation to the following areas of concern.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Stakeholder	Major Communication Channels	Major Concerns
Shareholders and Investors	<ul style="list-style-type: none"> • Press release, Corporate Announcements and Circulars • Annual and Interim Reports • Annual General Meetings • Group website 	<ul style="list-style-type: none"> • Product and Services Responsibility • Community contribution • Environmental protection • Information Disclosure & Transparency
Employees	<ul style="list-style-type: none"> • Trainings and Team Building Activities • Business Meetings and Briefings • Performance Appraisals 	<ul style="list-style-type: none"> • Compensation & Benefits • Career Development and Training Opportunities • Health and Safety Work Environment
Suppliers	<ul style="list-style-type: none"> • Phone Calls, Conferences, Emails, Site Visit 	<ul style="list-style-type: none"> • Supply Chain management • Product and Services Responsibility
Customers	<ul style="list-style-type: none"> • Customer Complaint Hotlines • Correspondences 	<ul style="list-style-type: none"> • Quality Products and services • Privacy Protection
Public Community	<ul style="list-style-type: none"> • Charitable and Volunteering Activities • Community Interactions 	<ul style="list-style-type: none"> • Corporate Social Responsibilities • Community Investment and Charitable Activities
Government and Supervisory Institutions	<ul style="list-style-type: none"> • Major Meeting and Policy Consultation • Information Disclosures 	<ul style="list-style-type: none"> • Compliance Operation • Corporate Governance • Environmental Protection

During the year ended 31 March 2020, through a wide range of communication channels, we found that ESG compliance and how the Group benefits the community are the major concerns of our stakeholders. Important aspects vary from environmental emissions to product quality assurance and community involvement.

An ESG Reporting Guide Content Index are set out on page 43 to 46 of this report to comply with the “comply or explain” provision in accordance to the ESG Reporting Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Corporate Social Responsibility (“CSR”) Vision, Policy and Strategy

The Group has adopted a CSR Policy in order to commit to the highest standards of corporate governance and aims to integrate CSR into the Group’s business strategy and management approach.

CSR is viewed as a business philosophy that creates shared sustainable value with its stakeholders in the economic, social, and environmental dimensions. The Group’s CSR Vision and CSR Policy guide the Group’s business and operational decisions to take into account for its responsibility to the CSR cornerstones with pragmatic objectives providing guidance on the application of these principles in its daily operations. The Group’s CSR Policy describes our long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling our business to operate in a sustainable manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practicing CSR in our daily operations.

Environmental, Social and Governance Working Group

To demonstrate our commitment to transparency and accountability, the Company has established an ESG working group, which has clear terms of reference that set out the powers delegated to it by the Board.

MARKETPLACE

The Group aims to strike a balance between efficient operation and environmental protection and provide services in a sustainability matter. To enhance the sustainability, the Group has provided an online ordering channel to the customer through electronic data interchange system and encourage using e-communication in the business operation and communication with suppliers and customers.

Supply Chain Management

The Group has recognised the significance of suppliers in affecting the sustainability of all the business operations. Not only the suppliers play a crucial role in influencing the overall performance but also imprint the Group’s reputation among the societies where the Group operates. Responsible behaviour, equality, and sensitivity towards dynamic needs of stakeholders are the top entities that are addressed when conducting the business. For this purpose, it is ensured that all the supply chain partners are treated in a fair and just manner during the related business activities.

The Group usually guarantees that there are multiple qualified suppliers of raw materials to control stability of supply and ensure the production process is smooth and timely. The Group has established an approved supplier list which our purchasing department regularly conducts supplier reviews to ensure product quality and safety. All suppliers are required to hold valid licences required by the government, and all imported goods shall obtain proper clearance from the respective authorities. The supplier review and assessment system are based on a set of selection criteria including, but not limited to, the pricing and quality of ingredients, and the reputation, service, agility, delivery efficiency and past performance of the suppliers.

Environmental criteria are also taken into consideration during our procurement process. We encourage our suppliers to enhance their green practices, minimize environmental impact and exercise sound governance of supply chain management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 March 2020, the Group is not aware of any key suppliers with any significant negative impact on business ethics, environmental protection, and labour practice. The Group has not received any complaint from suppliers during the reporting period.

Product and Services Responsibility

The Group attaches great importance to product quality. As a food and beverage distributor, the Group is committed to ensuring that we comply with the applicable laws and regulations related to product quality and food safety.

Category	Relevant laws and regulations
Food safety and product responsibility	<ul style="list-style-type: none">• Public Health and Municipal Services Ordinance• Food Safety Ordinance• Imported Game, Meat, Poultry and Eggs Regulations• Consumer Goods Safety Ordinance• Import and Export (Registration) Regulations• Food and Drugs (Composition and Labelling) Regulations
Restaurant licensing	<ul style="list-style-type: none">• Public Health and Municipal Services Ordinance• Food Business Regulation (Chapter 132X of the Laws of Hong Kong)• Frozen Confections Regulation (Cap. 132AC of the Laws of Hong Kong)

The Group has set up corresponding management tools and quality assurance measures, including the formulation of operational manual and internal guideline in maintaining the products quality, food safety and health related matter, to ensure that the relevant laws and regulations are strictly pursued by our operation team and that the quality of each product meets the required standard.

In addition, a quality assurance team has been established to evaluate the food ingredients of the distributed products to ensure that none of the products contain prohibited ingredients, and the food labels provide sufficient information to the end user.

The Group places good emphasis on the quality and safety of our products. The Group has established clear guidelines for maintaining high standards of environmental hygiene. We have also established standard procedures for cleaning and have provided training to all operating staff to ensure that compliance with the Group's policies and maintenance of high standard of hygiene in the central kitchen and cooking areas of all retail outlets.

All the employees, customers and associated professionals are ensured privacy pertaining to their personal data. The Personal Data (Privacy) Ordinance and guidelines that are announced by the Office of the Privacy Commissioner for Personal Data in Hong Kong and the provisions of protecting person privacy stipulated in the related laws and regulations in the PRC are closely followed by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group understands the potential risks of unethical conduct to our business and stands against any form of bribery, extortion, fraud, and has a zero-tolerance policy towards misconduct.

To make this strong commitment within our business, the Group has established the Anti-Corruption and Whistleblowing Policy in accordance with the relevant regulatory laws and standards to promote anti-fraud principles and consistent organizational behaviours by providing guidelines, assigning responsibility for the development of controls and conduct of investigations and facilitates early detection of potential fraud that are against the interests of the Group.

Whistleblowing channel is in place for any reporting on the case of anticorruption by employees without any fear of receiving any negative impacts. The Group fully supports employees to raise concerns in good faith and the mentioned issue will be discussed by management and dealt with a professional and appropriate manner.

During the year ended 31 March 2020, the Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud, and money laundering.

WORKPLACE

The credit to the Group's success and tremendous progression in the marketplace goes to the workforce, who has offered high efficiency, quality, and commitment to the Group.

To create a favourable working environment, the Group aims to build a cross-cultural workforce, develop the capabilities of its employees, identify, motivate, and reward talents, and ensure the well-being and safety of all. The Group adopted the Code of Conduct by introducing the internal guideline on employee's Code of Conduct, such as anti-bribery, anticorruption and whistleblowing.

Employment

The Group is committed to providing a workplace free from any form of discrimination and harassment and provides opportunities to employees with different backgrounds and characteristics so as to build a diversified workforce. As prescribed in our policies and procedures, the Group emphasizes on a transparent recruitment and employment mechanism. In all employment decisions, including recruitment, promotion and termination, the Group only takes the qualification, experience and performance of candidates or employees relevant to the job function into account.

Any form of discrimination against our potential or current employees on the ground of nationality, age, gender, sexual orientation, gender identity, ethnicity, disability, pregnancy, political inclination is strongly prohibited.

The Group provides a wide range of incentives, including competitive remuneration and benefits packages, which are based on individual performances and qualifications of employees and benchmarked against our industry peers on an annual basis. All of our employees are essentially treated with fair wage, fixed working hours, proper insurance coverage, statutory holidays and miscellaneous types of leaves, including sick leave, annual leave, birthday leave, marriage leave and condolence Leave. In addition, a various of leisure activities were organized during the year to enhance the staff bonding.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our staff handbook is well established and issued to all staff for their reference pertaining to office rules and benefits such as typhoon arrangements, annual leave, working hours, office attire, jury duty, salary and lunch hours as well as other rules and benefits. We provide employees with proper whistleblowing procedures in place for our employees to follow without fear of reprisal or receiving any negative feedback.

Health and Safety

The Group is committed to creating a healthy and safe environment for all employees as it promotes a sustainable corporate culture.

To mitigate and contain the risks under our control, the Group encourages our employees at all levels to monitor and report any hazards or potential threats and has established a comprehensive set of policies and procedures to ensure our safety performance conforms to the highest industry standards.

The Group also provides adequate training for all new employees to ensure they are well trained and understand the work procedures and equipment used. The training contents include the workplace safety, procedures of using the operational machineries and fire safety. The Group regularly monitors all equipment, including sanitary equipment, ventilation equipment and cleaning equipment, in order to maintain high safety standards and good functional conditions. The Group also ensures that first-aid kits and fire-fighting equipment are present and placed in the appropriate locations within the retail outlets.

We are also working to reduce the risk of work-related injuries. We have established an internal reporting system that requires employees to report each injury to the supervisor to reduce the risk of recurrence of similar accidents.

During the year ended 31 March 2020, the Group was not aware of any violations of Hong Kong health and safety laws and regulations.

Development and Training

Our employees are provided with continuous and effective training that promote knowledge acquisition and knowledge transfer. We believe that the development of our employees is one of the keys to our business success. In order to maintain the highest standards of our products and services, all employees will receive on-the-job training from their supervisors.

To maintain a competitive edge, the Group also encourages our employees to participate in work-related training courses organized by various professional bodies and government agencies. During the reporting period, our employees have enrolled or participated in the Hygiene Supervisor Training Courses offered by the Food and Environmental Hygiene Department which assisted the Group, as a food business operator, in meeting the requirements of the Hygiene Manager (HM) and Hygiene Supervisor (HS) Scheme (the Scheme).

The Group regularly evaluates the training objectives, training arrangements, training content according to the business needs and make changes when necessary. The results of the training and the performance of each individual will also be assessed regularly to ensure that all employees benefit from the training.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Moreover, suitable performance evaluations are adopted for monitoring the development of all the employees. Comprehensive performance evaluation is effective in assessing the productivity and work efficiency of individuals that further assists in identifying the weaknesses and strengths. A regular transparent review process is conducted for reviewing the employees' performance, attitude, and abilities.

Labour Standards

It is essential to note that the Group is committed towards the growth and well-being of its employees or workforce. All the laws and regulations pertaining to the prevention of child and forced labour are strictly followed.

