Fulum Group Holdings Limited

富臨集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 1443

Annual report 2020 年報

ABOUT FULUM GROUP

Established in 1992, Fulum Group has been adhering to the spirit of "The Rationale of Three Excellents – Excellent Environment, Excellent Supply, Excellent Service" with its dedication to innovation and ongoing commitment to excellence. Today, Fulum Group has been developed into a highly renowned restaurant group in Hong Kong. Apart from providing mass and high-end Cantonese catering services, the Group is recently committed to diversifying the brand portfolios by opening restaurants which offer different cuisines and are differently positioned so as to keep pace with the local dining trends.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. FAN Chun Wah Andrew
Mr. WU Kam On Keith
Mr. NG Ngai Man Raymond

COMPANY SECRETARY

Mr. NG Kam Tsun Jeffrey

AUTHORISED REPRESENTATIVES

Mr. YEUNG Wai
Mr. NG Kam Tsun Jeffrey

MEMBERS OF AUDIT COMMITTEE

Mr. WU Kam On Keith *(Chairman)*
Mr. FAN Chun Wah Andrew
Mr. NG Ngai Man Raymond

MEMBERS OF NOMINATION COMMITTEE

Mr. FAN Chun Wah Andrew *(Chairman)*
Mr. NG Ngai Man Raymond
Mr. YEUNG Wai

MEMBERS OF REMUNERATION COMMITTEE

Mr. NG Ngai Man Raymond *(Chairman)*
Mr. FAN Chun Wah Andrew
Mr. YEUNG Wai

MEMBERS OF EXECUTIVE COMMITTEE

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

AUDITOR

Ernst & Young
Certified Public Accountants

STOCK CODE

01443

WEBSITE

www.fulumgroup.com

HIGHLIGHTS

- Revenue was approximately HK$1,853.9 million (2019: approximately HK$2,627.2 million), representing a decrease of approximately 29.4%
- Gross profit margin[1] was at approximately 65.3% (2019: approximately 70.4%), representing a decrease of approximately 5.1 percentage point
- Loss before interest expense, tax, depreciation and amortisation was approximately HK$266.7 million (2019: earnings of approximately HK$126.6 million)
- Loss for the year attributable to owners of the Company was approximately HK$637.5 million (2019: profit of approximately HK$25.5 million)
- Basic loss per share[2] was approximately HK49.04 cents (2019: basic earnings per share of approximately HK1.96 cents)
- The guest count was approximately 18.0 million (2019: approximately 24.2 million), representing a decrease of approximately 25.6%
- The gearing ratio of the Group was approximately 33.0% (2019: approximately 0.1%)
- The Board does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: special final – Nil, final – HK0.79 cent per ordinary share)

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

2 The calculation of the basic earnings/(loss) per share amounts is based on loss for the year attributable to ordinary equity holders of the Company of HK$637,476,000 (2019: profit of HK$25,496,000) and 1,300,000,000 (2019: 1,300,000,000) ordinary shares in issue during the year.

MESSAGE from the CHAIRMAN

During the year, the Group adopted different operational strategies in a timely manner to improve its operation efficiency and control the impacts of the epidemic on the Group's operations, and strengthened the sanitation measures in restaurants and offices to protect the health and safety of our staff and customers.

The Group is confident of the prospects of the catering market in Hong Kong and the PRC, and will continue to fine-tune its menu and realign the brand portfolios, proactively seek opportunities for mergers and acquisitions and explore new mode of operation so as to further improve its operation efficiency and expand the branding empire of Fulum Group.

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Fulum Group Holdings Limited (the "Company", together with its subsidiaries, "Fulum Group" or the "Group"), I am pleased to present the annual report of the Company for the year ended 31 March 2020.

As a renowned and well-recognised catering brand in Hong Kong, leveraging on over 29 years of rich experience in catering management, the Group, with restaurants under the "Fulum (富臨)" main brand, the "Sportful Garden (陶源)" main brand and the "Fulum Concept (富臨概念)" main line which are differently positioned, continued to provide a variety of catering services with different cuisines to the market and cater for the needs of customers in all age groups over the years, consolidating the position of the Group as a catering leader in Hong Kong.

Given the continuous changes in the catering habits and preferences of local customers in recent years, the demand for fusion cuisine has significantly increased, which has driven the Group to devote more resources to the development of the "Fulum Concept (富臨概念)" main line to cater for the needs of customers from various segments so as to increase its market share and expand its customer and income bases. To appeal to young customers with increasingly strong consumption power, Korean barbecue brands of the Group grew fast and restaurants were opened in retail and commercial as well as residential areas; the food court in Yuen Long, with a bright and pleasant design, offers local street delicacies and a comfortable and vibrant dining environment to customers in the district. These have further expanded the

branding empire of Fulum Group. In addition, the demand for quality Cantonese cuisine in the Mainland market has been growing. During the year under review, the Group operated four "Fulum Palace (富臨皇宮)" restaurants under the "Fulum (富臨)" main brand to capture opportunities for upgrading consumption pattern in the Mainland.

However, uncertainties appeared in the Hong Kong economy, including unclear trade relations between China and the United States and the local consumption market significantly impacted by social unrest in the second half of 2019; together with the outbreak of novel coronavirus (COVID-19) in early 2020 exacerbating the sluggishness, this financial year was a challenging year for the catering and retail markets in Hong Kong.

With the spread of the COVID-19 epidemic in early 2020, consumers began to go out less and reduce meal gatherings, and maintain a social distance. The Hong Kong government then implemented a series of control measures to prevent a major outbreak of the epidemic, including regulating the number of dine-in customers and table distance of restaurants, which posed a short-term impact on the Hong Kong catering market.

The Group is grateful to the team for their dedication to providing customers with quality catering services amid the difficult and unstable environment. During the epidemic period, the Group adopted different operational strategies in a timely manner, such as promptly increasing choices in the takeaway menu and offering more discounts to encourage customers to stay at home for meals and maintain a social distance, and strengthened and will continue to strengthen the sanitation and disinfection measures in restaurants and offices to protect the health of our customers and staff.

As always, the Group is still highly confident of the prospects of the catering industry. In face of the fluctuations in the market, the Group will remain cautiously optimistic and continue to closely observe the changes in market conditions, fine-tune our menu and realign the brand portfolios and enhance the proportion of restaurants under the "Fulum Concept (富臨概念)" main line so as to further improve its operation efficiency. In the future, the Group will operate restaurants under the "Fulum (富臨)" main brand, the "Sportful Garden (陶源)" main brand and the "Fulum Concept (富臨概念)" main line in a strategically balanced manner and will continue to identify sites for new restaurants and potential brands for mergers and acquisitions in order to diversify the Group's brand portfolios and broaden its customer base.

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

Yeung Wai
Chairman
29 June 2020

CALENDER

Announcement of interim results	28 November 2019
Announcement of annual results	29 June 2020
Despatch of annual report to shareholders	28 July 2020
Closure of register of members for attending the annual general meeting	15 September 2020 to 18 September 2020
Annual general meeting	18 September 2020

INDUSTRY OVERVIEW

Due to the global outbreak of novel coronavirus (COVID-19) pandemic in early 2020, the global economic activities shrank severely, while the implementation of social distancing measures seriously disrupted consumption-related activities. According to the data released by the Census and Statistics Department of Hong Kong, the gross domestic product (GDP) of Hong Kong registered a substantial decline of 8.9% year-on-year for the first quarter of 2020, the largest drop among records since the reference period of the first quarter of 1974. On a seasonally adjusted quarter-to-quarter comparison, the substantial decline of GDP significantly expanded to 5.3% in the first quarter, which was the greatest decline ever recorded. The provisional estimate of the total restaurant receipts was HK$21.7 billion in value for the quarter, representing a decrease of 31.2% year-on-year, of which, the total receipts of Chinese restaurants decreased by 39.6% in value. Under the economic recession, the operating environment of the catering industry was still difficult in the short term. Despite great market volatility, the Group is still full of confidence towards the prospects of the industry.

For the PRC market, according to the "Report of Business Model and Development Trend Planning on China Restaurant Chains Industry (2020-2025)" by Qianzhan Industry Research Institute (前瞻產業研究院), the national income of the catering industry in 2019 was RMB4.6721 trillion, an increase of 9.4% year-on-year. Chinese cuisines were still the mainstream, accounting for 42.39% of the researched companies. However, during the epidemic period, 87.9% of the catering companies recorded a loss of more than 90%, and the industry was adversely hit. Some restaurants launched "contactless delivery" services and successfully expanded the customer base. The report states that with reference to the economic operation of the catering industry in the Chinese market in 2003, it is believed that the industry may be ridden with the retaliatory consumption opportunities after the epidemic is over.

BUSINESS REVIEW

During the year under review, the business environment in Hong Kong was difficult and challenging, and the demand for catering services was slightly weak, mainly because of the social unrest in Hong Kong since June 2019, together with the outbreak of novel coronavirus disease (COVID-19) in early 2020 exacerbating the sluggishness. The Group adopted strict cost control measures, including adjusting the business hours of each restaurant according to its profitability, and actively negotiating rent reduction and exemption arrangements with the landowners. In addition, the Group fully enhanced the sanitation measures in its restaurants and ensured the cleanliness of the environment and utensils through disinfection, in order to increase customers' confidence in dinning in restaurants and reduce the negative impact of the epidemic on the Group.

The Group adopted prudent yet optimistic development strategies to establish new restaurants and to actively explore diversified brands to serve local catering needs and enhance customers' dining experience. During the year under review, the Group has opened 8 restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong. As of 31 March 2020, the Group owned a total of 71 restaurants, including 22 restaurants under the "Fulum (富臨)" main brand, 8 restaurants under the "Sportful Garden (陶源)" main brand and 41 restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong and 4 restaurants in the Mainland.

"Fulum (富臨)" main brand and "Sportful Garden (陶源)" main brand are important cornerstone of the Group. Currently, restaurants under the "Fulum (富臨)" main brand provide Cantonese cuisine for mass market customers with a variety of delicacies including seafood, dim sum and hotpot. They offer friendly and welcoming venue and catering experience for wedding banquets and events, while restaurants under the "Sportful Garden (陶源)" main brand focus on mid to high-end Cantonese cuisine targeting mid to high-end customers.

Meanwhile, the Group proactively launched different restaurants under the "Fulum Concept (富臨概念)" main line in recent years, including Korean barbecue brands, kid-friendly restaurants which embed traditional culture of Korean local cuisines, a restaurant which offers a relaxing dining experience of innovative Cantonese-style cuisine and a food hall positioned to offer local street delicacies. All these restaurants were well-received by customers from various segments in the district, through which the Group increased its market share and diversified its income base.

As a reward for customers' years of support, the Group introduced a customer loyalty programme in restaurants under the"Sportful Garden (陶源)"main brand, where customers can accumulate credit points in their membership cards for each patronage and redeem value-added benefits or gifts with the points. Currently, there are more than 48,000 members in total under such membership programme. The Group will continue to explore and provide more membership benefits and privileges in order to broaden its long-term customer base.

For the PRC market, the Group operates a total of four "Fulum Palace (富臨皇宮)" restaurants, which are located in the densely-populated residential areas in Yuexiu District and Baiyun District in Guangzhou, Zhuhai and Fuzhou. They mainly provide mass catering services so as to meet the residents' demand for Chinese cuisine and wedding venues within the regions. Believing in the enormous and fast-growing consumption power in the PRC market, the Group intends to open more restaurants in the future to provide PRC customers with quality catering experience and services.

FINANCIAL RESULTS

During the year under review, the Group's revenue decreased by approximately 29.4% to approximately HK$1,853.9 million (2019: approximately HK$2,627.2 million) from last year.

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

	2020 HK$'000	2019 HK$'000	**% Change**
Restaurant operations			
"Fulum (富臨)" main brand	**1,143,196**	1,750,488	**(34.7)**
"Sportful Garden (陶源)" main brand	**234,900**	350,742	**(33.0)**
"Fulum Concept (富臨概念)" main line	**412,636**	461,406	**(10.6)**
Sale of food and other operating items	**63,186**	64,556	**(2.1)**

During the year under review, the Group's gross profit margin was approximately 65.3% for the year (2019: approximately 70.4%). The profit/(loss) attributable to owners of the Company decreased by approximately HK$663 million, from a profit of approximately HK$25.5 million for the year ended 31 March 2019 to a loss of approximately HK$637.5 million for the year ended 31 March 2020. The decrease was mainly due to the weak market sentiment amidst the social unrest in Hong Kong since June 2019, and the condition further deteriorated due to the outbreak of novel coronavirus disease (COVID-19) in the beginning of 2020. The Group's management has implemented strategies in response to the abovementioned circumstances and believes that the Group's performance will gradually improve in the future.

PROSPECTS AND OUTLOOK

The Group is confident of the long-term prospects of the catering market in Hong Kong and the PRC. It will continue to adopt a prudent and optimistic attitude to fine-tune its menu and realign its brand portfolios, increase the proportion of restaurants under the "Fulum Concept (富臨概念)" main line and explore new mode of operation. In the meantime, the Group will proactively explore opportunities for mergers and acquisitions in the industry and continue to identify different catering brands, especially those of Asian brands for mergers and acquisitions, in order to establish Fulum Group as a highly diversified catering kingdom.

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2020, the Group's total assets decreased to approximately HK$1,011.4 million (2019: approximately HK$1,202.4 million) while the total equity decreased to approximately HK$286.9 million (2019: approximately HK$938.4 million).

As at 31 March 2020, the Group had approximately HK$116.4 million in cash and bank balances available (2019: approximately HK$496.9 million). The current ratio of the Group was approximately 0.7 (2019: approximately 3.4).

As at 31 March 2020, the Group's total borrowings amounted to approximately HK$94.6 million (2019: approximately HK$0.4 million), which mainly consisted of mortgage loan in the amount of approximately HK$72.9 million (2019: Nil), term loan in the amount of approximately HK$16.8 million (2019: Nil) and a tax loan of approximately HK$4.9 million (2019: approximately HK$0.4 million). These borrowings were denominated in Hong Kong dollars and the effective interest rates ranged from approximately 3.4% to 4.5% per annum.

As at 31 March 2020, the gearing ratio (being the total of finance leases and interest-bearing bank borrowings divided by total equity attributable to the owners of the Company) of the Group was approximately 33.0% (2019: approximately 0.1%).

CAPITAL EXPENDITURE

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

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had contingent liabilities not provided for in the consolidated financial statements in the amount of approximately HK$38.7 million in relation to bank guarantees given in lieu of rental and utility deposits (2019: approximately HK$46.6 million).

FOREIGN CURRENCY EXPOSURE

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

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2020, the Group had approximately 2,219 employees. The Group believes that hiring, motivating and retaining qualified employees are crucial to the Group's success as a restaurant operator. During the year under review, the Group conducted a series of standardised training and advancement programs for all the Group's staff, from serving staff, cashiers, floor managers, chefs, restaurant managers to district managers. These training programs intend to ensure that all new staff are equipped with the skills required for their positions. The Group's internal advancement programs can provide its staff with clear advancement guidelines and promote employee satisfaction. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 March 2020, certain assets of the Group with carrying amount in aggregate of HK$189.6 million (2019: nil) were pledged to secure its bank borrowings.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

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

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: special final – Nil, final – HK0.79 cent per ordinary share).

EXECUTIVE DIRECTORS

MR. YEUNG WAI 楊維

Mr. Yeung Wai ("Mr. Yeung"), aged 56, has been an executive Director, the chairman of the Board and our chief executive officer since 24 February 2014. Co-founding the Group with Mr. Yeung Yun Chuen ("Mr. YC Yeung") and Mr. Yeung Yun Kei ("Mr. YK Yeung") in 1992, he is primarily responsible for the Group's overall operation management and the governance and implementation of corporate strategies as well as overseeing the strategic planning of business and marketing.

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

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

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

MR. YEUNG YUN CHUEN 楊潤全

Mr. YC Yeung, aged 63, is one of the founders of the Group. He has been an executive Director since 10 June 2014. He concurrently serves as the co-chief operating officer of the Company. Mr. YC Yeung is primarily responsible for the strategic development and management of the restaurants under the "Sportful Garden (陶源)" main brand.

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

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

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

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

MR. YEUNG YUN KEI 楊潤基

Mr. YK Yeung, aged 58, has been an executive Director since 10 June 2014. He is the co-chief operating officer of the Group and one of the founders of the Group. His chief responsibilities are the management and strategic development of the restaurants under our "Fulum (富臨)" main brand.

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

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

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

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

MR. LEUNG SIU SUN 梁兆新

Mr. Leung, aged 58, has been an executive Director since 10 June 2014. He is the executive chef of the Group and heads the production and procurement departments, central kitchen and logistics centre. His responsibilities include managing productions, developing new products and quality control.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. FAN CHUN WAH ANDREW 范駿華

Mr. Fan Chun Wah Andrew JP, aged 41, was appointed as an independent non-executive Director of the Company on 28 October 2014. Mr. Fan is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Fan is a practicing certified public accountant in Hong Kong with over 14 years of experience. He holds a Bachelor Degree of Business Administration (Accounting and Finance) from The University of Hong Kong and a Bachelor Degree in Laws from the University of London. Mr. Fan is a member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a committee member of the tenth to twelfth Chinese People's Political Consultative Conference of the Zhejiang Province, the fourth and fifth Chinese People's Political Consultative Conference of Shenzhen and the Tenth Vice Chairman of Zhejiang Province United Young Association.

Mr. Fan is currently an independent non-executive director of Culturecom Holdings Limited (stock code: 343), Chuang's China Investments Limited (stock code: 0298), Space Group Holdings Limited (stock code: 2448), Nameson Holdings Limited (stock code: 1982) and Universal Star (Holdings) Limited (stock code: 2346), all of which are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Fan is also currently an independent non-executive director of Omnibridge Holdings Limited (stock code: 8462) and CNC Holdings Limited (stock code: 8356), both of which are listed on GEM of The Stock Exchange of Hong Kong Limited. Mr. Fan had been an independent non-executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882) from July 2015 to May 2017 and Sinomax Group Limited (stock code: 1418) from March 2014 to June 2020, the shares of both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and Sanbase Corporation Limited (stock code: 8501) from December 2017 to December 2019 and the shares of the company are listed on GEM of The Stock Exchange of Hong Kong Limited.

MR. WU KAM ON KEITH 鄔錦安

Mr. WU, aged 45, has been an independent non-executive Director since 28 October 2014 and supervises the overall management of the Group.

Mr. Wu has extensive experience in the food and beverage industry in Hong Kong as well as over 22 years of financial and accounting experience. He is currently an executive director and the group chief operation officer of Tsit Wing International Holdings Limited ("Tsit Wing") (stock code: 2119), which is a leading integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and the PRC with an established food products business. Prior to joining Tsit Wing in July 2005, he was an accountant of Hongkong International Terminals Limited which operates a number of ports at the Kwai Chung Container Terminals, Hong Kong, from April 2001 to June 2004 and practiced as a certified public accountant at Deloitte Touche Tohmatsu from June 1997 to July 2000.

Mr. Wu received a Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong on 18 November 1997, a degree of Master of Corporate Governance from the Hong Kong Polytechnic University on 17 October 2009 and a Postgraduate Certificate in Sustainable Value Chains from the University of Cambridge in May 2019. Mr. Wu was admitted as a fellow and accredited as an authorized supervisor of Hong Kong Institute of Certified Public Accountants in September 2008 and July 2012, respectively. He was admitted as a fellow and registered as a certified tax advisor of The Taxation Institute of Hong Kong in July 2010 and August 2010, respectively. He was also admitted as a fellow associate of The Hong Kong Institute of Chartered Secretaries in September 2018 and elected as a fellow associate of The Institute of Chartered Secretaries and Administrations in the United Kingdom in September 2018. Mr. Wu is also a member of the executive committee member of Group 8 (food, beverages and tobacco) of the Federation of Hong Kong Industries for a term from July 2015 to July 2021.

Mr. Wu is currently an executive director of Tsit Wing International Holdings Limited (stock code: 2119), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He has been an independent non-executive director of Hao Bai International (Cayman) Limited (stock code: 8431) from January 2017 to April 2020 and Sanbase Corporation Limited (sock code: 8501) from December 2017 to February 2020, the shares of both companies are listed on GEM of The Stock Exchange of Hong Kong Limited.

MR. NG NGAI MAN RAYMOND 伍毅文

Mr. Ng, aged 59, has been an independent non-executive Director since 22 September 2017 and supervises the overall management of the Group.

Mr. Ng has over 27 years of experience in the legal industry in Hong Kong. Mr. Ng is currently the partner of Messrs. Fung, Wong, Ng & Lam LLP Solicitors. Prior to his current placement with Messrs. Fung, Wong, Ng & Lam LLP Solicitors, Mr. Ng worked as an executive officer of the Government of Hong Kong from October 1985 to September 1989. Subsequent to his graduation from the University of London in August 1989 and the completion of his articleship in Messrs. C.C. Lee & Co. in September 1992, he was qualified as a solicitor in Hong Kong in October 1992. Mr. Ng worked as an assistant solicitor in Messrs. Ko & Co from October 1992 to December 1995. In January 1996, Mr. Ng set up Messrs. Chan, Ng & Lam and worked as a partner. The firm changed its name to Messrs. Fung, Wong, Ng & Lam Solicitors & Notaries in March 1999. From April 1999 to March 2016, he worked as a partner of Messrs. Fung, Wong, Ng & Lam Solicitors & Notaries. On 1 April 2016, Messrs. Fung, Wong, Ng & Lam Solicitors & Notaries changed its names to Messrs. Fung, Wong, Ng & Lam LLP Solicitors and Mr. Ng worked as a partner since then.

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

Save as otherwise disclosed, there was no change to any information required to be disclosed in relation to any Director pursuant to Rule 13.51(2)(a) to (e) and (g) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 March 2020. All Directors are not involved in any matter concerning Rule 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

MR. LAM CHI KUI 林子駒

Operation director

Mr. Lam, aged 53, is the operation director of the Group. He first joined the Group in February 1993 as a manager of the restaurant of the Group in Tai Kok Tsui, Hong Kong. He pursued his personal business venture between June 1998 and June 2005 and re-joined the Group as a branch manager of the restaurant in Mong Kok, Kowloon. Starting from September 2006, Mr. Lam has been involved in the central management of the Group, serving as the property development manager.

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

MR. NG KAM TSUN JEFFREY 伍鑑津

Chief financial officer and company secretary

Mr. Ng, aged 47, was appointed as the chief financial officer, company secretary and authorised representative of the Company on 23 September 2015. Mr. Ng is responsible for the corporate finance management, corporate governance, investor relations management and company secretarial function of the Group. Prior to joining the Group, Mr. Ng served various listed companies in Hong Kong and was responsible for financial management, corporate financing, mergers and acquisitions, investor relations management and corporate governance, through which he accumulated extensive experience. Mr. Ng is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. He also obtained a master degree of Management from Shanghai University of Finance and Economics and a master degree of Law from The Chinese University of Hong Kong.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

CORPORATE GOVERNANCE CODE

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules. For the year ended 31 March 2020 and up to the date of this annual report, save for the deviation from code provision A.2.1 of the CG Code, the Board considered that the Company has complied with the code provisions set out in the CG Code.

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

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

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Based on responses of specific enquiries of the Directors, all of the Directors have confirmed that they have complied with required standards as set out in the Model Code during the year ended 31 March 2020.

BOARD OF DIRECTORS

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

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

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

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Biographical information of the Directors is set forth on pages 15 to 19 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

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

During the year ended 31 March 2020, the Directors were provided with monthly updates on the Company's performance and position to enable the Board as a whole and each Director to discharge their duties. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills:

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

Note:

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

R: reading training materials prepared by the legal advisers to recap the corporate governance and directors' duties and responsibilities; reading newspapers, journals and updates relating to the economy and business in general.

BOARD MEETINGS

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

During the year ended 31 March 2020, the Board has convened and held fifteen Board meetings. Attendance records of the Directors at the Board meeting is tabulated as follows:

	Number of meetings attended/ Number of meetings convened
Executive Directors:	
Mr. Yeung Wai	15/15
Mr. Yeung Yun Chuen	15/15
Mr. Yeung Yun Kei	15/15
Mr. Leung Siu Sun	15/15
Independent non-executive Directors:	
Mr. Fan Chun Wah Andrew	15/15
Mr. Wu Kam On Keith	15/15
Mr. Ng Ngai Man Raymond	15/15

BOARD COMMITTEES

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

The composition, role and function and summary of work done of each board committee are as follows:

EXECUTIVE COMMITTEE

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

During the year ended 31 March 2020, the Executive Committee did not convene any meeting.

AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 28 October 2014 with the written terms of reference revised and adopted on 1 February 2016 and 28 December 2018. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and material advice in respect of financial reporting and to oversee the audit process, risk management system and internal control procedures of the Group. Currently, Mr. Fan Chun Wah Andrew, Mr. Wu Kam On Keith and Mr. Ng Ngai Man Raymond, all being independent non-executive Directors, are members of the Audit Committee with Mr. Wu Kam On Keith, being the chairman.

During the year ended 31 March 2020, the Audit Committee has convened two meetings. The individual attendance record of the members of the Audit Committee is tabulated as follows:

	Number of meetings attended/ Number of meetings convened
Independent non-executive Directors:	
Mr. Wu Kam On Keith	2/2
Mr. Fan Chun Wah Andrew	2/2
Mr. Ng Ngai Man Raymond	2/2

The work performed by the Audit Committee during the year ended 31 March 2020 included (i) to review external auditor's management letter and management response; (ii) to review the interim and annual reports before submission to the Board for approval; (iii) to review the progress and effectiveness of the Group's internal control and risk management; (iv) to review the continuing connected transactions of the Company; and (v) to consider the terms of engagement and remuneration of external auditor for its provision of audit and permitted non-audit related services.

The terms of reference of the Audit Committee include the following corporate governance functions delegated by the Board:

1. develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

2. review and monitor the training and continuous professional development of Directors and senior management;

3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

5. review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

6. review and monitor the Company's compliance with the Company's whistleblowing policy.

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

NOMINATION COMMITTEE

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

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

During the year ended 31 March 2020, the Nomination Committee has convened one meeting and had performed the above mentioned duties. The individual attendance record of the members of the Nomination Committee is tabulated as follows:

	Number of meetings attended/ Number of meetings convened
Executive Director:	
Mr. Yeung Wai	1/1
Independent non-executive Directors:	
Mr. Fan Chun Wah Andrew	1/1
Mr. Ng Ngai Man Raymond	1/1

The Board Diversity Policy

During the year ended 31 March 2020, the Nomination Committee had reviewed the Board Diversity Policy and reported on the Board's composition under diversified perspectives, and had monitored the implementation of the Board Diversity Policy.

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

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

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

(1) at least one-third of the Board is composed of independent non-executive Directors;

(2) at least one-third of the Board are holders of a Bachelor's degree or above;

(3) at least one Director is a qualified accountant;

(4) at least one Director has relevant experience in F&B industry; and

(5) at least one Director has relevant experience in finance.

The Board will take opportunity to invite female members over time to join the Board when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity.

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

The Nomination Policy

On 28 November 2018, the Board adopted the Nomination Policy on the recommendation of the Nomination Committee, which describes the procedure by which the Company will select candidate(s) for possible inclusion in the Board. The Board considers the Nomination Policy could strengthen the transparency and accountability of the Board and Nomination Committee and election of directors. In assessing the suitability of a proposed candidate before recommending to the Board for it to consider and make recommendations to the shareholders of the Company for election as Directors at general meetings or appoint as Directors to fill casual vacancies, the Nomination Committee will consider: (i) character and integrity of the proposed candidate; (ii) qualifications of the proposed candidate including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; (iii) accomplishment and experience of the proposed candidate in the business from time to time conducted, engaged in or invested in by any member of the Group; (iv) commitment of the proposed candidate in respect of available time and relevant interest; (v) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; (vi) board diversity policy and any measurable objectives for achieving diversity on the Board; and (vii) such other perspectives appropriate to the Company's business. The Nomination Committee also ensures the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee will monitor the implementation of the Nomination Policy and report to the Board when necessary.

REMUNERATION COMMITTEE

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

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

During the year ended 31 March 2020, the Remuneration Committee has convened three meetings and had performed the above mentioned duties. The individual attendance record of the members of the Remuneration Committee is tabulated as follows:

	Number of meetings attended/ Number of meetings convened
Executive Director:	
Mr. Yeung Wai	3/3
Independent non-executive Directors:	
Mr. Fan Chun Wah Andrew	3/3
Mr. Ng Ngai Man Raymond	3/3

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by bands for the year ended 31 March 2020 is set out below:

Bands of remuneration	**Number of individuals**
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	0
	3

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 49 to 53 of this annual report.