During the reporting period, the Group was not aware of any non compliance issue on the labour standards.

COMMUNITY

Recognizing our responsibility to the community, we are committed to providing available resources to support the community and encouraging employees to participate in various charitable and voluntary activities.

We actively advocate employees to participate in charitable events, to arouse attention to the community and drive further participation in community services.

The Group continues to uphold the principles of accountability to shareholders, investors, suppliers, customers and the public community and seek further development opportunities to maintain a harmonious relationship with stakeholders.

Community contribution and engagement

The Group has been taking an active role in public charity and donation during the reporting period 31 March 2020, including the Group's tradition to support social-community events and development, charity donation had been made to the registered non-profit organizations to nurture and support community service leaders; as well as social engagement in community services to volunteer elderly home visits.

ENVIRONMENT

The Group pursues to utilize energy efficiently and as the major means to reduce our greenhouse gas ("GHG") emission. In order to continuously improve our energy performance and lower our carbon footprint, monitoring our energy usage is crucial. We always look for possible energy-saving opportunities, especially on choosing environmental-friendly materials and facilities.

Further, the Group performs its business operations in accordance with the environmental laws and abides by the applicable legislation. Adequate measurements are undertaken to spread environmental awareness among the employees, which are to re-use, recycle and dispose the waste materials adequately.

Gasoline consumption on the logistic arrangement

The major source of air emissions that are indirectly generated by the Group is attributed to the vehicle usage from the distribution business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has outsourced the transportation arrangement to a logistic company for the distribution of food products to the self-operated retail outlets and customers including local supermarkets, pharmacies, convenience stores, department stores, bakeries, confectionery stores and trading companies. The burning of petroleum for the running of vehicles produces various air emissions such as sulphur oxides, nitrogen oxides and particulate matters emissions.

In respect of reducing the sulphur oxides, nitrogen oxides and particulate matters emissions, the Group cooperates with the third logistic company by adopting a transportation day plan to ensure distributions are made on the same day for close locations which enables the efficient use of vehicles and the least air emissions to be produced. Apart from that, the Group has arranged direct delivery from the supplier to the retail outlets location if possible and hence improve the operational efficiency and also mitigate the air pollution from the logistic arrangement.

Energy usage management

The Group's material resources consumption attributed to the purchased electricity and water by the retail shops, warehouse, central kitchen, and the head office. As the Group's retail business does not contain any flame cooking kitchen devices, the greenhouse gas emissions produced by the Group is basically indirect and attributed to the consumption of purchased electricity from "HK Electric" and "CLP" as well as water from "Water Supplies Department" which located in the Scope 2 and 3 of greenhouse gas emission area.

The Group adheres to the concept of energy conservation and emission reduction for green business. We aim to improve our energy utilization efficiency to achieve low-carbon practices and emission reduction throughout our operation and strive to save the resources.

The Group determines to maximise energy conservation in its office and retail shops by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing of environmental-friendly electrical appliances with high-efficient energy label, lighting, and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste. Idle lightings, electrical appliances, as well as electric and electronic devices (including but not limited to computers, printers, photocopiers, and air conditioners) are switched off. Moreover, the Group uses light emitting diode ("LED") lighting and T5 Fluorescent tubes instead of incandescent light bulbs in various areas of the Group's office and retail shops.

The Group also believes that water is essential to all communities. We promote water conservation to our employees. Reminders of water-saving responsibilities, in the form of notices and signs, are posted near to water outlets in the kitchens and offices. The Group records and analyses the monthly consumption rate of water regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimise water use.

The overall increase in energy and water consumption in the current reporting year was mainly attributable to the increased usage of water and electricity in Hong Kong due to business expansion.

The Group will continue to assess and record its greenhouse gas emissions and other environmental data annually and compare it with last year's data to assist the Group in further developing emission reduction targets in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Packaging materials usage

During the operation of retail outlets such as “TenRen (天仁茗茶)”, “JiuTangWu (九湯屋)”, “Nam Kok (南國小喫)” and “Chef Hung Taiwanese Beef Noodle (洪師父牛肉麵)”, the Group consumed several kinds of packaging materials in order to process our products to customers. The packing materials are generally paper cups, plastic packaging of straws, plastic bags, paper bags and plastic dishes.

The Group constantly endeavours to adopt and invest in efficient and value-adding technologies and processes which can improve the utilisation of packaging materials. During the reporting period, the Group has taken a number of measures to reduce the use of packaging materials for finished goods, including but not limited to the below:

1. In response to the No Straw campaign, the Group has encouraged its customers to go plastic-and-disposable-free and serve drinks with reusable “TenRen Folding Cup (天仁茗茶摺疊隨行杯)”; and
2. Participated in the bring your own mugs or tumblers campaign and offer a one-dollar discount per purchase for customers who bring their own cups at the time of purchase of drinks. The scheme is stopped at a later time of the year due to the outbreak of COVID-19.

The Group has been using packaging materials that are bio-degradable to protect the environment. The decrease in packaging paper consumption was compensated by the relative increase in the use of packaging plastic consumption. The overall decrease in total packaging materials consumption was due to overall decrease in sales volume during the reporting period.

Wastage management

An essential part of minimizing impacts on the environment is proper waste management. To achieve this objective, we have set up a monitoring function for effective waste management, and to ensure compliance with relevant laws and regulations.

Given the nature of our business, the major types of waste produced from our production processes are food waste and waste oil from cooking. We ensure that we aim to reduce such wastage through increasing our efficiency, avoiding over purchasing of ingredients and materials in order to limit the amount of waste that is generated during the operation of our retail outlets. The Group considers general waste and food waste are minimal for our current operation. The Group will consider to maintain the wastage data if there will be changes in the business operation.

The food waste and general waste is collected by the sanitary department of the government, while the Group has engaged a qualified collection company to collect and reuse waste cooking oil on a weekly basis. The waste oil collection company is a licensed firm under the Environmental Protection Department registration scheme.

For office general wastage management, the Group utilizes e-communication when interacting with the customers to reduce paper usage. Also, for minimizing carbon footprint across the office, the Group promotes the use of e-statement for reducing paperwork.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental protection and reduction of wastage

Apart from the energy saving in our operation process, we have broadened this idea to the offices and our employees. Employees are also given guidelines reminding them to turn off office equipment and facilities when not in use.

General practice

- Switch off computers, printers, machines, and other electronic devices after office hours or when leaving the workplace to reduce electricity consumption.
- All windows and doors must be closed when the air-conditioners turn on.
- Affix save energy posters near the main switches to remind our employees of energy saving.
- Switch off non-essential lighting if there are only few people working in the office or restaurants.

Electricity and water usage management

- All employees should turn off the water tap when it is not in use.
- All employees should not use the tap water for cleaning their body or clothing.

Wastage management

- Promote “bring your own mugs or tumblers” for beverage purchase by providing discount.
- Dispose the used oil in retail outlets to a qualified collector for recycle use.
- Return used toner cartridges to respective suppliers for recycling.
- Encourage duplex printing and reuse of single-side used paper.
- Refill pens instead of buying a new pen when needed.
- Reduce paper printing by conducting e-filing.
- Encourage employees to adjust the margins and font size of documents so as to optimize the use of paper.

As a socially responsible enterprise, protecting nature and the environment has become our inescapable social responsibility, the Group constantly looks for ways to maximize benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Performance Summary

Emissions Indicators

Indicators	2020	2019	Percentage Increase (+) or Decrease (-)
Total GHG emissions (tonnes)	2,950.34	2,850.79	+ 3%
Total GHG emissions per floor area (tonnes/square feet)	0.0244	0.0252	- 3%
Total GHG emissions per employee (tonnes/employee)	4.37	4.15	+ 5%
Indirect emissions (tonnes)			
• Scope 1 – Energy direct emissions	74.76	97.40	- 23%
• Scope 2 – Energy indirect emissions	1,952.84	1,668.32	+ 17%
• Scope 3 – Other indirect emissions	922.74	1,085.07	- 15%

Energy consumption

Indicators	2020	2019	Percentage Increase (+) or Decrease (-)
Total energy consumption (KWh)	3,761,146.15	3,259,213.70	+ 15%
Total energy consumption per floor area (KWh/square feet)	41.15	36.65	+ 12%
Total energy consumption per employee (KWh/employee)	5,572.07	4,744.12	+ 17%
Direct energy consumption (KWh)			
• Diesel	280,463.32	366,171.02	- 23%
Indirect energy consumption (KWh)			
• Purchased electricity	3,480,682.83	2,893,042.67	+ 20%

Packaging material consumption

Indicators	2020	2019	Percentage Increase (+) or Decrease (-)
Total consumption (tonnes)	154.21	188.10	- 18%
• Paper	93.55	125.81	- 26%
• Plastic	60.66	62.29	- 3%
Total packaging material consumption per floor area (tonnes/square feet)	0.0013	0.0017	- 24%
Total packaging material consumption per employee (tonnes/employee)	0.2285	0.2738	- 17%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water consumption

Indicators	2020	2019	Percentage Increase (+) or Decrease (-)
Total water consumption (m ³)	156,319.53	151,827.48	+ 3%
Total water consumption per floor area (m ³ /square feet)	1.53	1.69	- 9%
Total water consumption per employee (m ³ /employee)	231.58	221.20	+ 5%

1. The GHG emission arises from the operational use that generate indirect emission from the packaging materials, electricity, fresh water, and sewage water usage.
2. The GHG emission is presented in carbon dioxide equivalent based on the reporting requirement of the EPD's "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" issued by Electrical and Mechanical Services Department and Environmental Protection Department and the "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" published by the University of Hong Kong and City University of Hong Kong.
3. Since the Group introduced more retail brands and shops during the reporting period, which involve installation of equipment with higher fixed electricity consumption, it is therefore the electricity consumption increased by 20% aligned with the business growth albeit the Group's total revenue remains stable.
4. Unlike the electricity consumption, water consumption is moderately variable to sales volume. The increase in water consumption due to the introduction of more retail shops was compensated by the decrease in water consumption due to decrease in sales volume, but such increase in water consumption outweighed the decrease, resulting from an annual consumption increment to 3%.
5. The Group has been using packaging materials that are bio-degradable to protect the environment. The decrease in packaging paper consumption was compensated by relative increase in the use of packaging plastic consumption. The overall decrease in total packaging materials consumption was due to overall decrease in sales volume during the reporting period.
6. During the reporting period, the Group changed the delivery service provider for the retail business. Since the newly appointed service provider does not allocate specific delivery vehicle for the Group's use, there was no accurate traveling distance and diesel consumption data provided.