COMPANY SECRETARY

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

During the year ended 31 March 2020, Mr. Ng Kam Tsun Jeffrey has taken no less than 15 hours of relevant professional training.

EXTERNAL AUDITOR

The Group appointed Ernst & Young as the Group's principal external auditor. During the year ended 31 March 2020, the total fee paid/payable in respect of audit and non-audit services provided by Ernst & Young, and its affiliated firms is set out below:

Items of auditor's services	**Amount (HK$'000)**
Audit service	2,816
Non-audit services	
– Tax advisory and compliance	312
– Others	332
Total	3,460

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditor. Such appointment, re-appointment and removal are subject to the approval by the Board and the general meetings of the Company by the shareholders of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control system is designed to facilitate the achievement of the Group's strategies, safeguard the assets of the Group, assure the proper maintenance of accounting records, and to ensure the compliance with the relevant laws and regulations. The Board has overall responsibility for maintaining a sound and effective risk management and internal control system throughout the Group which includes a defined management structure with limits of authority, and is designed to ensure the proper application of accounting standard and the provision of reliable financial information for internal use and for publication, and to secure compliance with the relevant laws and regulations.

The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment. The Group's risk management framework includes the following key elements:

– identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;

– develop necessary measures to manage those risks;

– monitor and review the effectiveness of such measures

The implementation of the Group's risk management framework was handled by the management and Internal Audit Department. These framework and setup enable the Group to ensure any new and emerging risk relevant to the Group's operation is promptly identified and managed.

The Internal Audit Department is to provide independent assurance to the Board and Executive Committee on the adequacy and effectiveness of risk management and internal controls for the Group. The Group has adopted a risk management and internal control structure, referred to as the "Three Lines of Defense", to ensure it achieves its commercial aims while meeting regulatory and legal requirements and its responsibilities to shareholders, customers and staff. Operational managers at business units own and manage risks at the first line of defense whereas the management has established a risk management team as the second line of defense to oversee and monitor the implementation of effective risk management and internal control system. The Internal Audit Department's role as the third line of defense is independent of the first and second lines of defense. The Internal Audit Department adopts a risk-and-control based audit approach. The annual work plan of the Internal Audit Department covers major activities and processes of the Group's business units whilst audit plan is reviewed and agreed by the Audit Committee. Results of audit work are reported to the Audit Committee and key members of executive and senior management. Audit issues are tracked and followed up for proper implementation, with progress reported to the Audit Committee, key members of executive and senior management periodically. The risk management and internal control system of the Group is reviewed and assessed on an on-going basis by the management, and will be further reviewed and assessed on a semi-annual basis by the Audit Committee and the Board.

Through the Audit Committee, the Board has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2020, covering the material financial, operational and compliance controls, and considered the Group's risk management and internal control systems effective and adequate. The Audit Committee has also conducted a review of the adequacy of resources, qualifications, experience and training programs of the internal audit staff and accounting and financial reporting staff and considered that the staffing is adequate and the staff are competent to carry out their roles and responsibilities.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

INVESTOR RELATIONS

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

SHAREHOLDERS' RIGHTS

CONVENING AN EXTRAORDINARY GENERAL MEETING

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

SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

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

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

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

(ii) Other proposals

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

CONTACT DETAILS

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2020, there was no significant change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 10 to 14 of this annual report. The discussion forms part of this Directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 and the Group's financial position at that date are set forth in the financial statements on pages 54 to 57.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 September 2020 to 18 September 2020, both days inclusive, during which no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 18 September 2020, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 14 September 2020 for registration.

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

The net proceeds from the listing of shares of the Company (the "Listing") on the Main Board of the Stock Exchange on 13 November 2014 (the "Listing Date"), after the deduction of related issuance expenses, amounted to approximately HK$431.8 million. During the period from the Listing to 31 March 2020, the net proceeds from the Listing were utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 4 November 2014 (the "Prospectus") as follows:

Intended use of the net proceeds as stated in the Prospectus	**Planned use of proceeds** *(Note)* **(Approximately)**	**Actual use of proceeds up to 31 March 2020 (Approximately)**	**Unutilised amount as at 31 March 2020 (Approximately)**
Opening of new restaurants under "Fulum (富臨)" main brand and under "Sportful (陶源)" main brand	HK$172.7 million	HK$172.7 million	–
Opening of specialty cuisine restaurants under "Fulum Concept (富臨概念)" line of business	HK$64.8 million	HK$64.8 million	–
Opening of restaurants in the PRC	HK$86.3 million	HK$86.3 million	–
Renovation and refurbishment of existing restaurants and headquarter, upgrade of our central kitchen and logistics center in Hong Kong and upgrade of our information technology systems	HK$64.8 million	HK$64.8 million	–
Acquisition, or forming strategic alliances with, other brands or restaurants when suitable opportunities arise	HK$21.6 million	–	HK$21.6 million
General working capital	HK$21.6 million	HK$21.6 million	–
Total	HK$431.8 million	HK$410.2 million	HK$21.6 million

Note: The planned amount of use of net proceeds has been adjusted in the same proportion and same manner as stated in the Prospectus due to the difference between the estimated net proceeds and the actual net proceeds received.

The balance of fund would be utilised according to the use disclosed in the Prospectus. The Group held the unutilised net proceeds in short-term deposits with licensed banks in Hong Kong as at the date of this report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the audited consolidated financial statements or the Prospectus, is set out on page 144 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and the movements in share options of the Company during the year are set out in notes 29 and 30 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

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

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

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out below:

Hong Kong

Location	Lot number	Type	Lease term
Office on 26th Floor of Tower A, No. 38 Wai Yip Street, Kowloon, Hong Kong	1,324/61,923 equal and undivided shares of and in New Kowloon Inland Lot No. 6313	Commercial	2065
Car Parking space Nos. P70 and P71 on Basement 1 Floor, No. 38 Wai Yip Street, Kowloon, Hong Kong	8/61,923 equal and undivided shares of and in New Kowloon Inland Lot No. 6313	Car parking space	2065

DISTRIBUTABLE RESERVES

At 31 March 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$285,594,000.

DIVIDEND POLICY

The Company considers stable and sustainable returns to the shareholders of the Company to be its goal. It is the policy of the Board, in declaring or recommending a payment of dividend, to allow the shareholders to participate in the Company's profits and for the Company to retain adequate reserves of the Company for future growth. On 28 November 2018, the Board adopted a dividend policy (the "Dividend Policy") on the recommendation of the Audit Committee in order to promote greater dividend policy transparency. In deciding whether to recommend the payment of dividend to the shareholders, the Board will take into account (i) general business conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; (ii) the financial condition and results of operations of the Group; (iii) the expected capital requirements and future expansion plans of the Group; (iv) future prospects of the Group; (v) statutory and regulatory restrictions; (vi) contractual restrictions on the payment of dividend by the Group to the shareholders or by the subsidiaries of the Company to the Company; (vii) taxation considerations; (viii) shareholders' interests; and (ix) other factors the Board may deem relevant. The Board may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment. Whilst the Dividend Policy reflects the Board's current views on the financial and cash-flow position of the Group, such dividend policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be recommended or declared in any particular amount for any given period. The declaration of or recommendation of declaration of dividends is subject to the absolute discretion of the Board. Even if the Board decides to recommend and declare a dividend, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The payment of dividend is also subject to applicable laws and regulations and the Company's constitutional documents.

CHARITABLE CONTRIBUTIONS

During the year under review, the Group made charitable contributions totalling HK$33,800.

MAJOR CUSTOMERS AND SUPPLIERS

As a restaurant chain, the Company had a large and diversified customer base across Hong Kong and Mainland China and did not rely on any single customer during the year. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. For the year ended 31 March 2020, the five largest suppliers and the single largest supplier of the Group accounted for approximately 29.4% (2019: 48.7%) and 10.7% (2019: 17.5%) of the total purchases of the Group, respectively.

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

DIRECTORS

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

Executive Directors:

Mr. Yeung Wai (chairman of the Board and chief executive officer)
Mr. Yeung Yun Chuen
Mr. Yeung Yun Kei
Mr. Leung Siu Sun

Independent Non-executive Directors:

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' EMOLUMENTS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Continuing Connected Transactions" on pages 43 to 45 of the annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year ended 31 March 2020.

MANAGEMENT CONTRACTS

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

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

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

Name of Director	Company concerned	Capacity/ nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. Yeung Wai	The Company	Interest held jointly with another person; interest in a controlled corporation *(Note 2)*	908,375,000 (L) *(Note 3)*	69.88%
Mr. Yeung Yun Chuen	The Company	Interest held jointly with another person; beneficial owner *(Note 2)*	908,375,000 (L) *(Note 3)*	69.88%
Mr. Yeung Yun Kei	The Company	Interest held jointly with another person; beneficial owner *(Note 2)*	908,375,000 (L) *(Note 3)*	69.88%
Mr. Leung Siu Sun	The Company	Beneficial owner	66,625,000 (L)	5.13%

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying shares of the Company or the relevant associated corporation.

2. Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei being our executive Directors, are siblings, associates of each other under the Listing Rules and are deemed to be persons acting in concert under the Codes on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong. As such, each of Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei is deemed to be interested in all the Shares in which the others are interested.

3. In respect of the 908,375,000 Shares, 272,025,000 Shares were held by Mr. Yeung Yun Chuen, 184,275,000 Shares were held by Mr. Yeung Yun Kei, and 452,075,000 Shares were held by China Sage International Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yeung Wai. As described in Note 2 above, each of Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei is deemed to be interested in these 908,375,000 Shares held by them in aggregate.

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executive had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register that was required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2020, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the Shares and underlying Shares of the Company, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of shareholder	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding in the Company
Ms. Lam Man Ki, Elane	Interest of spouse *(Note 2)*	908,375,000 (L)	69.88%
Ms. Yung Yuk Ling	Interest of spouse *(Note 3)*	908,375,000 (L)	69.88%
Ms. Hui Lin Na	Interest of spouse *(Note 4)*	908,375,000 (L)	69.88%
China Sage International Limited	Beneficial owner *(Note 5)*	452,075,000 (L)	34.78%
Ms. Leung Siu Kuen	Interest of spouse *(Note 6)*	66,625,000 (L)	5.13%

Notes:

1. The letter "L" denotes the person or entity's long position in the shares and underlying shares of the Company.

2. Ms. Lam Man Ki, Elane was deemed to be interested in all the Shares in which Mr. Yeung Wai, her spouse, was interested by virtue of the SFO.

3. Ms. Yung Yuk Ling was deemed to be interested in all the Shares in which Mr. Yeung Yun Chuen, her spouse, was interested by virtue of the SFO.

4. Ms. Hui Lin Na was deemed to be interested in all the Shares in which Mr. Yeung Yun Kei, her spouse, was interested by virtue of the SFO.

5. These Shares were held by China Sage International Limited. The entire issued shares of China Sage International Limited are owned by Mr. Yeung Wai.

6. Ms. Leung Siu Kuen was deemed to be interested in all the Shares in which Mr. Leung Siu Sun, her spouse, was interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2020, no person, other than the Directors and chief executive of the Company, had registered an interest or short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEMES

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

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

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

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

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

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

(A) PRE-IPO SHARE OPTION SCHEME

Pursuant to the Pre-IPO Share Option Scheme, the Company has granted 54,000,000 options to eligible Directors, senior management and employees of the Group to subscribe for ordinary shares in the Company subject to the terms stipulated under the Pre-IPO Share Option Scheme on 28 October 2014. The exercise price is 60% of the final offer price of the Shares issued in connection with the Listing (HK$0.93). No options were exercised during the year under review. The Pre-IPO Share Option Scheme was to remain in force for a period of five years from the grant date and has expired on 27 October 2019. All the unexercised options have lapsed upon expiry of the Pre-IPO Share Option Scheme.

Details of the movements in the Company's outstanding share options granted under the Pre-IPO Share Option Scheme for the year ended 31 March 2020 were as follows:

Name or category of participant	Balance as at 31 March 2019	Exercised during the year	Lapsed or cancelled during the year	Balance as at 31 March 2020	Exercised Period
Directors					
Yeung Wai	8,300,000	–	(8,300,000)	Nil	2,739,000: 13 November 2016 to 12 November 2019 2,739,000: 13 November 2017 to 12 November 2019 2,822,000: 13 November 2018 to 12 November 2019
Yeung Yun Chuen	6,000,000	–	(6,000,000)	Nil	1,980,000: 13 November 2016 to 12 November 2019 1,980,000: 13 November 2017 to 12 November 2019 2,040,000: 13 November 2018 to 12 November 2019
Yeung Yun Kei	4,000,000	–	(4,000,000)	Nil	1,320,000: 13 November 2016 to 12 November 2019 1,320,000: 13 November 2017 to 12 November 2019 1,360,000: 13 November 2018 to 12 November 2019
Leung Siu Sun	4,000,000	–	(4,000,000)	Nil	1,320,000: 13 November 2016 to 12 November 2019 1,320,000: 13 November 2017 to 12 November 2019 1,360,000: 13 November 2018 to 12 November 2019
Employees of the Group	20,120,000	–	(20,120,000)	Nil	6,639,600: 13 November 2016 to 12 November 2019 6,639,600: 13 November 2017 to 12 November 2019 6,840,800: 13 November 2018 to 12 November 2019
Total	42,420,000	–	(42,420,000)	Nil	

(B) SHARE OPTION SCHEME

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

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 30 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Continuing Connected Transactions" on pages 43 to 45 of this annual report, no contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

CONTINUING CONNECTED TRANSACTIONS

During the year under review, the Group has entered into 35 tenancy agreements with various entities controlled by the controlling shareholders of the Company or their associates (the "Connected Landlord Entities") to lease certain properties for restaurant operations, as office premise/warehouse or as the central kitchen/logistics centre from the Connected Landlord Entities in accordance with the respective terms of the relevant tenancy agreements (the "Connected Tenancy Agreements"). These Connected Tenancy Agreements were entered into by the Group after having considered, among others, the prime location of these properties and the terms offered by the Connected Landlord Entities. The Connected Tenancy Agreements were entered into in the ordinary and usual course of the Group's business. For details, please refer to the announcements of the Company dated 18 January 2017, 24 February 2017, 8 June 2018, and 2 April 2019, and the circular of the Company dated 28 February 2017, 13 July 2018, 26 July 2018 and 8 May 2019.