The calculation of diesel consumption and emission primarily based on the diesel consumption for the wholesaling business of the whole reporting period as well as diesel consumption of the retail business for the first quarter of the reporting period. Thus, there is a decrease in diesel consumption by 23% during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Reporting Guide Content Index

Aspects, General disclosures and KPI	Description	2020 ESG report
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	This report – Environment, page 37–40
KPI A1.1	The types of emissions and respective emissions data	This report – Environment, page 37–38 This report – Performance summary, page 41–42
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	This report – Environment, page 37–38 This report – Performance summary, page 41–42
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Not applicable on the Group’s business.
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	This report – Environment, page 39
KPI A1.5	Description of measures to mitigate emissions and results achieved	This report – Environment, page 37–40
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	This report – Environment, page 39–40

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General disclosures and KPI	Description	2020 ESG report
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials	This report – Environment, page 40
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	This report – Environment, page 37–40 This report – Performance summary, page 41
KPI A2.2	Water consumption in total and intensity	This report – Environment, page 38 This report – Performance summary, page 42
KPI A2.3	Description of energy use efficiency initiatives and results achieved	This report – Environment, page 38
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	This report – Environment, page 38
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	This report – Environment, page 39 This report – Performance summary, page 41
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources	This report – Environment, page 37–40
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	This report – Environment, page 37–40

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General disclosures and KPI	Description	2020 ESG report
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare 	This report – Workplace, page 35–36
Aspect B2: Health and Safety		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards 	This report – Workplace, page 36
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities	This report – Workplace, page 36–37
Aspect B4: Labour Standards		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour 	This report – Workplace, page 37

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General disclosures and KPI	Description	2020 ESG report
Operating Practices Aspect B5: Supply Chain Management General Disclosure	Policies on managing environmental and social risks of the supply chain	This report – Marketplace, page 33–34
Aspect B6: Product Responsibility General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	This report – Marketplace, page 34
Aspect B7: Anti-corruption General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	This report – Marketplace, page 35
Community Aspect B8: Community Investment General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration the communities' interests	This report – Community, page 37

REPORT OF THE DIRECTORS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of our Company is investment holding and its subsidiaries principally engage in the distribution and retail of food and beverage products.

An analysis of our Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of our Group for the year ended 31 March 2020 are set out in the consolidated statement of comprehensive income on page 63 of this annual report.

The board does not recommend a final dividend for the year ended 31 March 2020.

DIVIDEND POLICY

Our Company has adopted a dividend policy on 24 June 2019 (the "Dividend Policy") that, in recommending or declaring dividends, our Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its Shareholders' value. The Board has the full discretion to declare and distribute dividends to the Shareholders, and any recommendation of final dividend for a financial year will be subject to Shareholders' approval.

In proposing any dividend payout, the Board shall also take into account, among other things, our Group's financial results, financial position, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of the Shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant from time to time. Any payment of the dividend by our Company is also subject to any restrictions under applicable laws and regulations and the Company's constitutional documents.

The Board will review the Dividend Policy on a regular basis.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the register of members of our Company on Monday, 7 September 2020 are entitled to attend and vote at the AGM of our Company. The register of members of our Company will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2020, both days inclusive. In order to qualify for attending and voting at the AGM, Shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road North Point, Hong Kong no later than 4:00 p.m. on Tuesday, 1 September 2020.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

A review of the business of our Group during year ended 31 March 2020 and a discussion on our Group's future business development are set out in the "Chairman's Statement" as well as the "Management Discussion and Analysis" on pages 6 to 7 and pages 10 to 19 of this annual report respectively. An analysis of our Group's performance during year ended 31 March 2020 using financial key performance indicators is set out in "Management Discussion and Analysis" on pages 10 to 19 of this annual report. In addition, the Group's environmental policies and performance is set out in the "Environmental, Social and Governance Report" on pages 31 to 46 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of our Company are set out in Note 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of our Group and our Company during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity and Note 24 and Note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the reserves of our Company available for distribution to the Shareholders of our Company amounted to approximately HK\$159.7 million (2019: approximately HK\$160.3 million).

PRE-EMPTIVE RIGHTS

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

FINANCIAL INFORMATION SUMMARY

A summary of the results and the assets and liabilities of our Group is set out on page 128 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities during the year ended 31 March 2020 and up to the date of this annual report.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Our Company has adopted a share option scheme (the “Share Option Scheme”) on 12 February 2018. As at the date of this annual report, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 40,000,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of our Company (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Board may, at its discretion, grant an option to the eligible participants to subscribe for the Shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme.

The Share Option Scheme will remain in force for a period of ten years from its effective date (i.e. will expire on 12 February 2028). Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including but not limited to those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

The Board confirms that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. As at 31 March 2020, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme. A total of 40,000,000 Shares are available for issue under the Share Option Scheme, representing approximately 10% of the total issued capital of the Company as at 31 March 2020.

RETIREMENT BENEFIT SCHEME(S)

Our Group participated in retirement benefit scheme(s) in accordance with the relevant rules and regulations in Hong Kong. Particulars of the retirement benefit scheme(s) are set out in Note 10 to the consolidated financial statements.

SUBSIDIARIES

Details of our Company’s principal subsidiaries as of 31 March 2020 are set out in Note 17 to the consolidated financial statements.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, our five largest customer accounted for 28.9% of our total revenue, of which 19.9% of our total revenue was generated from our largest customer. During the year ended 31 March 2020, our five largest suppliers accounted for 63.8% of our total purchases of which 24.8% of our total purchases was generated from our largest supplier. None of our Directors or any of their respective associates or any Shareholder which to the best knowledge of our Directors, who own more than 5% of our Company's issued share capital, had any interest in any of our Group's five largest customers or suppliers during the year ended 31 March 2020.

DIRECTORS

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

Executive Directors:

Mr. Chan Kam Chuen Andrew (*Chief Executive Officer & Chairman*)
Mr. Chan Siu Cheung Stephen
Mr. Chau Wing Kong William
Ms. Tin Hau Ling Janny

Independent Non-Executive Directors:

Mr. Yu Ka Ho Bernard (resigned on 30 April 2019)
Mr. Pang Koon Kwai (appointed on 30 April 2019)
Mr. See Hung Yan Peter
Mr. Chung Kwok Mo John

On 30 April 2019, Mr. Yu Ka Ho Bernard resigned as an independent non-executive Director due to his other personal and work commitments, whereas Mr. Pang Koon Kwai was appointed as a new independent non-executive Director.

Pursuant to Articles 84(1) and (2) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation at each AGM. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself/herself for re-election. In addition, code provision A.4.2 of the CG Code stipulates that each Director should be subject to retirement by rotation at least once every three years.

Mr. Chan Siu Cheung Stephen, Mr. Chau Wing Kong William and Mr. Pang Koon Kwai shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. The Company has received annual confirmation of independence from the three Independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules and considers them to be independent.

REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 20 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS/LETTERS OF APPOINTMENT

None of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

PERMITTED INDEMNITY PROVISION

During the year ended 31 March 2020 and up to date of this annual report, our Company has in force indemnity provisions for the benefit of the Directors. The permitted indemnity provisions are provided according to the Articles of Associations and our Company has maintained the directors and officers liability insurance in respect of potential liability and costs associated with legal any proceedings which may be brought against the Directors of the Company.

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

As at 31 March 2020, the interests and short positions of the Directors and the chief executive of our Company in any Shares, underlying Shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which had been notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be disclosed, under the Model Code were as follows:

Name of Director	Nature of Interest	Number of shares	Percentage of total issued Shares (%)
Mr. Chan Kam Chuen Andrew	Interest in a controlled corporation ^(note 1)	100,000,000 (long position)	25.0
Mr. Chan Siu Cheung Stephen	Interest in a controlled corporation ^(note 2)	100,000,000 (long position)	25.0
Mr. Chau Wing Kong William	Interest in a controlled corporation ^(note 3)	100,000,000 (long position)	25.0
Ms. Tin Hau Ling Janny	Interest of spouse ^(note 4)	100,000,000 (long position)	25.0

REPORT OF THE DIRECTORS

Notes:

1. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by ACAC Investment Limited, which in turn was owned as to 100% by Mr. Andrew Chan. By virtue of the SFO, Mr. Andrew Chan is deemed to be interested in the same number of Shares held by ACAC Investment Limited.
2. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by SCSC Holdings Limited, which in turn was owned as to 100% by Mr. Stephen Chan. By virtue of the SFO, Mr. Stephen Chan is deemed to be interested in the same number of Shares held by SCSC Holdings Limited.
3. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by CCST Investment Limited, which in turn was owned as to 100% by Mr. William Chau. By virtue of the SFO, Mr. Chau is deemed to be interested in the same number of Shares held by CCST Investment Limited.
4. Ms. Janny Tin is the spouse of Mr. Andrew Chan. By virtue of the SFO, Ms. Janny Tin was deemed to be interested in the same number of Shares in which Mr. Andrew Chan was deemed to be interested under the SFO.

Save as disclosed above, as at 31 March 2020, none of the Directors nor chief executive of our Company had any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code and the Code of Conduct.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, so far as the Directors are aware, the following persons (other than the Directors or chief executive of our Company), either directly or indirectly, had interests or short positions in the Shares or underlying Shares of our Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required to be recorded in the register to be kept pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares	Percentage of total issued Shares (%)
ACAC Investment Limited	Beneficial interest ^(note 1)	100,000,000 (long position)	25.0
SCSC Holdings Limited	Beneficial interest ^(note 2)	100,000,000 (long position)	25.0
Ms. Cheung Choi Ngo	Interest of spouse ^(note 3)	100,000,000 (long position)	25.0
CCST Investment Limited	Beneficial interest ^(note 4)	100,000,000 (long position)	25.0
Ms. Tan Ching Bee	Interest of spouse ^(note 5)	100,000,000 (long position)	25.0

REPORT OF THE DIRECTORS

Notes:

1. The entire issued share capital of ACAC Investment Limited is wholly-owned by Mr. Andrew Chan.
2. The entire issued share capital of SCSC Holdings Limited is wholly-owned by Mr. Stephen Chan.
3. Ms. Cheung Choi Ngo is the spouse of Mr. Stephen Chan. By virtue of the SFO, Ms. Cheung Choi Ngo was deemed to be interested in the same number of Shares in which Mr. Stephen Chan was deemed to be interested under the SFO.
4. The entire issued share capital of CCST Investment Limited is wholly-owned by Mr. William Chau.
5. Ms. Tan Ching Bee is the spouse of Mr. William Chau. By virtue of the SFO, Ms. Tan Ching Bee was deemed to be interested in the same number of Shares in which Mr. William Chau was deemed to be interested under the SFO.

Save as disclosed above, as at 31 March 2020, the Directors had not been notified of any other corporation or individual (other than the Directors or chief executive of our Company) who had interests or short positions in the Shares or underlying Shares of the Company, which are required to be disclosed under provision of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 March 2020 were rights to acquire benefits by means of the acquisition of shares in or debentures of our Company granted to any Director or their respective associates nor was our Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which our Company or any of its subsidiaries was a party and in which any Director or any entity connected to a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 March 2020 or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Apart from the following non-exempt continuing connected transactions, there were no transactions which need to be disclosed as connected transactions and continuing connected transactions in accordance with the Listing Rules.