(A) Non-Exempt Continuing Connected Transactions Subject to Reporting, Announcement, Annual Review and Independent Shareholders' Approval Requirements

Pursuant to the tenancy framework agreement (including any amendment(s) thereto and supplemental agreement(s)) dated 18 January 2017 entered into between the Company and Mr. Yeung Wai, Mr. Yeung Yun Kei, Mr. Yeung Yun Chuen, Mr. Yeung Chun Nin and Mr. Leung Siu Sun (the "Tenancy Framework Agreement") and the 33 connected tenancy agreements entered into between the relevant members of the Group and the relevant members of the Connected Landlord Entities under the Tenancy Framework Agreement and were subsisting during the year under review, the aggregate annual caps for the rent payable to the Connected Landlord Entities under the Tenancy Framework Agreement for the year ended 31 March 2020 would be approximately HK$105.9 million. During the year under review, amounts payable/paid by the Group to the Connected Landlord Entities under the Tenancy Framework Agreement amounted to approximately HK$75.5 million.

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

(B) Non-Exempt Continuing Connected Transactions Subject to Reporting, Announcement and Annual Review Requirements

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

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

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

The aggregate cap for the rent payable of the above two premises for the four months ended 31 July 2019 (i.e. the expiry date of Agreement I and Agreement II) were HK$3,347,000. During the year under review, amounts payable/paid by the Group to Sino Horse and Central Base of the above two premises pursuant to Agreement I and Agreement II amounted to HK$3,347,000.

Based on the annual caps proposed at the time of entering into Agreement I and Agreement II, the highest relevant percentage ratio in respect of the aggregation of the Agreement I and Agreement II, together with another connected lease agreement which has expired in October 2018, with the Connected Landlord Entities, on an annual basis, should be less than 5%. Accordingly, the aggregation of the Agreement I and Agreement II and with the Connected Landlord Entities is subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Ernst & Young, the Company's external auditor, was engaged to report on the Group's continuing connected transactions during the year ended 31 March 2020, in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions during the year under review by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save for the aforementioned continuing connected transactions disclosed in this annual report, the related party transactions disclosed in note 38 to the financial statements are either exempted or non-exempted continuing connected transactions or connected transactions which have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

ANNUAL OFFER ARRANGEMENTS AND RIGHT OF FIRST REFUSAL

BACKGROUND

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

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

CORPORATE MEASURES IN RELATION TO THE ANNUAL OFFER ARRANGEMENTS AND ROFR

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

(i) decision for the acceptance of the offer under the Annual Offer Arrangements and/or ROFR shall be determined by our independent non-executive Directors only;

(ii) the independent non-executive Directors are empowered to engage professional advisors at the costs of the Group for advice on matters relating to the Annual Offer Arrangements and/or ROFR; and

(iii) the Company will disclose in its annual reports on the decision, with basis, of the independent non-executive Directors to accept or reject the offers under the Annual Offer Arrangements and/or ROFR.

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

DECISION MADE DURING THE YEAR UNDER REVIEW

The independent non-executive Directors, on behalf of the Company, had unanimously declined the annual offer under the Annual Offer Notice for the year ended 31 March 2020 given by Mr. Yeung and SGRL after evaluating the financial and operational performance of the Excluded PRC Restaurants for the financial year ended 31 December 2019 with the following reasons:

(i) due to the recent state policy against high-end consumption sentiments in the PRC, the Directors have confirmed that the Group has no current intention to tap into the mid-to-high end segment in the PRC. For the time being, all future investments of the Group into the PRC market are expected to focus on the mass market segment. In the event that there is an uplift of or change to the state policy against high end consumption sentiment in the PRC, the Group may consider acquiring the Excluded PRC Restaurants under the Deed of Annual Offer and ROFR before tapping into the mid-to-high end market in the PRC on our own venture to avoid direct or indirect competition with the Controlling Shareholders; and

(ii) according to the information provided by Mr. Yeung and SGRL, the consolidated operating and financial results of the Excluded PRC Restaurants were still in loss performance for the financial year ended 31 December 2019, and the business environment for mid-to-high end catering segments in the PRC was still sluggish.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 March 2020, save as disclosed in the section headed "Relationship with our Controlling Shareholders" in the Prospectus, none of the Directors of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflicts of interest with the Group.

DEED OF NON-COMPETITION

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

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

STATUS UPDATE AS TO THE 34 BUILDING ORDERS

Reference is made to the 34 unreleased building orders registered against our leased premises in the section headed "Business – Building orders and fire safety directions registered against our leased premises" in the Prospectus. Among those 34 unreleased building orders, 17 of them were no longer the leased premises of the Group as at the date of this report, 3 of them were released, 12 of them have been completed with rectification works and are subject to the release of the building orders while the remaining building orders are still being followed up, including those that we are unable to obtain co-operation from the relevant landlord(s) or incorporated owners to carry out the relevant rectification works.

BANKING FACILITIES

Some of the Group's banking facilities are subject to covenant clauses, whereby the Group is required to meet certain key financial requirements. The Group did not fulfill one of the financial requirements as required in the banking facilities agreements for a credit line of approximately HK$242 million. The Company is now in the process of liaising with the relevant bank for a waiver from strict compliance with the financial requirement. For details, please refer to note 25 to the financial statements.

EVENT AFTER THE REPORTING PERIOD

For the material event affecting the Group since 31 March 2020, please refer to note 44 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

ON BEHALF OF THE BOARD

Yeung Wai
Chairman

Hong Kong
29 June 2020

EY 安永

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

OPINION

We have audited the consolidated financial statements of Fulum Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 143, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill, intangible assets, property, plant and equipment and right-of-use assets	
Management performed impairment assessments on (i) the Group's goodwill and intangible assets on an annual basis as at 31 March; and (ii) the Group's non-financial assets, including property, plant and equipment ("PPE") and right-of-use assets ("ROU assets") where an indicator of impairment of these assets exists. During the year, the following impairment provisions have been recognised to reduce the respective assets' carrying amounts to their recoverable amounts: – impairment of goodwill of HK$58,707,000; – impairment of intangible assets of HK$13,000,000; – impairment of items of PPE of HK$53,745,000; and – impairment of ROU assets of HK$105,110,000. When performing the impairment tests, management determined the recoverable amounts of the relevant cash-generating units ("CGUs") or groups of CGUs as at 31 March 2020 based on value in use calculations using the discounted cash flow method. Significant management judgement and estimates were involved in the assessments of the recoverable amounts of CGUs or groups of CGUs, including assumptions on the budgeted revenue, budgeted expenses, discount rates and growth rates. The outcome was sensitive to expected future market conditions and the actual performance of the CGUs or groups of CGUs. The relevant details are disclosed in notes 2.4, 3, 13, 15, 16 and 17 to the consolidated financial statements.	We evaluated management's impairment assessments and the identification of CGUs or groups of CGUs based on the Group's accounting policies and procedures, and our understanding of the Group's business. In evaluating management's impairment assessments, we also assessed (i) the value in use calculation methodologies adopted by management in determining the recoverable amounts of CGUs or groups of CGUs, and (ii) the key assumptions used in the value in use calculations, including budgeted revenue, budgeted expenses, discount rates and growth rates, by: – comparing the Group's budgets of the relevant CGUs with the historical results and other industry specific statistics; – for discount rate, making reference to market data and comparable companies in the industry.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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.

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

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 Lai Wan Fung.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
29 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**1,853,918**	2,627,192
Other income and gains, net	5	**36,121**	18,104
Cost of inventories sold		**(642,780)**	(778,226)
Staff costs		**(683,798)**	(880,271)
Property rentals and related expenses		**(188,374)**	(471,443)
Depreciation of right-of-use assets	15	**(245,363)**	–
Depreciation of property, plant and equipment	13	**(79,630)**	(85,514)
Fuel and utility expenses		**(121,430)**	(157,953)
Other expenses		**(250,248)**	(227,122)
Losses from impairment/write-off of non-financial assets		**(241,592)**	(1,571)
Losses from impairment/write-off of financial assets		**(28,562)**	(2,137)
Finance costs	6	**(25,344)**	(345)
PROFIT/(LOSS) BEFORE TAX	7	**(617,082)**	40,714
Income tax expense	10	**(20,021)**	(15,134)
PROFIT/(LOSS) FOR THE YEAR		**(637,103)**	25,580
Attributable to:			
Owners of the Company		**(637,476)**	25,496
Non-controlling interests		**373**	84
		(637,103)	25,580
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	12	**HK(49.04) cents**	HK1.96 cents
– Diluted	12	**HK(49.04) cents**	HK1.96 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(637,103)**	25,580
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,031)**	(4,131)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(3,031)**	(4,131)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(640,134)**	21,449
Attributable to:		
Owners of the Company	**(640,507)**	21,365
Non-controlling interests	**373**	84
	(640,134)	21,449

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**122,020**	201,433
Investment properties	14	**189,600**	–
Right-of-use assets	15	**290,334**	–
Goodwill	16	**–**	58,707
Intangible assets	17	**–**	13,000
Deposits and other receivables	20	**69,672**	147,349
Deferred tax assets	28	**–**	20,671
Total non-current assets		**671,626**	441,160
CURRENT ASSETS			
Inventories	18	**85,067**	86,420
Trade receivables	19	**8,928**	24,182
Prepayments, deposits and other receivables	20	**110,066**	148,385
Financial assets at fair value through profit or loss	21	**10,767**	–
Tax recoverable		**8,491**	5,351
Cash and cash equivalents	22	**116,412**	496,922
Total current assets		**339,731**	761,260
CURRENT LIABILITIES			
Trade payables	23	**36,996**	88,808
Other payables, accruals and deferred income	24	**78,921**	117,967
Interest-bearing bank borrowings	25	**94,594**	400
Lease liabilities	15	**260,710**	–
Finance lease payables	26	**–**	389
Provision	27	**6,760**	4,994
Tax payable		**5,517**	8,853
Total current liabilities		**483,498**	221,411

	Notes	2020 HK$'000	2019 HK$'000
NET CURRENT ASSETS/(LIABILITIES)		**(143,767)**	539,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**527,859**	981,009
NON-CURRENT LIABILITIES			
Accruals and deferred income	24	**3,522**	22,269
Lease liabilities	15	**223,781**	–
Finance lease payables	26	**–**	352
Provision	27	**12,918**	19,048
Deferred tax liabilities	28	**744**	985
Total non-current liabilities		**240,965**	42,654
Net assets		**286,894**	938,355
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**1,300**	1,300
Reserves	31	**285,594**	936,371
		286,894	937,671
Non-controlling interests		**–**	684
Total equity		**286,894**	938,355

Yeung Wai
Director

Yeung Yun Chuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Notes	Attributable to owners of the Company								Non-controlling interests	Total equity
		Issued capital	Share premium account	Other reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Retained profits/ (accumulated loss)	Total		
		HK$'000	HK$'000	HK$'000 (Note 31(a))	HK$'000 (Note 31(b))	HK$'000 (Note 31(c))	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2018		1,300	540,140	(5,372)	31,073	26,744	1,461	430,208	1,025,554	–	1,025,554
Profit for the year		–	–	–	–	–	–	25,496	25,496	84	25,580
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	(4,131)	–	(4,131)	–	(4,131)
Total comprehensive income/(loss) for the year		–	–	–	–	–	(4,131)	25,496	21,365	84	21,449
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	–	600	600
Final 2018 dividend	11	–	–	–	–	–	–	(17,030)	(17,030)	–	(17,030)
Special final 2018 dividend	11	–	–	–	–	–	–	(47,970)	(47,970)	–	(47,970)
Special interim 2019 dividend	11	–	–	–	–	–	–	(45,500)	(45,500)	–	(45,500)
Equity-settled share option arrangement	30	–	–	–	–	1,252	–	–	1,252	–	1,252
Transfer of share option reserve upon the forfeiture of share options	30	–	–	–	–	(582)	–	582	–	–	–
At 31 March 2019		1,300	540,140*	(5,372)*	31,073*	27,414*	(2,670)*	345,786*	937,671	684	938,355

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Notes	Attributable to owners of the Company								Non-controlling interests HK$'000	Total equity HK$'000
		Issued capital HK$'000	Share premium account HK$'000	Other reserve HK$'000 (Note 31(a))	Merger reserve HK$'000 (Note 31(b))	Share option reserve HK$'000 (Note 31(c))	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000		
At 1 April 2019		1,300	540,140	(5,372)	31,073	27,414	(2,670)	345,786	937,671	684	938,355
Profit/(loss) for the year		-	-	-	-	-	-	(637,476)	(637,476)	373	(637,103)
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		-	-	-	-	-	(3,031)	-	(3,031)	-	(3,031)
Total comprehensive profit/(loss) for the year		-	-	-	-	-	(3,031)	(637,476)	(640,507)	373	(640,134)
Final 2019 dividend	11	-	-	-	-	-	-	(10,270)	(10,270)	-	(10,270)
Disposal of subsidiaries	32	-	-	-	-	-	-	-	-	(1,057)	(1,057)
Transfer of share option reserve upon the forfeiture/lapse of share options	30	-	-	-	-	(27,414)	-	27,414	-	-	-
At 31 March 2020		1,300	540,140*	(5,372)*	31,073*	–*	(5,701)*	(274,546)*	286,894	-	286,894

* These reserve accounts comprise the consolidated reserves of HK$285,594,000 (2019: HK$936,371,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Notes	**2020 HK$'000**	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(617,082)**	40,714
Adjustments for:			
Interest income	5	**(4,673)**	(3,081)
Gain on waiver of reinstatement liabilities	5	**(3,494)**	(3,272)
Rent concession related to covid-19	5	**(2,519)**	–
Finance costs	6	**25,344**	345
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**769**	(138)
Equity-settled share option expense	7	**–**	1,252
Impairment of trade receivables	7	**13,573**	2,137
Impairment of other receivables	7	**6,600**	–
Write-off of other receivables	7	**8,389**	–
Fair value losses on investment properties	7	**18,051**	–
Fair value losses, net:			
Financial assets at fair value through profit or loss	7	**8,233**	–
Other receivables	7	**5,357**	2,546
Impairment of goodwill	7	**58,707**	–
Impairment of intangible assets	7	**13,000**	–
Impairment of items of property, plant and equipment	7	**53,745**	1,294
Write-off of items of property, plant and equipment	7	**9,793**	277
Impairment of right-of-use assets	7	**105,110**	–
Impairment of deposits	7	**1,237**	–
Loss on disposal of subsidiaries	7	**917**	1,717
Depreciation of property, plant and equipment		**79,630**	85,514
Depreciation of right-of-use assets		**245,363**	–
		26,050	129,305
Decrease/(increase) in inventories		**1,238**	(14,430)
Decrease/(increase) in trade receivables		**1,520**	(5,509)
Decrease/(increase) in prepayments, deposits and other receivables		**18,805**	(27,678)
Decrease in trade payables		**(50,880)**	(22,050)
Decrease in other payables, accruals and deferred income		**(30,000)**	(12,673)
Decrease in provision	27	**(60)**	(5,395)
Cash generated from/(used in) operations		**(33,327)**	41,570
Interest received		**4,673**	3,081
Interest element of finance lease rental payments		**–**	(56)
Hong Kong profits tax paid		**(7,380)**	(7,822)
PRC corporate income tax paid		**(501)**	(564)
Net cash flows from/(used in) operating activities		**(36,535)**	36,209