Leasing of properties

Wise Fine Enterprise Limited entered into five tenancy agreements with (i) Best Source Enterprise Limited ("Best Source") on 22 November 2017 and (ii) Best Source and Ms. Janny Tin on 22 November 2017, respectively (collectively, the "Tenancy Agreements"), pursuant to which certain properties in Yau Tong, Hong Kong (collectively, the "Premises") are leased to our Group for a fixed term of three years subject to the terms and conditions of the Tenancy Agreements.

REPORT OF THE DIRECTORS

Best Source and Ms. Janny Tin are the connected persons of our Company since:

- (i) Best Source is owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, our executive Directors and substantial Shareholders, hence it is an associate of each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau; and
- (ii) Ms. Janny Tin, being the spouse of Mr. Andrew Chan, is also our executive Director.

According to International Valuation Limited, an independent qualified valuer engaged by our Group, the monthly rental payable under the Tenancy Agreements for the Premises are fair and reasonable, consistent with the prevailing market unit rents for similar premises in the vicinity as at the date of the Tenancy Agreements, and on normal commercial terms.

During the year ended 31 March 2020, the aggregate rental expenses (together with the aggregate service charges and other outgoings) paid by our Group was approximately HK\$7,797,000, which did not exceed the annual cap of HK\$7,845,000 for the year ended 31 March 2020.

The transactions contemplated under the Tenancy Agreements also constitute related party transactions of our Company under HKFRS, details of which are set out in Note 31 to the consolidated financial statements.

Provision of Logistic Services

During the year ended 31 March 2020, Bo Shing Logistic Limited (“Bo Shing”) provided logistic services for delivery of products in Hong Kong from our suppliers to our Group and/or from our Group to our customers (the “Logistic Services”). On 12 February 2018, Bo Shing entered into a master agreement (the “Master Agreement with Bo Shing”) with our Company, pursuant to which Bo Shing agreed to provide us with the Logistic Services for a period from the Listing Date to 31 March 2020.

As Bo Shing is wholly-owned by the sister (as to 50%) and the brother-in-law (as to 50%) of Mr. William Chau, our executive Director and substantial Shareholder, it is deemed to be a connected person of our Company.

The services fee is payable by our Group on a monthly basis pursuant to the Master Agreement with Bo Shing. The terms and conditions of the transactions contemplated under the Master Agreement with Bo Shing are on normal commercial terms, negotiated on an arm’s length basis, fair and reasonable and no less favourable to our Group than those offered by other independent third parties for similar services.

During the year ended 31 March 2020, the aggregate service fee paid by the Group to Bo Shing was approximately HK\$7,177,000, which did not exceed the annual cap of HK\$18,000,000 for the year ended 31 March 2020.

REPORT OF THE DIRECTORS

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that (a) the above non-exempt continuing connected transactions have been entered into on an arm length's basis and in the ordinary and usual course of business of our Group; (b) the terms of each of the above non-exempt continuing connected transactions for the year ended 31 March 2020 are on normal commercial terms or better, fair and reasonable, and in the interests of our Company and our Shareholders taken as a whole; and (c) the annual caps of each of the above non-exempt continuing connected transactions for the year ended 31 March 2020 are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions set out above.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31 March 2020.

RELATED PARTY TRANSACTIONS

Details of related party transactions undertaken in the normal course of business of the Group are provided under Note 31 to the consolidated financial statements. Save as the continuing connected transactions set out in the paragraph headed "Connected transactions and continuing connected transactions", none of the related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed in this annual report.

REMUNERATION FOR DIRECTORS

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee to formulate remuneration policies. The Directors' remuneration are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the remuneration committee and the performance and results of the Group. Details of the remuneration of the Directors are set out in Note 33 to the consolidated financial statements.

REPORT OF THE DIRECTORS

CHANGES IN INFORMATION OF DIRECTORS

Subsequent to the publication of the 2019 annual report, there is no change in the information of the Directors for the year ended 31 March 2020.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules for the year ended 31 March 2020 up to the date of this annual report.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2020, apart from (i) the retail of food products by New Odaiba which is owned by Ms. Tan Ching Bee, the spouse of Mr. William Chau; (ii) the wholesale of confectionary products by Best Sky Hong Kong Limited which is owned as to 60% by Mr. Stephen Chan; and (iii) the wholesale of confectionary products by 賓仕佳貿易(深圳)有限公司 (Best Sky (Shenzhen) Trading Company Limited*) which is owned as to 100% by Best Sky Hong Kong Limited, none of the Directors and substantial shareholders of the Company and its subsidiaries, or their respective close associate, had interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

DEED OF NON-COMPETITION

The substantial Shareholders have confirmed to the Company of their full compliance with the non-competition undertakings and other terms provided to the Company under the deed of non-competition dated 12 February 2018 (the "Deed of Non-Competition").

The independent non-executive Directors have reviewed the status of compliance of the Deed of Non-Competition and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the substantial Shareholders and duly enforced during the year ended 31 March 2020.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 23 to 30 of this annual report.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The status of the net proceeds from the Listing are set out in the "Management Discussion and Analysis" on page 19 of this annual report.

AUDITOR

PricewaterhouseCoopers will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be proposed at the AGM to be held on 7 September 2020, to reappoint PricewaterhouseCoopers as the Company's auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

* The English name of the PRC entity mentioned herein and marked with "***" is a translation from its Chinese name and is for identification purposes only.

On behalf of the Board

Mr. Chan Kam Chuen Andrew

Chairman and Chief Executive Officer

Hong Kong, 29 June 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of B & S International Holdings Ltd.

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of B & S International Holdings Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 63 to 127, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>Refer to Note 2.21 for the Group's accounting policies on revenue recognition and Note 6 for the analysis of revenue of the Group for the year ended 31 March 2020.</p> <p>The Group recognised revenue from sales of goods amounting to HK\$514 million for the year ended 31 March 2020, of which HK\$267 million were contributed from distribution segment and HK\$247 million were contributed from retail segment.</p> <p>Revenue from distribution segment is recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over sales of the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Revenue from retail segment is recognised at the point of sale to customers.</p> <p>We focused on revenue recognition due to its magnitude and the nature of the Group's business. The recording of revenue involves high volume of transactions derived from sales to multiple customers in different locations such that we have incurred significant time and resources in carrying out our work in this area.</p>	<p>We understood, evaluated and validated management's key internal controls in its revenue recognition process.</p> <p>For revenue from distribution segment, we tested samples of sales transactions against sales orders, shipping documents, invoices and other supporting documents where relevant. To the extent that those sales have been settled, we also reviewed bank advice and/or bank statements in support of the payment made by the customers.</p> <p>Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date to assess whether sales transactions were recognised in the correct reporting periods.</p> <p>For revenue from retail segment, we tested samples of sales transactions against daily sales reports for self-owned stores or sales statements for concessionary stores and reviewed bank advice and/or bank statements in support of the payment received.</p> <p>Our work also included testing of a sample of revenue-related journal entries on risk based criteria by inquiring management of their nature and inspecting the relevant supporting documents.</p> <p>Based on the procedures performed above, we found that the Groups' sales transactions being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

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 Lee Kin Wah, Albert.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	6	513,743	519,488
Cost of sales	9	(419,540)	(406,200)
Gross profit		94,203	113,288
Other losses	7	(1,257)	(1,396)
Other income	8	5,417	183
Selling and distribution expenses	9	(49,120)	(47,871)
Administrative expenses	9	(42,004)	(44,544)
Operating profit		7,239	19,660
Finance income	11	545	1,023
Finance costs	11	(6,928)	(3,354)
Finance costs, net	11	(6,383)	(2,331)
Profit before income tax		856	17,329
Income tax credit/(expense)	12	951	(2,651)
Profit and total comprehensive income for the year		1,807	14,678
Profit and total comprehensive income attributable to:			
Owners of the Company		1,099	13,466
Non-controlling interest	17	708	1,212
		1,807	14,678
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– basic and diluted	13	0.27	3.37

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	33,999	34,353
Right-of-use assets	16	84,876	–
Deferred income tax assets	22	5,247	1,810
Deposits and other assets	19	16,206	13,735
		140,328	49,898
Current assets			
Inventories	18	26,503	29,036
Trade receivables	20	67,000	66,493
Deposits, prepayments and other receivables	19	15,908	10,179
Income tax recoverable		590	813
Restricted cash	21	30,000	42,000
Short-term bank deposits	21	413	2,647
Cash and cash equivalents	21	38,086	51,315
		178,500	202,483
Total assets		318,828	252,381
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	4,000	4,000
Reserves	24	79,794	79,794
Retained earnings	24	46,016	55,098
		129,810	138,892
Non-controlling interest	17	6,548	5,840
Total equity		136,358	144,732

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
LIABILITIES			
Non-current liability			
Lease liabilities	16	39,351	–
Current liabilities			
Trade and other payables	25	30,578	40,664
Income tax payables		–	3,088
Lease liabilities	16	52,708	–
Bank borrowings	26	59,833	63,897
		143,119	107,649
Total liabilities		182,470	107,649
Total equity and liabilities		318,828	252,381

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 63 to 127 were approved by the Board of Directors on 29 June 2020 and were signed on its behalf.