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(64,416)**	(65,892)
Proceeds from disposal of items of property, plant and equipment		**1,158**	1,600
Deposits paid for purchase of items of property, plant and equipment		**–**	(46,139)
Purchase of investment properties		**(143,095)**	–
Disposal of subsidiaries	32	**(164)**	(142)
Purchase of financial assets at fair value through profit or loss		**(19,000)**	–
Decrease in a pledged time deposit		**–**	71,142
Net cash flows used in investing activities		**(225,517)**	(39,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**124,100**	4,800
Repayment of bank loans		**(29,906)**	(15,183)
Principal portion of lease payments/finance lease rental payments		**(173,025)**	(484)
Dividends paid		**(10,270)**	(110,500)
Interest paid		**(25,344)**	(289)
Capital contributions from non-controlling interests		**–**	600
Net cash flows used in financing activities		**(114,445)**	(121,056)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(376,497)**	(124,278)
Cash and cash equivalents at beginning of year		**496,922**	623,169
Effect of foreign exchange rate changes, net		**(4,013)**	(1,969)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**116,412**	496,922
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**111,410**	444,922
Time deposits with original maturity of less than three months when acquired	22	**5,002**	52,000
		116,412	496,922

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Right Proceed Limited	Hong Kong	HK$1	–	100	Property holding
Chung Chun Enterprises Limited^	Hong Kong	HK$38,000	–	100	Restaurant operation
Sino Rainbow Development Limited^	Hong Kong	HK$100	–	100	Restaurant operation
China Easy Investment Limited^	Hong Kong	HK$100	–	100	Restaurant operation
Sino Emotion Limited	Hong Kong	HK$100	–	100	Restaurant operation
Sino Target Investments Limited^	Hong Kong	HK$100	–	100	Restaurant operation
Centralink International Development Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Sino Talent Investment Limited	Hong Kong	HK$1	–	100	Restaurant operation
Midway Enterprise Limited	Hong Kong	HK$100	–	100	Restaurant operation
New Central Hong Kong Development Limited^	Hong Kong	HK$100	–	100	Restaurant operation
China Beauty Enterprises Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Miracle Limited	Hong Kong	HK$1	–	100	Restaurant operation
Gold China Enterprise Limited	Hong Kong	HK$100	–	100	Restaurant operation
China Talent Asia Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Sino Well Properties Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Topworld Investment Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Solar Industrial Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Extreme Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Enviro Enterprises Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Central Keen Industrial Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Great Sino International Industrial Limited^	Hong Kong	HK$100	–	100	Restaurant operation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sino Favour (Hong Kong) Limited^	Hong Kong	HK$100	–	100	Restaurant operation
China Honest Development Limited	Hong Kong	HK$1	–	100	Restaurant operation
Park Sun Property Agency Limited^	Hong Kong	HK$10,000	–	100	Restaurant operation
Middle East Development Limited^	Hong Kong	HK$100	–	100	Restaurant operation
Central Loyal Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Sino Copper Limited	Hong Kong	HK$1	–	100	Restaurant operation
New Central Industrial Limited^	Hong Kong	HK$80,000	–	100	Restaurant operation
China Harvest (Hong Kong) Limited	Hong Kong	HK$1	–	100	Restaurant operation
China Forward Development Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Base Development Limited^	Hong Kong	HK$10,000	–	100	Restaurant operation
China Order Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Central Crest Limited	Hong Kong	HK$1	–	100	Restaurant operation
Korean Catering Concepts Limited	Hong Kong	HK$1	–	100	Restaurant operation
Glory Food Services Limited	Hong Kong	HK$1	–	100	Restaurant operation
Union Catering Concepts Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Central Champion Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Central Green International Limited	Hong Kong	HK$1	–	100	Restaurant operation
Centro (Asia) Limited	Hong Kong	HK$500,000	–	100	Restaurant operation
China Elegant Industrial Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Excellent International Limited^	Hong Kong	HK$1,000,000	–	100	Restaurant operation
China Kings Development Limited	Hong Kong	HK$1	–	100	Restaurant operation
China Mutual Development Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Professional Asia Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Start Limited^	Hong Kong	HK$1	–	100	Restaurant operation
China Weal (HK) Limited^	Hong Kong	HK$100	–	100	Restaurant operation
Luck China International Trading Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Mid Well Investments Limited^	Hong Kong	HK$1	–	100	Restaurant operation
Sino Major Company Limited^	Hong Kong	HK$100	–	100	Restaurant operation
Sino Scene Development Limited^	Hong Kong	HK$100	–	100	Restaurant operation
Sino Rank Limited	Hong Kong	HK$1	–	100	Processing, sale and distribution of food products
Fulum Management Limited	Hong Kong	HK$100	–	100	Provision of management service
Sino Mountain Trading Limited	Hong Kong	HK$1	–	100	Trading of kitchen utensils and other operating items
Fulum Food (International) Limited	Hong Kong	HK$1	–	100	Sale and distribution of food products

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

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

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

* These companies are registered as wholly-foreign-owned enterprises established under PRC law.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

In preparing the Group's consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$143,767,000 as at 31 March 2020; and the breach of covenant clauses in respect of outstanding bank loans of HK$77,762,000 presented under current liabilities in the consolidated statement of financial position as at 31 March 2020 (note 25). In order to strengthen the Group's liquidity in the foreseeable future, the directors of the Company have taken measures including closing down under-performing restaurants; and implementing various cost control measures, in order to tighten the costs of operations.

2.1 BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

In addition, taking into account a number of sources of finance available to fund its operations including government subsidies, future operating cash inflows and realisation of investment properties when necessary; and the new bank facilities of approximately HK$89 million granted to the Group in June 2020, which are repayable after one year from the drawdown date, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and be able to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

* Early adopted by the Group in the current year's financial statements

Other than as explained below regarding the impact of HKFRS 16 and HK(IFRIC)-Int 23, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of HKFRS 16, Amendment to HKFRS 16 and HK(IFRIC)-Int 23 are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For sublease arrangements, the classification of the subleases is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as adjustments to the opening balances as at 1 April 2019, and the comparative information for 31 March 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of buildings and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019, and were presented separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the leased assets recognised previously under finance leases of HK$303,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 April 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 April 2019

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	HK$'000
Assets	
Increase in right-of-use assets	529,890
Decrease in property, plant and equipment	(303)
Decrease in prepayments, deposits and other receivables	(2,273)
Increase in total assets	527,314
Liabilities	
Increase in lease liabilities	554,001
Decrease in other payables, accruals and deferred income	(25,946)
Decrease in finance lease payables	(741)
Increase in total liabilities	527,314

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

Financial impact at 1 April 2019 *(Continued)*

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	739,684
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(143,898)
	595,786
Weighted average incremental borrowing rate as at 1 April 2019	4.3%
Discounted operating lease commitments at 1 April 2019	553,260
Add: Finance lease liabilities recognised as at 31 March 2019	741
Lease liabilities as at 1 April 2019	554,001

(b) The Group has early adopted amendment to HKFRS 16 *Covid-19-Related Rent Concessions* which provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) 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; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the year ended 31 March 2020, certain lease payments for the lease of the Group's buildings have been waived by the lessors as a result of the covid-19 pandemic. The Group has early adopted the amendment on 1 April 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the year ended 31 March 2020. Accordingly, a reduction in lease payments arising from the rent concessions of HK$2,519,000 has been accounted for as a negative variable lease payment and credited to profit or loss for the year ended 31 March 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

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

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

Leases (applicable from 1 April 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 April 2019) *(Continued)*

Group as a lessee *(Continued)*

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 12 years
Motor vehicles	3 to 5 years

If ownership of the leased asset is transferred to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 April 2019) *(Continued)*

Group as a lessee *(Continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Leases (applicable before 1 April 2019)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable before 1 April 2019) *(Continued)*

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Restaurant operations

Revenue from restaurant operations is recognised at the point in time when control of the asset is transferred to the customer being at the point the customer purchases the goods at the restaurants.

The Group's loyalty programme allows customers to accumulate points that can be redeemed for products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed and any adjustments to the contract liability balance are charged against revenue.

(ii) Sale of food and other operating items

Revenue from the sale of food and other operating items are recognised at the point in time when control of the asset is transferred to the customer, generally being at the point the customer purchases the goods at shops or upon delivery of the goods.

Revenue from other sources and other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Sponsorship income is recognised when there is reasonable assurance that the sponsorship income will be received and all attaching conditions will be complied with. Where the sponsorship income relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Licensing income are recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources and other income *(Continued)*

Food court income included:

- fixed rental income from the sub-lease of food courts, which is recognised on a straight-line basis over the lease term, and the variable portion of the rental income, which is computed based on a percentage of the food court tenant's gross sales recognised when such sales are earned; and

- income from food court operation services, which is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

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

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

Other employee benefits

Pension schemes

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualified as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets of the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold out separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Impairment of non-financial assets

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

Impairment of goodwill and intangible assets

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and intangible assets at 31 March 2020 were nil (2019: HK$58,707,000) and nil (2019: HK$13,000,000), respectively. Further details are contained in notes 16 and 17 to the financial statements.

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the reporting period based on changes in circumstances. The carrying amount of property, plant and equipment at 31 March 2020 was HK$122,020,000 (2019: HK$201,433,000). Further details are contained in note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

The loss allowances for other receivables are based on assumption about risk of default and expected loss rates. The Group makes adjustment in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past history, existing market condition as well as forward-looking estimates at the end of each of the reporting period. A number of significant judgements and estimation are also required in applying the accounting requirements for measuring ECLs, such as:

- Determining criteria for a significant increase in credit risk;
- Identifying economic indicators for forward-looking measurements; and
- Estimating future cash flows for the other receivables.

The information about the ECLs on the Group's other receivables is disclosed in note 20 to the financial statements.

Deferred tax assets

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

The carrying amount of deferred tax assets relating to recognised tax losses at 31 March 2020 was nil (2019: HK$20,671,000). Further details are contained in note 28 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of fair value of investment properties

As described in note 14 to the financial statements, the Group's investment properties were revalued at the end of the reporting period based on the appraised market value provided by an independent firm of surveyors. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period. The carrying amount of investment properties at 31 March 2020 was HK$189,600,000 (2019: Nil). Further details are contained in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Information about geographical areas

The following tables present revenue from external customers for the years ended 31 March 2020 and 2019, and certain non-current asset information as at 31 March 2020 and 2019, by geographical areas.

(a) Revenue from external customers

	2020 HK$'000	2019 HK$'000
Hong Kong	**1,744,673**	2,502,812
Mainland China	**109,245**	124,380
	1,853,918	2,627,192

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about geographical areas *(Continued)*

(b) *Non-current assets*

	2020 HK$'000	2019 HK$'000
Hong Kong	**533,101**	302,131
Mainland China	**68,892**	40,107
	601,993	342,238

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

Information about major customers

Since no revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during the year, no information about major customers in accordance with HKFRS 8 *Operating Segments* is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers		
Restaurant operations	**1,790,732**	2,562,636
Sale of food and other operating items	**63,186**	64,556
Total revenue from contracts with customers and recognised at a point in time	**1,853,918**	2,627,192

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 HK$'000	2019 HK$'000
Geographical markets		
Hong Kong	**1,744,673**	2,502,812
Mainland China	**109,245**	124,380
Total revenue from contracts with customers and recognised at a point in time	**1,853,918**	2,627,192

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant operations	**15,293**	13,112

The Group has applied the practical expedient under HKFRS 15 and does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations for contracts with an original expected duration of one year or less.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Restaurant operations
The performance obligation is satisfied when the customer obtains control of the promised goods, being the point in time when the customer purchases the goods at the restaurants. Payment of the transaction price is due immediately at the point when the customer purchases the goods.

Sale of food and other operating items
The performance obligation is satisfied when the customer obtains control of the promised goods, being the point in time when the customer purchases the goods at the shops or upon delivery of the goods. Payment is generally due at the point when the customer purchases the goods at shops or within 30 to 60 days from delivery.

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

Other income and gains, net

An analysis of other income and gains, net is as follows:

	Notes	2020 HK$'000	2019 HK$'000
Interest income		**4,673**	3,081
Licensing income		**1,227**	1,730
Food court income		**7,207**	–
Sponsorship income		**7,774**	6,223
Government subsidies*		**4,240**	–
Rent concession related to covid-19#	15(b)	**2,519**	–
Gain on disposal of items of property, plant and equipment, net		**–**	138
Overprovision of reinstatement liabilities	27	**3,494**	3,272
Others		**4,987**	3,660
		36,121	18,104

* Government subsidies of HK$4,240,000 (2019: Nil) were granted during the year ended 31 March 2020 by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.

\# The Group has early adopted Amendment to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the covid-19 pandemic is a lease modification.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK$'000	2019 HK$'000
Interest on bank overdrafts and bank loans	**2,942**	289
Interest on lease liabilities	**22,402**	–
Interest on finance leases	**–**	56
	25,344	345

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2020 HK$'000	2019 HK$'000
Lease payments under operating leases:			
Minimum lease payments		–	398,341
Contingent rents		–	1,689
		–	400,030
Lease payments not included in the measurement of lease liabilities	15(c)	**123,250**	–
Employee benefit expenses (including directors' remunerations (note 8)):			
Salaries, bonuses and other allowances		**658,771**	847,362
Equity-settled share option expense		–	1,252
Retirement benefit scheme contributions (defined contribution schemes)^		**25,027**	31,657
		683,798	880,271
Auditor's remuneration		**2,816**	3,500
Fair value losses on investment properties*	14	**18,051**	–
Loss/(gain) on disposal of items of property, plant and equipment, net*		**769**	(138)
Impairment of items of property, plant and equipment**	13	**53,745**	1,294
Write-off of items of property, plant and equipment**	13	**9,793**	277
Impairment of right-of-use assets**	15(a)	**105,110**	–
Impairment of deposits**		**1,237**	–
Impairment of goodwill**	16	**58,707**	–
Impairment of intangible assets**	17	**13,000**	–
Impairment of trade receivables***	19	**13,573**	2,137
Impairment of other receivables***	20	**6,600**	–
Write-off of other receivables***		**8,389**	–
Loss on disposal of subsidiaries*	32	**917**	1,717
Foreign exchange differences, net		**19**	467
Fair value losses, net:			
Financial assets at fair value through profit or loss*		**8,233**	–
Other receivables*		**5,357**	2,546

^ At 31 March 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

* These items were included in "Other expenses" in the consolidated statement of profit or loss.

** These items were included in "Losses from impairment/write-off of non-financial assets" in the consolidated statement of profit or loss.

*** These items were included in "Losses from impairment/write-off of financial assets" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

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

	2020 HK$'000	2019 HK$'000
Fees	**690**	720
Other emoluments:		
Salaries, allowances and benefits in kind	**3,850**	4,196
Equity-settled share option expense	**–**	687
Retirement benefit scheme contributions (defined contribution scheme)	**72**	72
	3,922	4,955
	4,612	5,675

In the prior years, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options, which had been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the previous year was included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	2020 HK$'000	2019 HK$'000
Mr. Fan Chun Wah Andrew	**230**	240
Mr. Wu Kam On Keith	**230**	240
Mr. Ng Ngai Man Raymond	**230**	240
	690	720

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity–settled share option expense HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2020					
Mr. Yeung Wai#	**–**	**1,100**	**–**	**18**	**1,118**
Mr. Yeung Yun Chuen	**–**	**990**	**–**	**18**	**1,008**
Mr. Yeung Yun Kei	**–**	**880**	**–**	**18**	**898**
Mr. Leung Siu Sun	**–**	**880**	**–**	**18**	**898**
	–	**3,850**	**–**	**72**	**3,922**
Year ended 31 March 2019					
Mr. Yeung Wai#	–	1,198	256	18	1,472
Mr. Yeung Yun Chuen	–	1,080	185	18	1,283
Mr. Yeung Yun Kei	–	959	123	18	1,100
Mr. Leung Siu Sun	–	959	123	18	1,100
	–	4,196	687	72	4,955

Mr. Yeung Wai is also the chief executive officer of the Company.

During the year ended 31 March 2020, 7 (2019: Nil) directors of the Company have waived emoluments of HK$380,000 (2019: Nil).

There was no remuneration paid during the year to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2019: two) directors, details of whose remuneration are set out in the note 8 above. Details of the remuneration for the year of the remaining three (2019: three) non-director highest paid employees are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, bonuses and allowances	**3,551**	3,637
Equity-settled share option expenses	**–**	148
Retirement benefit scheme contributions	**54**	54
	3,605	3,839

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

	Number of employees	
	2020	2019
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**–**	1
	3	3

In the prior years, share options were granted to non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options, which had been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the previous year was included in the above non-director highest paid employees' remuneration disclosures.

There was no remuneration paid during the year to the non-director highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2019: 25%) during the year.

	2020 HK$'000	2019 HK$'000
Current – Hong Kong		
Charge for the year	**797**	13,126
Underprovision in prior years	**619**	72
Current – Mainland China		
Charge for the year	**104**	364
Underprovision in prior years	**–**	387
Deferred (note 28)	**18,501**	1,185
Total tax charge for the year	**20,021**	15,134

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

	2020 HK$'000	2019 HK$'000
Profit/(loss) before tax	**(617,082)**	40,714
Tax at the Hong Kong statutory tax rate of 16.5% (2019: 16.5%)	**(101,819)**	6,718
Difference in tax rates applied for specific provinces in Mainland China	**(1,552)**	157
Adjustment in respect of current tax of previous periods	**619**	459
Income not subject to tax	**(967)**	(1,956)
Expenses not deductible for tax	**39,981**	2,957
Tax losses utilised from previous periods	**(771)**	(227)
Tax losses not recognised	**64,972**	7,915
Temporary differences not recognised	**713**	388
Reversal of deferred tax assets previously recognised	**18,501**	–
Others	**344**	(1,277)
Tax charge at the Group's effective tax rate	**20,021**	15,134

11. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution during the year:		
Final 2019 – HK0.79 cent (2019: Final 2018 – HK1.31 cents) per ordinary share	**10,270**	17,030
Special final 2019 – Nil (2019: Special final 2018 – HK3.69 cents per ordinary share)	**–**	47,970
Special interim 2020 – Nil (2019: HK3.5 cents per ordinary share)	**–**	45,500
	10,270	110,500
Dividends proposed after the end of the reporting period:		
Proposed final 2020 – Nil (2019: Proposed final 2019 – HK0.79 cent per ordinary share)	**–**	10,270

The final dividend of HK0.79 cent per ordinary share, totalling approximately HK$10,270,000 for the year ended 31 March 2019 was approved by the Company's shareholders on 30 September 2019.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on loss for the year attributable to ordinary equity holders of the Company of HK$637,476,000 (2019: profit of HK$25,496,000) and 1,300,000,000 (2019: 1,300,000,000) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as impact of the share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented for the years ended 31 March 2020 and 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Air conditioning HK$'000	Kitchen equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2020							
At 1 April 2019 (restated):							
Cost	472,375	120,170	32,044	64,402	52,797	3,500	745,288
Accumulated depreciation and impairment	(326,615)	(89,953)	(25,400)	(54,585)	(44,431)	(3,174)	(544,158)
Net carrying amount	145,760	30,217	6,644	9,817	8,366	326	201,130
At 31 March 2019, net of accumulated depreciation and impairment	145,760	30,217	6,644	9,817	8,366	629	201,433
Effect of adoption of HKFRS 16	–	–	–	–	–	(303)	(303)
At 1 April 2019 (restated)	145,760	30,217	6,644	9,817	8,366	326	201,130
Additions	47,800	13,947	2,207	2,452	1,542	–	67,948
Disposal	(1,903)	(529)	(35)	(251)	(159)	–	(2,877)
Write-off	(8,778)	(694)	(65)	(120)	(136)	–	(9,793)
Depreciation provided during the year	(55,721)	(10,740)	(3,956)	(4,704)	(4,334)	(175)	(79,630)
Impairment	(44,442)	(5,446)	(2,434)	(860)	(563)	–	(53,745)
Exchange realignment	(607)	(171)	(8)	(114)	(113)	–	(1,013)
At 31 March 2020, net of accumulated depreciation and impairment	82,109	26,584	2,353	6,220	4,603	151	122,020
At 31 March 2020:							
Cost	389,150	112,250	28,668	54,365	46,782	3,715	634,930
Accumulated depreciation and impairment	(307,041)	(85,666)	(26,315)	(48,145)	(42,179)	(3,564)	(512,910)
Net carrying amount	82,109	26,584	2,353	6,220	4,603	151	122,020

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

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Air conditioning HK$'000	Kitchen equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2019							
At 1 April 2018:							
Cost	483,816	119,905	33,044	71,193	49,443	5,466	762,867
Accumulated depreciation and impairment	(319,046)	(91,151)	(24,306)	(58,121)	(42,517)	(4,126)	(539,267)
Net carrying amount	164,770	28,754	8,738	13,072	6,926	1,340	223,600
At 1 April 2018, net of accumulated depreciation and impairment	164,770	28,754	8,738	13,072	6,926	1,340	223,600
Additions	48,954	12,982	2,987	3,095	6,565	–	74,583
Disposal	(5,427)	(866)	(4)	(489)	(221)	–	(7,007)
Write-off	(128)	(70)	(7)	(3)	(69)	–	(277)
Depreciation provided during the year	(58,900)	(10,379)	(4,998)	(5,736)	(4,802)	(699)	(85,514)
Impairment	(1,294)	–	–	–	–	–	(1,294)
Exchange realignment	(2,215)	(204)	(72)	(122)	(33)	(12)	(2,658)
At 31 March 2019, net of accumulated depreciation and impairment	145,760	30,217	6,644	9,817	8,366	629	201,433
At 31 March 2019:							
Cost	472,375	120,170	32,044	64,402	52,797	5,454	747,242
Accumulated depreciation and impairment	(326,615)	(89,953)	(25,400)	(54,585)	(44,431)	(4,825)	(545,809)
Net carrying amount	145,760	30,217	6,644	9,817	8,366	629	201,433

As at 31 March 2019, the net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles was HK$303,000.

During the year ended 31 March 2020, management has closed certain under-performing restaurants and the items of property, plant and equipment of these restaurants are written-off by the Group prior to the expected useful lives of these relevant assets.

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

As at 31 March 2020, the Group's management identified certain loss making restaurants which indicated that impairment of their property, plant and equipment may exist and estimated the corresponding recoverable amount of their property, plant and equipment. Based on the assessment performed by the Group's management, an impairment loss of HK$53,745,000 (2019: HK$1,294,000) was recognised to write down the carrying amounts of these items of property, plant and equipment to their recoverable amounts as at 31 March 2020. The estimates of the recoverable amounts of these items of property, plant and equipment were determined based on a value in use calculation by using a pre-tax discount rate of 10% (2019: 13%).

Further details of the impairment testing are set out in note 16 to the financial statements.

14. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
Carrying amount at beginning of year	**–**	–
Additions	**207,651**	–
Net losses from fair value adjustment	**(18,051)**	–
Carrying amount at end of year	**189,600**	–

The directors of the Company have determined that the Group's investment properties consisted of two classes of assets, i.e. commercial property and two car parking spaces based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2020 based on valuations performed by Ravia Global Appraisal Advisory Limited, independent firm of surveyors, at HK$189,600,000. Each year, management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 March 2020, the Group's investment properties with a carrying amount of HK$189,600,000 (2019: Nil) were pledged to secure general banking facilities granted to the Group (note 25).

Further particulars of the Group's investment properties are included on page 36.

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties as at 31 March 2020:

	Fair value measurement as at 31 March 2020 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial property and car parking spaces	–	–	189,600	189,600

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property and car parking spaces HK$'000
Carrying amount at 1 April 2018, 31 March 2019 and 1 April 2019	–
Additions	207,651
Net losses from fair value adjustment recognised in profit or loss	(18,051)
Carrying amount at 31 March 2020	189,600

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable input
Commercial property and car parking spaces	Market comparison approach	Market price (per square feet)

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

The fair value of investment properties is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square feet basis, and adjustment of the comparable sales values to reflect their superior and inferior characteristics to the investment properties held by the Group. Factors to be considered in making the adjustments include the size and location of the comparable sales.

The key input was the market price per square feet, which a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and motor vehicles used in its operations. Leases of buildings generally have lease terms between 2 and 12 years, while motor vehicles generally have lease terms between 3 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension options and variable lease payments, which are further discussed below.

(a) *Right-of-use assets*

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

	Buildings	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 April 2019	529,587	303	529,890
Additions	169,035	348	169,383
Lease modifications	(54,872)	–	(54,872)
Depreciation charge	(245,012)	(351)	(245,363)
Impairment	(105,110)	–	(105,110)
Exchange realignment	(3,594)	–	(3,594)
As at 31 March 2020	290,034	300	290,334

At 31 March 2020, certain of the Group's right-of-use assets (2019: property, plant and equipment) with an aggregate carrying amount of HK$300,000 (2019: HK$303,000) were pledged to secure the Group's lease liabilities.

As at 31 March 2020, the Group's management identified certain loss making restaurants which indicated that impairment of their right-of-use assets may exist and estimated the corresponding recoverable amounts of their right-of-use assets. Based on the assessment performed by the Group's management, an impairment loss of HK$105,110,000 (2019: Nil) was recognised to write down the carrying amounts of these right-of-use assets to their recoverable amounts as at 31 March 2020. The estimates of the recoverable amounts of these right-of-use assets were determined based on a value in use calculation by using a pre-tax discount rate of 10%.

Further details of the impairment testing are set out in note 16 to the financial statements.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of the Group's lease liabilities and the movements during the year are as follows:

	2020 Lease liabilities HK$'000	2019 Finance payables lease HK$'000
Carrying amount at beginning of year	**554,001**	1,225
New leases	**169,144**	–
Accretion of interest recognised during the year	**22,402**	56
Lease modifications	**(55,509)**	–
Rent concession related to covid-19 (note 5)	**(2,519)**	–
Payments	**(195,427)**	(540)
Disposal of subsidiaries (note 32)	**(3,216)**	–
Exchange realignment	**(4,385)**	–
Carrying amount at end of year	**484,491**	741
Analysed into:		
Current portion	**260,710**	389
Non-current portion	**223,781**	352
Carrying amount at 31 March	**484,491**	741

The maturity analysis of lease liabilities (2019: finance lease payables) is disclosed in note 41 to the financial statements.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2020 HK$'000
Interest on lease liabilities	**22,402**
Depreciation charge of right-of-use assets	**245,363**
Impairment of right-of-use assets	**105,110**
Expense relating to short-term leases, other leases with remaining lease terms ended on or before 31 March 2020 and leases of low-value assets (included in property rentals and related expenses)	**122,665**
Variable lease payments not included in the measurement of lease liabilities (included in property rentals and related expenses)	**585**
Rent concession related to covid-19	**(2,519)**
Total amount recognised in profit or loss	**493,606**

(d) *Extension options*

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs.

(e) *Variable lease payments*

The Group leased a number of restaurants which contain variable lease payment terms that are based on the Group's turnover generated from the restaurants. There are also minimum annual base rental arrangements for these leases. The amounts of the fixed and variable lease payments recognised in profit or loss for the current year for these leases are HK$592,000 and HK$585,000, respectively.

In addition, rent concessions arising as a direct consequence of the covid-19 pandemic of HK$2,519,000 has been accounted for as a negative variable lease payment and credited to profit or loss for the current year.

(f) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 33 and 36, respectively, to the financial statements.

The Group as a lessor

The Group subleases its leased buildings in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income (included in food court income) recognised by the Group during the year was HK$3,544,000 (2019: HK$2,068,000), included in "Other income and gains, net" to the financial statements (note 5).