Mr. Chan Kam Chuen Andrew
Director

Mr. Chau Wing Kong William
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Note	Attributable to owners of the Company			Total HK\$'000
		Share capital HK\$'000 (Note 23)	Reserves and retained earnings HK\$'000 (Note 24)	Non-controlling interest HK\$'000 (Note 17)	
Balance at 1 April 2018		4,000	137,426	5,853	147,279
Profit and total comprehensive income for the year		–	13,466	1,212	14,678
Transaction with owners in their capacity as owners:					
Dividends	14, 17	–	(16,000)	(1,225)	(17,225)
Balance at 31 March 2019		4,000	134,892	5,840	144,732
Balance at 1 April 2019 (as previously reported)		4,000	134,892	5,840	144,732
Impact of adoption of HKFRS 16	2.2	–	(2,181)	–	(2,181)
Balance at 1 April 2019 (as restated)		4,000	132,711	5,840	142,551
Profit and total comprehensive income for the year		–	1,099	708	1,807
Transaction with owners in their capacity as owners:					
Dividends	14	–	(8,000)	–	(8,000)
Balance at 31 March 2020		4,000	125,810	6,548	136,358

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Cash generated from operations	27(a)	77,153	42,585
Income tax paid		(4,920)	(3,425)
Net cash generated from operating activities		72,233	39,160
Cash flows from investing activities			
Purchase of property, plant and equipment		(24,385)	(30,920)
Premium paid for key management life insurance contracts	19	(430)	(429)
Proceeds from disposals of property, plant and equipment	27(c)	100	291
Interest received		545	1,023
Change in short-term bank deposits		2,234	(2,647)
Change in restricted cash		12,000	(19,500)
Net cash used in investing activities		(9,936)	(52,182)
Cash flows from financing activities			
Proceeds from bank borrowings	27(b)	151,314	140,507
Repayments of bank borrowings	27(b)	(155,365)	(165,784)
Principal elements of lease payments	16(ii), 27(b)	(60,874)	–
Amounts due to related parties	27(b)	–	(8,209)
Payment of dividend	14	(8,000)	(16,000)
Payment of dividend to non-controlling interest	17	–	(1,225)
Interest paid		(2,601)	(3,354)
Net cash used in financing activities		(75,526)	(54,065)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		51,315	118,402
Cash and cash equivalents at end of the year	21	38,086	51,315

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1 GENERAL INFORMATION

B & S International Holdings Ltd (the “Company”) was incorporated in the Cayman Islands on 21 August 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, “the Group”) are principally engaged in (i) distribution of food and beverage products (“Distribution Business”) and (ii) provision of catering services (“Retail Business”) in Hong Kong (collectively, the “Business”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 14 March 2018.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New standards and interpretation and amendments to standards adopted by the Group

The following new standards and interpretation and amendments to standards are mandatory for the Group's financial year beginning on or after 1 April 2019 and have been adopted in the preparation of the consolidated financial statements.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to Annual Improvement Projects	Annual improvements 2015 – 2017 cycle
HK(IFRIC) – Int 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the reporting year ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019. This is disclosed in Note 2.2.

Apart from HKFRS 16, there are no other new standards or interpretations or amendments to the standards that are effective for the first time for this financial year that could be expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 April 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 April 2020
Amendments to HKFRS 3	Definition of a business	1 April 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	1 April 2020
HKFRS 17	Insurance contracts	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced by HKICPA

The directors of the Company are in the process of assessing the financial impact of the adoption of the above amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when it is appropriate to do so.

(c) Early adoption of amendments to standards during the year ended 31 March 2020 where early adoption is permitted

HKFRS 16 (Amendment), "COVID-19-Related Rent Concessions" (effective for annual periods beginning on or after 1 April 2021). The amendment provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. In applying HKFRS 16 (Amendment) for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification. All of the COVID-19-related rent concessions amounted to HK\$1,945,000 has been credited to the consolidated statement of comprehensive income within "cost of sales".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) Early adoption of amendments to standards during the year ended 31 March 2020 where early adoption is permitted *(Continued)*

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

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

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 “Leases” retrospectively from 1 April 2019, but has not restated comparatives for the reporting period ended 31 March 2019, as permitted under the specific transition provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019. The new accounting policies are disclosed in Note 2.20.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.2%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table presents the reconciliation of lease liabilities as at 1 April 2019:

	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	105,825
Discounted using the lessee's incremental borrowing rate of 4.2% at the date of initial application	(6,015)
Less: short-term/low value leases not recognised as on a straight-line basis as expenses	<u>(3,862)</u>
Lease liabilities recognised as at 1 April 2019	<u>95,948</u>
Of which are:	
Current lease liabilities	49,457
Non-current lease liabilities	<u>46,491</u>
	<u>95,948</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

- right-of-use assets – increase by approximately HK\$93,779,000
- prepaid rent – decrease by approximately HK\$443,000
- deferred tax assets – increase by approximately HK\$431,000
- lease liabilities – increase by approximately HK\$95,948,000

The net impact on retained earnings on 1 April 2019 was a decrease of approximately HK\$2,181,000.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Principles of consolidation and equity accounting *(Continued)*

(a) Subsidiaries *(Continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transaction with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Gains or losses on disposals to non-controlling interests are also recorded in equity. When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Directors who make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other losses".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged in the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining lease terms or useful lives
Furniture and fixtures	20%
Plant and machinery	30%
Computer and office equipment	30%
Motor vehicles	30%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other losses" in the consolidated statements of comprehensive income.

2.7 Impairment of non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in those to be measured subsequently at fair value (either through OCI or through profit or loss) and those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

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

(c) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other losses" together with foreign exchange gains and losses.

(d) Impairment

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

2.9 Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.11 Trade receivables

Trade receivables are amounts due from customers for the merchandise sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowing costs

Borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.18 Employee benefits

(a) Pension obligations

The Group operates a number of Mandatory Provident Fund Schemes established under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its employee. These plans are funded by payments from employees and by the Group and the Group's contributions to the plans are expensed as incurred. The assets are held separately from those of the Group and managed by related independent professional fund managers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits *(Continued)*

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

(e) Termination benefits

Termination benefits are payable when the employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions mainly comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is disclosed in Note 2.2.

Until 31 March 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Leases *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment, i.e. photocopiers.

2.21 Revenue recognition

(a) Distribution business

Sales of foods and beverage products are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, and the risks of obsolescence and loss have been transferred to the customer.

(b) Retail business

Sales of foods and beverage products are recognised at the point of sale to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated statements of comprehensive income immediately.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Executive Directors, who provide principles for overall risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and is exposed to foreign exchange risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to Japanese Yen ("JPY"), Taiwan New dollar ("TWD") and United States dollar ("USD").

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

As HK\$ are pegged against USD, management considers that the Group is mainly exposed to foreign currency risk with respect to JPY and TWD.

Had HK\$ be strengthened/weakened by 5% against JPY with all other variables held constant, the post-tax profit for the year ended 31 March 2020 would have been HK\$301,000 higher/lower (2019: HK\$313,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of JPY-denominated cash and cash equivalent, trade and other payables and bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

Had HK\$ be strengthened/weakened by 5% against TWD with all other variables held constant, the post-tax profit for the year ended 31 March 2020 would have been HK\$126,000 higher/lower (2019: HK\$288,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of TWD-denominated trade and other payables.

(ii) Interest rate risk

The Group's cash flow and fair value interest rate risk primarily relates to cash at banks, bank borrowings and obligation under hire purchase contracts. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group does not have any fair value interest rate risk. The Group's interest rate risk primarily relates to its bank borrowings. The Group currently does not hedge its interest rate risk. However, management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise. The interest rates and terms of repayment of borrowings are disclosed in Note 26.

Had interest rates been 50 basis points higher/lower than the prevailing interest rate, with all other variables held constant, the post-tax profit for the year ended 31 March 2020 would have been HK\$250,000 lower/higher (2019: HK\$267,000 lower/higher), mainly as a result of higher/lower interest expenses on floating rate bank borrowings.

(b) Credit risk

Credit risk arises from cash at banks, short-term bank deposits, other receivables and other assets, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with investment grade credit rating are accepted.

The Group has policies in place to ensure that sales are made to customers with appropriate credit histories and to limit the amount of credit exposure to any individual customer.

For the distribution business, the Group's credit risk is concentrated on a number of long established customers. As at 31 March 2020, trade receivables from the five major customers accounted for approximately 65% (2019: approximately 66%) of the Group's total trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Risk management *(Continued)*

Sales to retail customers are required to be settled in cash or using electronic payment means of, mitigating credit risk. There are no significant concentrations of credit risk. The Group is not exposed to major credit risk with respect to its retail business.

(ii) Impairment of financial assets

The cash at banks, short-term bank deposits, trade receivables, deposits and other receivables and other assets of the Group are subject to the expected credit loss model.

The cash at banks, short-term bank deposits and other assets with banks are deposited with reputable banks in Hong Kong. Deposits and other receivables are mainly deposit paid to suppliers or landlords and government subsidy receivables. The credit quality of the banks, suppliers and government authority have been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at banks, short-term bank deposits, deposits and other receivables and other assets of the Group are assessed to be close to zero and no provision was made as at 31 March 2019 and 2020.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the invoice date.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 March 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

According to above mentioned consideration, the Group does not expect any significant default possibility and loss allowance of trade receivables are assessed to be close to zero and no provision was made as at 31 March 2019 and 2020.

Trade receivables are written off when there is no reasonable expectation of recovery. Indication that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of available credit facilities. The Group manages its liquidity risk by controlling the level of inventories, closely monitoring the turnover days of trade receivables, monitoring its working capital requirements and keeping credit lines available.

Management monitors rolling forecasts of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Total HK\$'000
As at 31 March 2020					
Trade and other payables	–	30,578	–	–	30,578
Lease liabilities	–	52,708	27,129	12,222	92,059
Bank borrowings	59,833	–	–	–	59,833
	59,833	83,286	27,129	12,222	182,470
As at 31 March 2019					
Trade and other payables	–	40,664	–	–	40,664
Bank borrowings	63,897	–	–	–	63,897
	63,897	40,664	–	–	104,561

The table below summarises the maturity analysis of the Group's bank loans with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. As the amounts included also interest payments, they were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained above.

	2020 HK\$'000	2019 HK\$'000
Within 1 year	60,508	58,743
Between 1 and 2 years	–	6,294
Between 2 and 5 years	–	–
	60,508	65,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretions to demand immediate repayment. The Executive Directors believe that such loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated at total debt divided by total capital. Total debts are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statements of financial position) and lease liabilities. Total capital represent total debts and equity as shown in the consolidated statements of financial position.

	2020 HK\$'000	2019 HK\$'000
Bank borrowings	59,833	63,897
Lease liabilities	92,059	–
Total debts	151,892	63,897
Total equity	136,358	144,732
Total capital	288,250	208,629
Gearing ratio	53%	31%

The gearing ratio increased from 31% to 53% following the adoption of HKFRS 16. Both debt and gross assets increased following the recognition of lease liabilities following the adoption of HKFRS 16. See Note 2.2 for further information.

3.3 Fair value estimation

The Company has no significant financial instruments other than trade receivables, deposits, other receivables, other assets, cash and cash equivalents, short-term bank deposits, trade and other payables, lease liabilities and bank borrowings. The carrying amounts of these balances approximate their fair values due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

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

Property, plant and equipment and right-of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 pandemic on the operations of the Group and the region in which it operates. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment, including the consideration of the expected market condition, and the unprecedented COVID-19 pandemic, in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) 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 in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(c) Provision for loss allowance of trade receivables

The Group's management determines the provision for loss allowance of trade receivables based on an assessment of the recoverability of the receivables. This assessment is based on the historical repayment history and credit rating of its customers and the current and forward-looking market condition, and requires the use of judgements and estimates. Management reassesses the provision at each reporting date.

(d) Current and deferred income tax

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

(e) Net realisable value of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. These estimates are based on the market condition and the historical experience of selling prices of similar nature. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the “CODM”) that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources.

The Group is principally engaged in Distribution Business and Retail Business in Hong Kong. The Executive Directors considers the business from a product perspective. They reviewed the qualitative factors such as business activities, economic and legal characteristics and quantitative factors such as the financial performance of the Distribution Business and Retail Business to assess the performance of the operating segments.