15. LEASES *(Continued)*

The Group as a lessor *(Continued)*

At 31 March 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**3,211**	–
After one year but within two years	**3,731**	–
After two years but within three years	**946**	–
	7,888	–

16. GOODWILL

	HK$'000
At 1 April 2018, 31 March 2019 and 1 April 2019:	
Cost and net carrying amount	58,707
Cost and net carrying amount at 1 April 2018, 31 March 2019 and 1 April 2019	58,707
Impairment during the year	(58,707)
Cost at 31 March 2020, net of accumulated impairment	–
At 31 March 2020:	
Cost	58,707
Accumulated impairment	(58,707)
Net carrying amount	–

16. GOODWILL *(Continued)*

Impairment testing of goodwill, intangible assets with indefinite useful lives, property, plant and equipment and right-of-use assets

The carrying amounts of goodwill and intangible assets with indefinite lives allocated to each of the groups of cash-generating units ("CGUs") are as follows:

	Fulum restaurant operations CGUs		Fulum Concept restaurant operations CGUs		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Goodwill:						
Cost	**27,728**	27,728	**30,979**	30,979	**58,707**	58,707
Accumulated impairment	**(27,728)**	–	**(30,979)**	–	**(58,707)**	–
Carrying amount	**–**	27,728	**–**	30,979	**–**	58,707
Intangible assets:						
Cost	**13,000**	13,000	**–**	–	**13,000**	13,000
Accumulated impairment	**(13,000)**	–	**–**	–	**(13,000)**	–
Carrying amount	**–**	13,000	**–**	–	**–**	13,000

For the purpose of impairment testing of property, plant and equipment and right-of-use assets, the Group regards each individual restaurant as a separately identifiable CGU and carried out impairment assessment for the restaurants which have indicator of impairment.

For the purpose of impairment testing of goodwill and intangible assets, goodwill has been allocated to "Fulum restaurant operations CGUs" and "Fulum Concept restaurant operations CGUs", while intangible assets has been allocated to "Fulum restaurant operations CGUs".

The recoverable amounts of the CGUs have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period (the "5-Year Projection"). Revenue from restaurant operations is estimated based on the business trend in the industry of restaurant operation, historical performance, market conditions and economic outlook. Expenses, including cost of inventories sold and staff costs, are estimated based on the rate of increase in revenue and the expected market conditions.

The growth rate used to extrapolate the cash flows beyond the five-year (2019: five-year) period is 0.5% (2019: 0.5%). The discount rate used is before tax and reflects specific risks relating to the cash-generating units. The pre-tax discount rate applied to the cash flow projections is 10% (2019: 13%).

16. GOODWILL *(Continued)*

Impairment testing of goodwill, intangible assets with indefinite useful lives, property, plant and equipment and right-of-use assets *(Continued)*

Due to the adverse change in the restaurant operations environment in Hong Kong, the Group has revised the 5-Year Projection in the current year, after taking into account the weak market sentiment in Hong Kong and impact after the outbreak of covid-19. The key assumptions used in calculating the recoverable amount of the CGUs were budgeted revenue and budgeted expenses based on past performance and management's expectations of the market development, the discount rate and the growth rate.

Based on the result of the impairment assessment, the directors of the Company determine that the recoverable amounts of the CGUs/groups of CGUs are lower than the respective carrying amounts. After full impairment on the goodwill, the remaining impairment amount has been allocated to each category of intangible assets, property, plant and equipment and right-of-use assets, such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.

As a result, impairment of HK$58,707,000 (2019: Nil), HK$13,000,000 (2019: Nil) (note 17), HK$53,745,000 (2019: HK$1,294,000) (note 13) and HK$105,110,000 (2019: Nil) (note 15(a)) have been recognised in respect of the gross amounts of goodwill, intangible assets, property, plant and equipment, and right-of-use assets of the Group, respectively, during the year ended 31 March 2020.

17. INTANGIBLE ASSETS

	HK$'000
At 1 April 2018, 31 March 2019 and 1 April 2019:	
Cost and net carrying amount	13,000
Cost and net carrying amount at 1 April 2018, 31 March 2019 and 1 April 2019	13,000
Impairment during the year	(13,000)
Cost at 31 March 2020, net of accumulated impairment	–
At 31 March 2020:	
Cost	13,000
Accumulated impairment	(13,000)
Net carrying amount	–

17. INTANGIBLE ASSETS *(Continued)*

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

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

The trademarks with indefinite useful lives are allocated to the Fulum restaurant operations CGUs for the purpose of impairment testing. Details of impairment testing are set out in note 16 to the financial statements.

18. INVENTORIES

	2020 HK$'000	2019 HK$'000
Food and beverages	**80,047**	81,567
Other operating items for restaurant operations	**5,020**	4,853
	85,067	86,420

19. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Credit card receivables	**871**	9,621
Others	**19,934**	19,509
	20,805	29,130
Impairment	**(11,877)**	(4,948)
	8,928	24,182

The Group's trading terms with its customers are mainly on cash and credit card settlement while trading terms for sale of food are on credit with credit periods ranging from 30 to 60 days (2019: 30 to 60 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

19. TRADE RECEIVABLES *(Continued)*

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

	2020	2019
	%	%
Largest debtor	**10**	29
Five largest debtors	**39**	52

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

	2020	2019
	HK$'000	HK$'000
Within 1 month	**5,706**	13,393
1 to 3 months	**1,092**	5,073
3 to 12 months	**1,586**	4,755
Over 12 months	**544**	961
	8,928	24,182

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020	2019
	HK$'000	HK$'000
At beginning of year	**4,948**	2,811
Impairment losses (note 7)	**13,573**	2,137
Amount written off as uncollectible	**(6,644)**	–
At end of year	**11,877**	4,948

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

19. TRADE RECEIVABLES *(Continued)*

During the year, the expected loss rates for trade receivables with certain customers that were credit impaired were assessed specifically by management. For trade receivables that are past due over three months but not credit impaired, management has not observed objective evidence of financial difficulties of the debtors and has been taking credit risk mitigating measures. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2020

			Past due			
	Credit impaired receivables HK$'000	**Current HK$'000**	**1 to 3 months HK$'000**	**3 to 12 months HK$'000**	**Over 12 months HK$'000**	**Total HK$'000**
Expected credit loss rate	**100%**	**10.62%**	**10.96%**	**67.55%**	**95.31%**	**57.08%**
Gross carrying amount (HK$'000)	**6,199**	**7,278**	**1,304**	**3,529**	**2,495**	**20,805**
Expected credit losses (HK$'000)	**6,199**	**773**	**143**	**2,384**	**2,378**	**11,877**

As at 31 March 2019

			Past due			
	Credit impaired receivables HK$'000	**Current** HK$'000	**1 to 3 months** HK$'000	**3 to 12 months** HK$'000	**Over 12 months** HK$'000	**Total** HK$'000
Expected credit loss rate	100%	1.02%	3.38%	3.38%	96.77%	16.99%
Gross carrying amount (HK$'000)	2,811	13,373	4,795	6,478	1,673	29,130
Expected credit losses (HK$'000)	2,811	137	162	219	1,619	4,948

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	**2,945**	7,507
Deposits	**145,693**	150,345
Rental deposits paid to related companies*	**15,756**	13,376
Deposits for purchases of items of property, plant and equipment	**39**	67,016
Other receivables	**21,905**	57,490
	186,338	295,734
Less: impairment – other receivables	**(6,600)**	–
	179,738	295,734
Analysed into:		
Non-current portion	**69,672**	147,349
Current portion	**110,066**	148,385
	179,738	295,734

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

The movements in the loss allowance for impairment of other receivables are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of year	**–**	–
Impairment losses (note 7)	**6,600**	–
At end of year	**6,600**	–

Except for the aforementioned impaired other receivables, the remaining financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts, and the loss allowance was assessed to be minimal as at 31 March 2020.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Listed equity investments, at fair value	**10,767**	–

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

22. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and bank balances	**111,410**	444,922
Time deposits	**5,002**	52,000
	116,412	496,922

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to HK$46,998,000 (2019: HK$41,675,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

23. TRADE PAYABLES

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

	2020 HK$'000	2019 HK$'000
Within 1 month	**22,692**	57,660
1 to 3 months	**11,095**	30,013
3 to 12 months	**1,508**	892
Over 12 months	**1,701**	243
	36,996	88,808

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

24. OTHER PAYABLES, ACCRUALS AND DEFERRED INCOME

	Note	2020 HK$'000	2019 HK$'000
Other payables		**19,832**	14,604
Accruals		**43,087**	102,509
Contract liabilities	(a)	**13,713**	15,293
Deferred other income		**5,811**	7,830
		82,443	140,236
Analysed into:			
Non-current liabilities		**3,522**	22,269
Current liabilities		**78,921**	117,967
		82,443	140,236

Note:

(a) Details of contract liabilities are as follows:

	31 March 2020 HK$'000	31 March 2019 HK$'000	1 April 2018 HK$'000
Short-term advances received from customers			
Restaurant operations	**13,713**	15,293	13,112

Included in "Other payables, accruals and deferred income" at 31 March 2020 are salaries payable of HK$229,000 (2019: Nil) to the Group's directors, which are unsecured, interest-free and repayable on demand.

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

25. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	1-month HIBOR +1.45% to 1-month HIBOR +2.5%^	2020 or on demand	21,682	1-month HIBOR +1.75%^	2020	400
Bank loan – secured	1-month HIBOR +1.45%^	On demand	72,912			–
			94,594			400

	2020 HK$'000	2019 HK$'000
Analysed into:		
Bank loans repayable within one year or on demand	94,594	400

All borrowings are in Hong Kong dollars. The Group's bank loan of HK$72,912,000 (2019: Nil) as at 31 March 2020 is secured by mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$189,600,000 (2019: Nil).

Some of the Group's banking facilities are subject to covenant clauses, whereby the Group is required to meet certain key financial requirements. The Group did not fulfill one of the financial requirements as required in the backing facilities agreements for a credit line of approximately HK$242 million, of which the Group has drawn an amount in aggregate of approximately HK$84 million up to 31 March 2020. The related outstanding balance of HK$77,762,000 as at 31 March 2020 is presented as current liabilities in the Group's consolidated statement of financial position as at 31 March 2020. The bank has not requested early repayment of the outstanding loans as at the date of approval of these financial statements. Management is in the process of a waiver application and renegotiating the terms of the bank loans with the bank, and expects that revised loan agreements will be in place in the second half of 2020.

^ HIBOR denotes Hong Kong Interbank Offered Rate.

26. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles for its operations. These leases were classified as finance leases prior to HKFRS 16 becoming effective on 1 April 2019 and had remaining lease terms ranging from one to three years.

At 31 March 2019, the Group's total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments HK$'000	**Present value of minimum lease payments** HK$'000
Amounts payable:		
Within one year	421	389
In the second year	290	277
In the third to fifth years, inclusive	77	75
Total minimum finance lease payments	788	741
Future finance charges	(47)	
Total net finance lease payables	741	
Portion classified as current liabilities	(389)	
Non-current portion	352	

27. PROVISION

	2020 HK$'000	2019 HK$'000
At beginning of year	**24,042**	30,739
Additional provision	**1,196**	2,010
Amounts utilised during the year	**(60)**	(5,395)
Reversal of unutilised amounts (note 5)	**(3,494)**	(3,272)
Disposal of subsidiaries (note 32)	**(1,934)**	–
Exchange realignment	**(72)**	(40)
At end of year	**19,678**	24,042
Analysed into:		
Non-current portion	**12,918**	19,048
Current portion	**6,760**	4,994
	19,678	24,042

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

28. DEFERRED TAX

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

Deferred tax assets

	Depreciation in excess of related depreciation allowance HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000
At 1 April 2018	10,045	8,320	4,432	22,797
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	3,809	(5,323)	125	(1,389)
Exchange realignment	(48)	–	(7)	(55)
At 31 March 2019 and 1 April 2019	13,806	2,997	4,550	21,353
Deferred tax charged to the statement of profit or loss during the year (note 10)	(12,942)	(1,654)	(4,525)	(19,121)
Disposal of subsidiaries (note 32)	(813)	(1,117)	(22)	(1,952)
Exchange realignment	(51)	–	(3)	(54)
At 31 March 2020	–	226	–	226

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising form acquisition of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 April 2018	1,747	18	121	1,886
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(336)	(10)	142	(204)
Exchange realignment	–	–	(15)	(15)
At 31 March 2019 and 1 April 2019	1,411	8	248	1,667
Deferred tax credited to the statement of profit or loss during the year (note 10)	(612)	(8)	–	(620)
Disposals of subsidiaries (note 32)	(63)	–	–	(63)
Exchange realignment	–	–	(14)	(14)
At 31 March 2020	736	–	234	970

28. DEFERRED TAX *(Continued)*

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

	2020 HK$'000	2019 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	20,671
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(744)**	(985)
	(744)	19,686

At 31 March 2020, the Group had estimated tax losses arising in Hong Kong of approximately HK$483,336,000 (2019: HK$96,178,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. At 31 March 2020, the Group also had estimated tax losses arising in Mainland China of HK$1,282,000 (2019: Nil) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of tax losses arising in Hong Kong of HK$481,966,000 (2019: HK$78,017,000) and tax losses arising in Mainland China of HK$1,282,000 (2019: Nil) as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. In addition, the Group has deductible temporary differences of HK$160,806,000 (2019: HK$39,721,000) for which deferred tax assets have not been recognised. The related tax effects are as follows:

	2020 HK$'000	2019 HK$'000
Tax losses	**79,844**	12,873
Deductible temporary differences	**26,533**	6,554
	106,377	19,427

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

28. DEFERRED TAX *(Continued)*

At 31 March 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totally approximately HK$1,049,000 (2019: HK$1,670,000).

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

29. ISSUED CAPITAL

Shares

	2020 HK$'000	2019 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.001 each	**2,000**	2,000
Issued and fully paid:		
1,300,000,000 shares of HK$0.001 each	**1,300**	1,300

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 30 to the financial statements.

30. SHARE OPTION SCHEMES

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

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

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

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

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

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

30. SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

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

	2020		2019	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At beginning of year	**0.93**	**42,420**	0.93	43,450
Forfeited or lapsed during the year	**0.93**	**(42,420)**	0.93	(1,030)
At end of year	**–**	**–**	0.93	42,420

30. SHARE OPTION SCHEMES *(Continued)*

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme as at 31 March 2019 were as follows:

2019

Number of options '000	Exercise price* HK$ per share	Exercise period
13,998	0.93	13 November 2016 to 12 November 2019
13,998	0.93	13 November 2017 to 12 November 2019
14,424	0.93	13 November 2018 to 12 November 2019
42,420		

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

No share options were granted under the Schemes during the year (2019: Nil).

The Group recognised a share option expense of HK$1,252,000 during the year ended 31 March 2019.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 58 to 59 of the financial statements.