No geographical segment information is presented as all sales and operating profits of the Group are derived in Hong Kong and all operating assets of the Group are located in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5 SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the years ended 31 March 2020 and 2019 is as follows:

	For the year ended 31 March 2020		
	Distribution Business HK\$'000	Retail Business HK\$'000	Total HK\$'000
Segment revenue – recognised at a point in time	267,154	246,589	513,743
Segment results	39,157	226	39,383
Unallocated expenses			(36,304)
Other losses			(1,257)
Other income			5,417
Finance costs, net			(6,383)
Profit before income tax			856
Income tax credit			951
Profit for the year			1,807
Segment items included:			
Depreciation of property, plant and equipment	2,540	18,738	21,278
Depreciation of right-of-use assets	7,996	50,446	58,442
Impairment loss on property, plant and equipment	–	1,034	1,034
Impairment loss on right-of-use assets	–	3,119	3,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 March 2019		
	Distribution	Retail	Total
	Business	Business	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue – recognised at a point in time	265,326	254,162	519,488
Segment results	46,567	16,493	63,060
Unallocated expenses			(42,187)
Other losses			(1,396)
Other income			183
Finance costs, net			(2,331)
Profit before income tax			17,329
Income tax expense			(2,651)
Profit for the year			14,678
Segment items included:			
Depreciation of property, plant and equipment	1,233	14,499	15,732
Impairment loss on property, plant and equipment	–	662	662

The segment assets as at 31 March 2020 and 2019 and the reconciliation to the total assets are as follows:

	As at 31 March 2020		
	Distribution	Retail	Total
	Business	Business	Total
	HK\$'000	HK\$'000	HK\$'000
Total segment assets	97,726	144,230	241,956
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,614	72,278	74,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5 SEGMENT INFORMATION (Continued)

	As at 31 March 2019		
	Distribution	Retail	Total
	Business	Business	
	HK\$'000	HK\$'000	HK\$'000
Total segment assets	87,339	64,715	152,054
Total segment assets include:			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	5,868	25,317	31,185

Reconciliation of total segment assets to total assets is provided as follows:

	2020	2019
	HK\$'000	HK\$'000
Total segment assets	241,956	152,054
Unallocated:		
Deferred income tax assets	5,247	1,810
Deposits and prepayments	3,126	2,555
Restricted cash	30,000	42,000
Short-term bank deposits	413	2,647
Cash and cash equivalents	38,086	51,315
Total assets	318,828	252,381

The segment liabilities as at 31 March 2020 and 2019 and the reconciliation to the total liabilities are as follows:

	As at 31 March 2020		
	Distribution	Retail	Total
	Business	Business	
	HK\$'000	HK\$'000	HK\$'000
Total segment liabilities	70,481	98,209	168,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5 SEGMENT INFORMATION (Continued)

The segment liabilities as at 31 March 2020 and 2019 and the reconciliation to the total liabilities are as follows:
(Continued)

	As at 31 March 2019		Total HK\$'000
	Distribution Business HK\$'000	Retail Business HK\$'000	
	Total segment liabilities	55,602	

Reconciliation of total segment liabilities to total liabilities is provided as follows:

	2020 HK\$'000	2019 HK\$'000
Total segment liabilities	168,690	76,436
Unallocated:		
Other payables	1,780	1,875
Income tax payables	–	3,088
Bank borrowings	12,000	26,250
Total liabilities	182,470	107,649

6 REVENUE

The Group is principally engaged in distribution of food and beverage products and provision of catering services in Hong Kong.

Revenue from Distribution Business and Retail Business recognised during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Sales of goods	267,154	265,326
Catering services	246,589	254,162
	513,743	519,488

For the year ended 31 March 2020, customer A from Distribution Business accounted for approximately 20% (2019: approximately 22%) of the Group's revenue.

All other customers individually accounted for less than 10% of the Group's revenue for the years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7 OTHER LOSSES

	2020 HK\$'000	2019 HK\$'000
Change in cash surrender value of key management life insurance contracts (<i>Note 19</i>)	(136)	(147)
Loss on disposal of property, plant and equipment	(176)	(758)
Exchange loss	(945)	(491)
	(1,257)	(1,396)

8 OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Government subsidy	5,360	–
Sundry income	57	183
	5,417	183

Note: The government subsidy represents a subsidy of HK\$5,360,000 granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9 EXPENSES BY NATURE

Expenses included in costs of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold (<i>Note 18</i>)	238,277	244,125
Depreciation of property, plant and equipment (<i>Note 15</i>)	21,278	15,732
Depreciation of right-of-use assets (<i>Note 16</i>)	58,442	–
Employee benefit expenses (<i>Note 10</i>)	109,315	98,118
Short-term and variable lease (2019: Operating lease rentals in respect of rented premises)	6,860	61,455
Utilities expenses	13,685	14,076
Transportation and logistic service expenses	14,956	15,685
Freight charges	6,107	6,341
Advertising and promotion expenses	17,991	19,633
Auditor's remuneration		
– Audit services	1,360	1,360
– Non-audit services	340	400
Franchise fee	4,400	4,642
Travelling expenses	785	1,550
Impairment loss on trade receivables (<i>Note 20</i>)	50	139
Impairment loss on property, plant and equipment (<i>Note 15</i>)	1,034	662
Impairment loss on right-of-use assets (<i>Note 16</i>)	3,119	–
Provision for slow moving and obsolete inventories	–	497
Legal and professional fees	3,755	5,827
Others	8,910	8,373
	510,664	498,615
Representing:		
Cost of sales	419,540	406,200
Selling and distribution expenses	49,120	47,871
Administrative expenses	42,004	44,544
	510,664	498,615

Note: The operating lease rentals includes contingent rentals of HK\$3,357,000 for the year ended 31 March 2020 (2019: HK\$7,198,000) in respect of the Group's catering business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

Employee benefit expenses are as follows:

	2020 HK\$'000	2019 HK\$'000
Wages, salaries, bonuses and allowances	104,696	93,112
Pension costs – defined contribution plans	4,000	4,018
Staff welfare and benefits	619	988
	109,315	98,118

Contributions totalling approximately HK\$647,000 (2019: HK\$797,000) are payable to the Mandatory Provident Fund as at 31 March 2020.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director whose emolument is reflected in the analysis presented in Note 33 during the year ended 31 March 2020 (2019: one). The emoluments payable to the remaining four individuals (2019: four) are as follows:

	2020 HK\$'000	2019 HK\$'000
Wages, salaries, bonuses and allowances	3,884	3,832
Pension costs – defined contribution plans	60	72
	3,944	3,904

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	2	2

During the year, the Group had not paid any emoluments to the directors or any of the five highest paid individuals as inducement to join or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11 FINANCE COSTS, NET

	2020 HK\$'000	2019 HK\$'000
Finance income		
– Bank interest income	545	1,023
Finance costs		
– Interest expense on bank borrowings	(2,601)	(3,354)
– Lease liabilities	(4,327)	–
	(6,928)	(3,354)
Finance costs, net	(6,383)	(2,331)

12 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided for at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the year ended 31 March 2020 (2019: same).

The amount of taxation charged to the consolidated statements of comprehensive income represents:

	2020 HK\$'000	2019 HK\$'000
Current income tax	2,055	3,444
Deferred income tax (<i>Note 22</i>)	(3,006)	(793)
	(951)	2,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12 INCOME TAX (CREDIT)/EXPENSE (Continued)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	856	17,329
Calculated at a tax rate of 16.5% (2019: 16.5%)	141	2,859
Income tax at concessionary rate	(165)	(152)
Income not subject to tax	(940)	(95)
Expenses not deductible for taxation purposes	73	119
Tax concession	(60)	(80)
	(951)	2,651

13 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to owners of the Company (HK\$'000)	1,099	13,466
Weighted average number of ordinary shares in issue (thousands)	400,000	400,000
Basic earnings per share (HK cents)	0.27	3.37

(b) Diluted earnings per share

For the years ended 31 March 2020 and 2019, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

14 DIVIDENDS

No interim dividend was declared during the year (2019: Interim dividend of HK1 cent per ordinary share, totalling HK\$4,000,000, were declared and paid).

The Board does not recommend the payment of any final dividend for the year ended 31 March 2020 (2019: A final dividend of HK2 cents per ordinary share, totalling HK\$8,000,000, were proposed).

Dividends paid during the year ended 31 March 2020 were HK\$8,000,000 (HK2 cents per ordinary share) (2019: HK\$16,000,000, HK4 cents per ordinary share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2018						
Cost	35,288	6,644	1,332	3,172	3,306	49,742
Accumulated depreciation	(20,171)	(3,530)	(664)	(1,564)	(3,202)	(29,131)
Net book amount	15,117	3,114	668	1,608	104	20,611
Year ended 31 March 2019						
Opening net book amount	15,117	3,114	668	1,608	104	20,611
Additions	21,024	4,757	745	3,985	674	31,185
Disposals and write-off	(799)	(181)	(11)	(58)	–	(1,049)
Depreciation (Note 9)	(11,795)	(2,238)	(249)	(1,261)	(189)	(15,732)
Impairment (Note 9)	(592)	(65)	–	(5)	–	(662)
Closing net book amount	22,955	5,387	1,153	4,269	589	34,353
At 31 March 2019						
Cost	52,667	10,717	1,576	6,488	1,788	73,236
Accumulated depreciation	(29,712)	(5,330)	(423)	(2,219)	(1,199)	(38,883)
Net book amount	22,955	5,387	1,153	4,269	589	34,353
Year ended 31 March 2020						
Opening net book amount	22,955	5,387	1,153	4,269	589	34,353
Additions	15,943	3,750	115	1,348	1,078	22,234
Disposals and write-off	(174)	(45)	(26)	(31)	–	(276)
Depreciation (Note 9)	(15,528)	(3,041)	(320)	(1,971)	(418)	(21,278)
Impairment (Note 9)	(955)	(50)	(7)	(22)	–	(1,034)
Closing net book amount	22,241	6,001	915	3,593	1,249	33,999
At 31 March 2020						
Cost	66,443	14,401	1,650	7,783	2,660	92,937
Accumulated depreciation and impairment	(44,202)	(8,400)	(735)	(4,190)	(1,411)	(58,938)
Net book amount	22,241	6,001	915	3,593	1,249	33,999

Note: During the year ended 31 March 2020, impairment losses of HK\$1,034,000 and HK\$3,119,000 were made for certain properties, plant and equipment and right-of-use assets (Note 16), respectively, by management based on their recoverable amounts. The recoverable amounts were determined based on value-in-use calculations which are higher than the fair value less costs of disposal calculations. Key inputs to the determination of the recoverable amounts includes revenue growth, gross margin, operating costs and discount rate. The pre-tax discount rate used to determine the recoverable amounts is approximately 13%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statement of comprehensive income as follow:

	2020 HK\$'000	2019 HK\$'000
Cost of sales	18,738	14,499
Selling and distribution expenses	542	549
Administrative expenses	1,998	684
	21,278	15,732

16 LEASES

(i) Amounts recognised in the consolidated statement of financial position

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

	2020 HK\$'000	1 April 2019 HK\$'000
Right-of-use assets		
Retail shops and warehouse	84,876	93,779
Lease liabilities		
Current	52,708	49,457
Non-current	39,351	46,491
	92,059	95,948

Additions to the right-of-use assets during the 2020 financial year were HK\$52,658,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16 LEASES (Continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2020 HK\$'000	2019 HK\$'000
Impairment loss on right-of-use assets (Note 15)	3,119	–
Depreciation of right-of-use assets	58,442	–
Interest expenses (included in finance cost)	4,327	–
Expenses relating to short-term leases (included in cost of sales and administrative expenses)	5,448	–

The total cash outflow for leases in 2020 was HK\$60,874,000.