(a) Other reserve

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

(b) Merger reserve

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

(c) Share option reserve

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

32. DISPOSAL OF SUBSIDIARIES

(a) During the year ended 31 March 2020, the Group disposed of its entire interests in certain subsidiaries to independent third parties for an aggregate consideration of HK$5.

	Notes	2020 HK$'000
Net assets disposed of:		
Cash and bank balances		**164**
Trade receivables		**45**
Prepayments, deposits and other receivables		**7,177**
Tax recoverable		**128**
Deferred tax assets	28	**1,952**
Trade payables		**(354)**
Other payables		**(1,752)**
Lease liabilities	15(b)	**(3,216)**
Provision	27	**(1,934)**
Tax payable		**(173)**
Deferred tax liabilities	28	**(63)**
Non-controlling interests		**(1,057)**
		917
Loss on disposal of subsidiaries (note 7)		**917**
		–
Satisfied by:		
Cash		**–**

32. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) On 28 February 2019, the Group disposed of its entire equity interests in China Vantage Enterprise Limited and Sinobond Investment Development Limited, to an independent third party for an aggregate consideration of HK$100.

	2019 HK$'000
Net assets disposed of:	
Cash and bank balances	142
Prepayments, deposits and other receivables	1,412
Tax recoverable	392
Other payables	(229)
	1,717
Loss on disposal of subsidiaries (note 7)	1,717
	–
Satisfied by:	
Cash	–

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

	2020 HK$'000	2019 HK$'000
Cash consideration	**–**	–
Cash and bank balances disposed of	**(164)**	(142)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(164)**	(142)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

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

(i) During the year, the Group entered into rental agreements in respect of certain of its restaurant properties under operating leases. Pursuant to the terms and conditions of the rental agreements, the Group is required to restore the restaurant properties to the conditions as stipulated in the rental agreements. Accordingly, the Group has accrued and capitalised the estimated restoration costs of HK$1,196,000 (2019: HK$2,010,000) when such obligations arose.

(ii) During the year, the Group entered into sponsorship agreements with certain utility companies. Pursuant to the terms and conditions of the sponsorship agreements, the Group received certain items of property, plant and equipment with a total value of HK$1,158,000 (2019: HK$1,420,000) at nil consideration. The Group has capitalised these items of property, plant and equipment with corresponding entries to a deferred income account on receipt of such items.

(iii) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$169,144,000 and HK$169,144,000, respectively, in respect of lease arrangements for buildings (2019: Nil).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings HK$'000	Finance lease payables/lease liabilities HK$'000
2020		
At 31 March 2019	**400**	**741**
Effect of adoption of HKFRS 16	**–**	**553,260**
At 1 April 2019 (restated)	**400**	**554,001**
Changes from financing cash flows	**94,194**	**(195,427)**
New leases	**–**	**169,144**
Lease modifications	**–**	**(55,509)**
Rent concession related to covid-19	**–**	**(2,519)**
Accretion of interest	**–**	**22,402**
Disposal of subsidiaries	**–**	**(3,216)**
Exchange realignment	**–**	**(4,385)**
At 31 March 2020	**94,594**	**484,491**

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)

(b) Changes in liabilities arising from financing activities *(Continued)*

	Interest-bearing bank borrowings HK$'000	Finance lease payables/lease liabilities HK$'000
2019		
At 1 April 2018	10,783	1,225
Changes from financing cash flows	(10,383)	(484)
At 31 March 2019	400	741

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 HK$'000
Within operating activities	**(123,250)**
Within financing activities	**(195,427)**
	(318,677)

34. CONTINGENT LIABILITIES

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

	2020 HK$'000	2019 HK$'000
Bank guarantees given in lieu of rental and utility deposits	**38,685**	46,592

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank guarantee for a banking facility and lease liabilities, are included in notes 14, 15 and 25 to the financial statements.

36. OPERATING LEASE ARRANGEMENTS

As lessee

In addition to the lease arrangements detailed in note 15 to the financial statements, as at 31 March 2020, the Group leases certain of its advertisement boxes under operating lease arrangements. Leases for these low-value assets are negotiated for terms ranging from one year to five years.

Prior to the adoption of HKFRS 16, as at 31 March 2019, the Group leased certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties were negotiated for terms ranging from one to twelve years.

At 31 March 2020, the Group had total future lease payments under non-cancellable lease contracts (including leases of low-value assets and lease contracts that have not yet commenced as at 31 March 2020) as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**10,121**	383,971
In the second to fifth years, inclusive	**49,626**	320,760
Beyond five years	**7,668**	34,953
	67,415	739,684

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and a contingent rent based on the sales of these restaurants pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table as at 31 March 2019.

37. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**1,902**	1,310

In addition, on 28 March 2018, the Company, through its indirect wholly-owned subsidiary, entered into a provisional agreement and a commitment letter with an independent third party to acquire a property (which is currently under construction) and the right to name the Chinese name of the development to be erected in or upon all that piece of ground registered in Hong Kong for an aggregate cash consideration of HK$194,712,000 (collectively, the "Acquisition"). As at 31 March 2019, an aggregate amount of deposits of HK$48,678,000 was made by the Group in respect of the Acquisition. The Acquisition was completed during the year ended 31 March 2020, and the Group had no outstanding capital commitment relating to the Acquisition as at 31 March 2020.

38. RELATED PARTY TRANSACTIONS

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

	2020 HK$'000	2019 HK$'000
Related companies*:		
Purchase of food^	**3,307**	3,771
Rental expenses^	**78,859**	110,280
Wavier of reinstatement liabilities	**–**	2,259

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

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

During the year ended 31 March 2019, the Group obtained the waiver of reinstatement liabilities of the premises leased from the related companies controlled by the Controlling Shareholders and/or their family members.

During the year ended 31 March 2020, the Group's certain restaurants were leased from related companies controlled by the Controlling Shareholders and/or their family members. Rental expenses of HK$78,859,000 were charged by these related companies, for leases with remaining lease terms ended on or before 31 March 2020, on mutually agreed terms.

As at 31 March 2020, the right-of-use assets related to the restaurants leased from these related companies amounted to HK$46,000 and lease liabilities of HK$4,956,000 are due to these related companies of the Group. Depreciation of right-of-use assets related to these restaurants amounted to HK$13,130,000 and interest on lease liabilities to these related companies of the Group amounted to HK$511,000 during the year ended 31 March 2020.

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

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

	2020 HK$'000	2019 HK$'000
Short term employee benefits	**7,401**	7,833
Post-employment benefits	**126**	126
Equity-settled share option expense	**–**	835
Total compensation paid to key management personnel	**7,527**	8,794

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
2020			
Trade receivables	**–**	**8,928**	**8,928**
Financial assets included in prepayments, deposits and other receivables	**–**	**176,754**	**176,754**
Financial assets at fair value through profit or loss	**10,767**	**–**	**10,767**
Cash and cash equivalents	**–**	**116,412**	**116,412**
	10,767	**302,094**	**312,861**
2019			
Trade receivables	–	24,182	24,182
Financial assets included in prepayments, deposits and other receivables	6,923	214,288	221,211
Cash and cash equivalents	–	496,922	496,922
	6,923	735,392	742,315

Financial liabilities

	Financial liabilities at amortised cost	
	2020 HK$'000	2019 HK$'000
Trade payables	**36,996**	88,808
Financial liabilities included in other payables, accruals and deferred income	**62,694**	32,838
Interest-bearing bank borrowings	**94,786**	400
Lease liabilities	**484,491**	–
Finance lease payables	**–**	741
	678,967	122,787

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Financial assets				
Deposits, non-current portion	**69,633**	78,719	**69,440**	72,730
Other receivables, non-current portion	**–**	6,923	**–**	6,923
Financial assets at fair value through profit or loss	**10,767**	–	**10,767**	–
	80,400	85,642	**80,207**	79,653
Financial liabilities				
Finance lease payables	**–**	741	**–**	788

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

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

The fair values of the non-current portion of deposits, other receivables and finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables as at 31 March 2019 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	**10,767**	–	–	**10,767**

As at 31 March 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets included in prepayments, deposits and other receivables	–	6,923	–	6,923

The Group did not have any financial liabilities measured at fair value as at 31 March 2020 and 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liability outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2020 and 2019 would have increased/decreased the Group's loss before tax by HK$474,000 and decreased/increased the Group's profit before tax by HK$2,000, respectively.

Foreign currency risk

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

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

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

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

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March. The amounts presented are gross carrying amounts for financial assets.

As at 31 March 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	20,805	20,805
Financial assets included in prepayments, deposits and other receivables					
– Normal**	170,624	–	–	–	170,624
– Doubtful**	–	12,730	–	–	12,730
Cash and cash equivalents					
– Not past due	116,412	–	–	–	116,412
	287,036	12,730	–	20,805	320,571

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

As at 31 March 2019

	12-month ECLs		Lifetime ECLs		
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	29,130	29,130
Financial assets included in prepayments, deposits and other receivables**	214,288	–	–	–	214,288
Cash and cash equivalents – Not past due	496,922	–	–	–	496,922
	711,210	–	–	29,130	740,340

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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

	2020			
	Less than 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**36,996**	**–**	**–**	**36,996**
Financial liabilities included in other payables, accruals and deferred income	**62,694**	**–**	**–**	**62,694**
Interest-bearing bank borrowings	**97,286**	**–**	**–**	**97,286**
Lease liabilities	**275,007**	**209,478**	**32,023**	**516,508**
	471,983	**209,478**	**32,023**	**713,484**

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	2019		
	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	88,808	–	88,808
Financial liabilities included in other payables, accruals and deferred income	32,838	–	32,838
Interest-bearing bank borrowings	400	–	400
Finance lease payables	421	367	788
	122,467	367	122,834

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 2019.

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

	2020 HK$'000	2019 HK$'000
Interest-bearing bank borrowings	**94,594**	400
Finance lease payables	**–**	741
	94,594	1,141
Equity attributable to owners of the Company	**286,894**	937,671
Gearing ratio	**33.0%**	0.1%

42. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 April 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**–**	77,000
CURRENT ASSETS		
Other receivables	**8**	196
Due from subsidiaries	**302,497**	594,253
Cash and cash equivalents	**516**	56,006
Total current assets	**303,021**	650,455
CURRENT LIABILITIES		
Other payables and accruals	**–**	559
Due to subsidiaries	**11,277**	11,196
Interest-bearing bank borrowings	**4,850**	400
Total current liabilities	**16,127**	12,155
NET CURRENT ASSETS	**286,894**	638,300
Net assets	**286,894**	715,300
EQUITY		
Issued capital	**1,300**	1,300
Reserves (note)	**285,594**	714,000
Total equity	**286,894**	715,300

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

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

	Share premium account HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
At 1 April 2018	540,140	26,744	253,828	820,712
Profit and total comprehensive income for the year	–	–	2,536	2,536
Equity-settled share option expense	–	1,252	–	1,252
Transfer of share option reserve upon the forfeiture of share options	–	(582)	582	–
Final 2018 dividend declared	–	–	(17,030)	(17,030)
Special final 2018 dividend declared	–	–	(47,970)	(47,970)
Special final 2019 dividend declared	–	–	(45,500)	(45,500)
At 31 March 2019 and 1 April 2019	**540,140**	**27,414**	**146,446**	**714,000**
Loss and total comprehensive loss for the year	**–**	**–**	**(418,136)**	**(418,136)**
Transfer of share option reserve upon the forfeiture/lapse of share options	**–**	**(27,414)**	**27,414**	**–**
Final 2019 dividend declared	**–**	**–**	**(10,270)**	**(10,270)**
At 31 March 2020	**540,140**	**–**	**(254,546)**	**285,594**

44. EVENT AFTER THE END OF THE REPORTING PERIOD

Following the outbreak of covid-19, there are various quarantine and distancing measures imposed which have had a negative impact on the operations of the Group. Subsequent to 31 March 2020 and up to the date of approval of these financial statements, the operating performance of the Group's certain restaurants is gradually improving. In addition, the Government of the Hong Kong Special Administrative Region announced the second phase of the Anti-epidemic Fund (the "Fund") in April 2020. The Group has applied for the Fund, which will be released in the second half of 2020, and expects that the Group's financial position will be further improved.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2020.

FIVE-YEAR FINANCIAL SUMMARY

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

	Year ended 31 March				
	2020 **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
RESULTS					
REVENUE	**1,853,918**	2,627,192	2,961,974	2,965,974	2,773,289
Cost of inventories sold	**(642,780)**	(778,226)	(874,762)	(842,926)	(801,116)
	1,211,138	1,848,966	2,087,212	2,123,048	1,972,173
Other income and gains, net	**36,121**	18,104	21,269	19,643	21,442
Staff costs	**(683,798)**	(880,271)	(977,101)	(990,064)	(903,855)
Property rentals and related expenses	**(188,374)**	(471,443)	(545,771)	(523,660)	(475,468)
Depreciation of right-of-use assets	**(245,363)**	–	–	–	–
Depreciation of property, plant and equipment	**(79,630)**	(85,514)	(98,800)	(97,529)	(85,281)
Fuel and utility expenses	**(121,430)**	(157,953)	(180,472)	(184,709)	(183,030)
Other expenses	**(250,248)**	(227,122)	(240,733)	(236,155)	(221,130)
Losses from impairment/write-off of non-financial assets	**(241,592)**	(1,571)	(4,574)	(1,685)	–
Losses from impairment/write-off of financial assets	**(28,562)**	(2,137)	–	(3,675)	(41)
Finance costs	**(25,344)**	(345)	(622)	(691)	(796)
PROFIT/(LOSS) BEFORE TAX	**(617,082)**	40,714	60,408	104,523	124,014
Income tax expense	**(20,021)**	(15,134)	(17,931)	(21,681)	(22,610)
PROFIT/(LOSS) FOR THE YEAR	**(637,103)**	25,580	42,477	82,842	101,404
Attributable to:					
Owners of the Company	**(637,476)**	25,496	42,477	82,842	101,404
Non-controlling interests	**373**	84	–	–	–
	(637,103)	25,580	42,477	82,842	101,404

ASSETS AND LIABILITIES

	As at 31 March				
	2020 **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
TOTAL ASSETS	**1,011,357**	1,202,420	1,336,965	1,307,996	1,283,663
TOTAL LIABILITIES	**(724,463)**	(264,065)	(311,411)	(299,442)	(324,244)
NON-CONTROLLING INTERESTS	**–**	684	–	–	–
TOTAL EQUITY	**286,894**	938,355	1,025,554	1,008,554	959,419

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