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

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 3 months to 5 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

Those property leases contain variable payment terms are charged on the basis with a percentage ranging from 10% to 21% of sales generated from the store. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(v) Extension and termination options

Extension and termination options are included in a certain property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17 SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 March 2020 are as follows:

Name of subsidiaries	Place and date of incorporation	Particulars of issued share capital	Equity interest attributable to the Group	Principal activities
Directly held by the Company				
Bands Investment Limited	BVI, 22 September 2017	1 share of US\$1 each	100%	Investment holding
Indirectly held by the Company				
National Jade Limited	Hong Kong, 1 March 2004	10,000 ordinary shares of HK\$1 each	51%	Distribution of food and beverage products
Saw Corporation Limited	Hong Kong, 24 January 2003	3 ordinary shares of HK\$1 each	100%	Distribution of foods and beverage products
Sunny Land Corporation Limited	Hong Kong, 16 June 2017	3 ordinary shares of HK\$1 each	100%	Distribution of foods and beverage products
Wise Fine Enterprise Limited	Hong Kong, 22 August 1996	3 ordinary shares of HK\$1 each	100%	Distribution of foods and beverage products and provision of catering services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17 SUBSIDIARIES (Continued)

(a) Material non-controlling interest

As at 31 March 2020, the Group's non-controlling interest amounting to approximately HK\$6,548,000 (2019: HK\$5,840,000), is attributable to National Jade Limited, a 51% owned subsidiary of the Company.

Summarised financial information of the subsidiary with material non-controlling interest

Set out below are the summarised financial information of National Jade Limited, which has non-controlling interests that is material to the Group.

	2020 HK\$'000	2019 HK\$'000
Summarised statement of financial position		
Non-current assets	18	47
Current assets	22,235	16,839
Current liabilities	(8,889)	(4,968)
Net assets	13,364	11,918
Summarised statement of comprehensive income		
Revenue	79,123	77,821
Profit and total comprehensive income for the year	1,446	2,474
Total comprehensive income allocated to non-controlling interest	708	1,212
Dividend paid to non-controlling interest	–	1,225
Summarised statement of cash flows		
Net cash (used in)/generated from operating activities	(2,996)	2,520
Net cash used in investing activities	–	(15)
Net cash generated from/(used in) financing activities	4,430	(4,311)
Net increase/(decrease) in cash and cash equivalents	1,434	(1,806)

The information above is before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18 INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	8,113	8,011
Finished goods	18,390	21,025
	26,503	29,036

Inventories mainly comprise food and beverage products which are stated at the lower of cost and net realisable value.

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$238,277,000 (2019: HK\$244,125,000).

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Non-current		
Rental deposits	11,256	10,796
Deposits for the purchase of property, plant and equipment	2,101	384
Key management life insurance contracts (<i>Note</i>)	2,849	2,555
	16,206	13,735
Current		
Prepayments	6,713	4,793
Rental and other deposits	6,717	5,248
Government subsidy receivables	2,200	–
Other receivables	278	138
	15,908	10,179
	32,114	23,914

Note: The carrying value of the key management life insurance contracts represented the cash surrender value of the insurance contracts. These insurance contracts are denominated in USD and HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The movements of the insurance contracts were as follows:

	2020 HK\$'000	2019 HK\$'000
Beginning of year	2,555	2,273
Premium paid	430	429
Change in cash surrender value of key management life insurance contracts (Note 7)	(136)	(147)
End of year	2,849	2,555

The carrying amounts of deposits and other receivables approximate their fair values.

The carrying amounts of the deposits, prepayments and other receivables are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	29,739	22,146
United States dollar	534	451
Taiwan New dollar	985	667
Renminbi	834	628
Vietnam Dong	22	22
	32,114	23,914

The maximum exposure to credit risk at each reporting date is the fair value of each class of the receivables mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20 TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables		
– third parties	65,680	65,711
– related parties (<i>Note 31</i>)	1,320	782
	67,000	66,493

The Group's retail sales are settled on cash basis. The Group generally grants credit period ranged from 0 to 120 days to its customers of the Distribution Business.

As at 31 March 2020 and 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	25,303	24,537
31 – 60 days	15,465	16,296
61 – 90 days	15,356	15,523
91 – 180 days	9,731	9,848
Over 180 days	1,145	289
	67,000	66,493

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the allowance. There is no significant impact of loss allowance for trade receivables as at 31 March 2020 (2019: same). During the year ended 31 March 2020, trade receivables of HK\$50,000 (2019: HK\$139,000) were written off.

The trade receivables from the five major customers accounted for approximately 65% of the total trade receivables as at 31 March 2020 (2019: 66%).

The carrying amounts of trade receivables are denominated in Hong Kong dollars.

The carrying amounts of trade receivables approximate their fair values due to their short maturities. The maximum exposure to credit risk at the reporting date is the fair value mentioned above. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21 CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

(a) Cash and cash equivalents and short-term bank deposits

	2020 HK\$'000	2019 HK\$'000
Cash at banks	37,365	49,542
Cash on hand	721	1,773
Cash and cash equivalents	38,086	51,315
Short-term bank deposits	413	2,647
	38,499	53,962

The carrying amounts of the cash at bank and short-term bank deposits approximate their fair values.

Cash and cash equivalents and short-term bank deposits are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	38,349	53,625
United States dollar	113	301
Renminbi	27	28
Japanese yen	10	8
	38,499	53,962

(b) Restricted cash

As at 31 March 2020, the Group had restricted deposits of HK\$30,000,000 held at banks as securities for certain banking facilities (2019: HK\$42,000,000).

The Group's deposits are denominated in HK\$ with the effective interest rate of 1.55% (2019: 1.45%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22 DEFERRED INCOME TAX

The analysis of deferred income tax assets of the Group was as follows:

	2020 HK\$'000	2019 HK\$'000
Deferred income tax assets to be recovered after more than 12 months	19,227	1,810
Deferred income tax liabilities to be recovered after more than 12 months	(13,980)	–
Deferred income tax assets, net	5,247	1,810

The gross movement on the deferred income tax account is as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 April (as previously reported)	1,810	1,017
Impact of adoption of HKFRS 16 (Note 2.2)	431	–
At 1 April (as restated)	2,241	1,017
Credited to the consolidated statement of comprehensive income (Note 12)	3,006	793
	5,247	1,810

Movements in deferred income tax assets of the Group during the year are as follows:

	Decelerated tax depreciation HK\$'000	Provisions HK\$'000	Lease liabilities HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 31 March 2018	1,017	–	–	–	1,017
Credited to the consolidated statement of comprehensive income	570	223	–	–	793
At 31 March 2019 and 1 April 2020 (as previously reported)	1,587	223	–	–	1,810
Impact of adoption of HKFRS 16	–	–	15,831	–	15,831
Balance at 1 April 2019 (as restated)	1,587	223	15,831	–	17,641
Credited/(charged) to the consolidated statement of comprehensive income	1,954	(125)	(642)	399	1,586
At 31 March 2020	3,541	98	15,189	399	19,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22 DEFERRED INCOME TAX (Continued)

Movements in deferred income tax liabilities of the Group during the year are as follows:

	Right-of-use assets HK\$'000
At 31 March 2018, 31 March 2019 and 1 April 2020 (as previously reported)	–
Impact of adoption of HKFRS 16	15,400
Balance at 1 April 2019 (as restated)	15,400
Credited to the consolidated statement of comprehensive income	(1,420)
At 31 March 2020	13,980

As at 31 March 2020 and 2019, the Group has no significant unrecognised deferred income tax assets.

23 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
At 1 April 2018, 31 March 2019 and 2020	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 2020	400,000,000	4,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

24 RESERVES AND RETAINED EARNINGS

	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2018	83,443	(3,654)	5	57,632	137,426
Profit and total comprehensive income for the year	–	–	–	13,466	13,466
Transaction with owners in their capacity as owners:					
Dividends	–	–	–	(16,000)	(16,000)
Balance at 31 March 2019	83,443	(3,654)	5	55,098	134,892
Balance at 1 April 2019 (as previously reported)	83,443	(3,654)	5	55,098	134,892
Impact of adoption of HKFRS 16 (Note 2.2)	–	–	–	(2,181)	(2,181)
Balance at 1 April 2019 (as restated)	83,443	(3,654)	5	52,917	132,711
Profit and total comprehensive income for the year	–	–	–	1,099	1,099
Transaction with owners in their capacity as owners:					
Dividends	–	–	–	(8,000)	(8,000)
Balance at 31 March 2020	83,443	(3,654)	5	46,016	125,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25 TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	11,581	16,867
Accruals for employee benefits	8,364	10,918
Provision for unused annual leave	598	1,354
Provision for long service payment	434	728
Provision for reinstatement costs	3,211	2,647
Accruals for operating expenses	4,788	6,317
Payables for property, plants and equipment	306	740
Other payables	1,296	1,093
	30,578	40,664

The ageing analysis of trade payables based on invoice date was as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	9,117	13,627
31 – 60 days	1,752	1,962
61 – 90 days	206	328
Over 90 days	506	950
	11,581	16,867

The carrying amounts of the Group's trade and other payables approximate their fair values due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25 TRADE AND OTHER PAYABLES (Continued)

The carrying amounts of trade and other payables were denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	22,847	26,377
United States dollar	1,145	1,712
Taiwan New dollar	3,019	6,896
Renminbi	239	81
Japanese Yen	3,328	5,598
	30,578	40,664

26 BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Bank borrowings	59,833	63,897

Bank borrowings represent mainly the import loans and term loans drawn by the Group. The Group's borrowings, after taking into account of repayable on demand clause, are repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year or on demand	59,833	63,897

The Group's bank borrowings repayable based on the scheduled repayment dates are as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	59,833	57,897
Between 1 and 2 years	—	6,000
	59,833	63,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26 BANK BORROWINGS (Continued)

As at 31 March 2020, the Group's banking facilities are secured by:

- (i) Cross guarantees by the Group's companies (2019: same);
- (ii) Restricted cash deposits of HK\$30,000,000 (2019: HK\$42,000,000) (Note 21); and

In addition to the above, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

The effective interest rates of bank borrowings as at 31 March 2020 were 4.4% to 4.6% (2019: 3.0% to 5.6%) per annum.

The carrying amounts of bank borrowings approximate their fair values due to their short maturities.

An analysis of the carrying amounts of the Group's bank borrowings by currency was as follows:

	2020 HK\$'000	2019 HK\$'000
United States dollar at floating rates	545	1,605
HK dollar at floating rates	55,407	60,391
Japanese Yen at floating rates	3,881	1,901
	59,833	63,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

27 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	856	17,329
Adjustments for:		
Depreciation of property, plant and equipment	21,278	15,732
Depreciation of right-of-use assets	58,442	–
Change in cash surrender value of key management life insurance contracts	136	147
Loss on disposal of property, plant and equipment (<i>Note 7</i>)	176	758
Unrealised exchange (gains)/losses	(13)	29
Provision for slow moving and obsolete inventories	–	497
Impairment of property, plant and equipment	1,034	662
Impairment of right-of-use assts	3,119	–
Impairment loss on trade receivables	50	139
Finance income	(545)	(1,023)
Finance costs	6,928	3,354
	91,461	37,624
Changes in working capital:		
Inventories	2,533	(5,077)
Trade receivables	(557)	6,753
Deposits, prepayments and other receivables	(6,632)	(5,187)
Trade and other payables	(9,652)	8,472
Cash generated from operations	77,153	42,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

27 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities			
	Borrowing	Lease liabilities	Amount	Total
			due to related parties	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2018	89,145	–	8,209	97,354
Cash flows	(25,277)	–	(8,209)	(33,486)
Foreign exchange movement	29	–	–	29
As at 31 March 2019 and as at 1 April 2019 (as previously reported)	63,897	–	–	63,897
Impact of adoption of HKFRS 16 (Note 2.2)	–	95,948	–	95,948
As at 1 April 2019 (as restated)	63,897	95,948	–	159,845
Cash flows	(4,051)	(60,874)	–	(64,925)
Addition of new lease (Note 16)	–	52,658	–	52,658
Interest accretion for lease liabilities (Note 16)	–	4,327	–	4,327
Foreign exchange movement	(13)	–	–	(13)
As at 31 March 2020	59,833	92,059	–	151,892

(c) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2020 HK\$'000	2019 HK\$'000
Net book amount (Note 15)	276	1,049
Loss on disposal of property, plant and equipment (Note 7)	(176)	(758)
Proceeds from disposal of property, plant and equipment	100	291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

28 FINANCIAL INSTRUMENTS BY CATEGORIES

	2020 HK\$'000	2019 HK\$'000
Financial assets at amortised cost		
– Trade receivables	67,000	66,493
– Deposits, other receivables and other assets	25,401	19,121
– Restricted cash	30,000	42,000
– Short-term bank deposits	413	2,647
– Cash and cash equivalents	38,086	51,315
	160,900	181,576
Financial liabilities at amortised cost		
– Trade and other payables	30,578	40,664
– Lease liabilities	92,059	–
– Bank borrowings	59,833	63,897
	182,470	104,561

29 COMMITMENTS

(a) Capital commitments

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for		
– Property, plant and equipment	550	909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

29 COMMITMENTS (Continued)

(b) Operating lease commitments

The Group leases certain property, plant and equipment from third parties under non-cancellable operating lease agreements.

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 16 for further information.

	2019 HK\$'000
Not later than one year	56,932
Later than one year and not later than five years	48,893
	<u>105,825</u>

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when turnover of individual retail shop exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

30 FINANCIAL GUARANTEE

As at 31 March 2020, the Group executed certain performance bonds in favour of its landlords totalling HK\$1,019,000 (2019: HK\$2,483,000) in lieu of its rental deposits.

31 RELATED PARTY TRANSACTIONS

As at 31 March 2020, the major shareholders of the Company are ACAC Investment Limited, SCSC Holdings Limited and CCST investment Limited, which owned 25%, 25% and 25% of the Company's issued shares respectively. The ultimate controlling parties of the Group are Mr. Chan Kam Chuen, Andrew, Mr. Chan Siu Cheung, Stephan and Mr. Chau Wing Kong, William, the directors of the Company, respectively.

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

31 RELATED PARTY TRANSACTIONS (Continued)

(a) Names and relationships with related parties (Continued)

The following individuals and companies are related parties of the Group that had balances and/or transactions with the Group during the years ended 31 March 2020 and 2019.

Name of related parties	Relationship with the Group
Mr. Chan Kam Chuen, Andrew	Controlling Shareholder
Mr. Chan Siu Cheung, Stephen	Controlling Shareholder
Mr. Chau Wing Kong, William	Controlling Shareholder
New Odaiba	Controlled by spouse of Mr. Chau Wing Kong, William
Best Source Enterprise Limited	Controlled by Mr. Chan Kam Chuen, Andrew, Mr. Chau Wing Kong, William and Mr. Chan Siu Cheung, Stephen

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related transactions during the years ended 31 March 2020 and 2019.

(b) Balances with related parties:

	2020 HK\$'000	2019 HK\$'000
Trade related receivables		
– New Odaiba	1,320	782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

31 RELATED PARTY TRANSACTIONS (Continued)

- (c) In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

	2020 HK\$'000	2019 HK\$'000
Continued transactions		
Sale of goods to a related party		
– New Odaiba	538	1,703
Rental expense charged by a related party		
– Best Source Enterprise Limited	7,797	7,607

Sales of goods and rental expenses and income were based on terms mutually agreed with related parties and in the ordinary course of business.

(d) Key management compensation

Key management includes Executive Directors and the senior management of the Group.

Compensation of the key management personnel of the Group, including director's remunerations as disclosed in Note 10 to the consolidated financial statements, was as follows:

	2020 HK\$'000	2019 HK\$'000
Wages, salaries, bonuses and allowances	3,264	3,099
Pension costs – defined contribution plans	79	78
	3,343	3,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	<i>Note</i>	As at 31 March 2020 HK\$'000	As at 31 March 2019 HK\$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		76,212	76,212
Current assets			
Amounts due from subsidiaries		86,481	66,867
Prepayments		217	234
Cash and cash equivalents		773	21,024
		87,471	88,125
Total assets		163,683	164,337
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,000	4,000
Reserves	(a)	159,655	159,655
Retained earnings	(a)	28	682
Total equity		163,683	164,337
Total equity and liabilities		163,683	164,337

The statement of financial position of the Company was approved by the Board of Directors on 29 June 2020 and was signed on its behalf.

Mr. Chan Kam Chuen Andrew
Director

Mr. Chau Wing Kong William
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a): Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balances at 1 April 2018	83,443	76,212	12,389	172,044
Total comprehensive income				
Profit for the year	–	–	4,293	4,293
Transactions with owners in their capacity as owners:				
Dividend	–	–	(16,000)	(16,000)
Balances at 31 March 2019	83,443	76,212	682	160,337
Balances at 1 April 2019	83,443	76,212	682	160,337
Total comprehensive income				
Profit for the year	–	–	7,346	7,346
Transactions with owners in their capacity as owners:				
Dividends	–	–	(8,000)	(8,000)
Balances at 31 March 2020	83,443	76,212	28	159,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of the directors for the year ended 31 March 2020 are set out below:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK\$'000	Total HK\$'000
Year ended 31 March 2020							
<i>Executive Directors</i>							
Mr. Chan Kam Chuen, Andrew (Chairman & CEO)	-	792	-	-	18	-	810
Mr. Chau Wing Kong, William	-	612	-	-	18	-	630
Mr. Chan Siu Cheung, Stephen	-	612	-	-	18	-	630
Ms. Tin Hau Ling, Janny	-	144	-	-	7	-	151
<i>Independent Non-executive Directors</i>							
Mr. Yu Ka Ho, Bernard (Note (i))	12	-	-	-	-	-	12
Mr. Pang Koon Kwai (Note (ii))	132	-	-	-	-	-	132
Mr. See Hung Yan, Peter	144	-	-	-	-	-	144
Mr. Chung Kwok Mo, John	144	-	-	-	-	-	144
	432	2,160	-	-	61	-	2,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remunerations of the directors for the year ended 31 March 2019 are set out below:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK\$'000	Total HK\$'000
Year ended 31 March 2019							
<i>Executive Directors</i>							
Mr. Chan Kam Chuen, Andrew (Chairman & CEO)	-	693	-	-	18	-	711
Mr. Chau Wing Kong, William	-	531	-	-	18	-	549
Mr. Chan Siu Cheung, Stephen	-	531	-	-	18	-	549
Ms. Tin Hau Ling, Janny	-	144	-	-	7	-	151
<i>Independent Non-executive Directors</i>							
Mr. Yu Ka Ho, Bernard	144	-	-	-	-	-	144
Mr. See Hung Yan, Peter	144	-	-	-	-	-	144
Mr. Chung Kwok Mo, John	144	-	-	-	-	-	144
	432	1,899	-	-	61	-	2,392

Note:

- (i) Mr. Yu Ka Ho, Bernard resigned as Independent non-executive director on 30 April 2019 due to his other personal and work commitments.
- (ii) Mr. Pang Koon Kwai was appointed as an Independent non-executive director on 30 April 2019.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Company or Operating Subsidiary and no directors waived or agreed to waive any emolument during the years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 March 2020 (2019: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 March 2020 (2019: Nil).

(c) Consideration provided to third parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended 31 March 2020 (2019: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 31, there were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 March 2020 (2019: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the Note 31, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2020 (2019: Nil).

FINANCIAL INFORMATION SUMMARY

RESULTS

RESULTS	Year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	513,743	519,488	452,125	367,978	299,770
Profit before income tax	856	17,329	22,492	33,789	25,296
Income tax credit/(expenses)	951	(2,651)	(7,329)	(5,529)	(4,145)
Profit for the year	1,807	14,678	15,163	28,260	21,151

ASSETS, EQUITY AND LIABILITIES	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
ASSETS					
Non-current assets	140,328	49,898	31,395	34,712	25,551
Current assets	178,500	202,483	247,128	125,907	105,410
Total assets	318,828	252,381	278,523	160,619	130,961
EQUITY AND LIABILITIES					
Total equity	136,358	144,732	147,279	63,327	52,077
Non-current liabilities	39,351	–	–	67	165
Current liabilities	143,119	107,649	131,244	97,225	78,719
Total liabilities	182,470	107,649	131,244	97,292	78,884
Total equity and liabilities	318,828	252,381	278,523	160,619	130,961