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 年報 2021

ABOUT FULUM GROUP

Established in 1992, the 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, the 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 developing the brand diversification strategies 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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BOARD OF DIRECTORS

Executive Directors

Mr. YEUNG Wai
(Chairman)
Mr. WU Kam On Keith
(Vice Chairman and Chief Executive Officer)
Mr. YEUNG Yun Chuen
Mr. YEUNG Yun Kei
Mr. LEUNG Siu Sun
Mr. YEUNG Ho Wang
(appointed on 13 May 2021)

Independent Non-executive Directors

Mr. FAN Chun Wah Andrew
(resigned on 7 May 2021)
Mr. NG Ngai Man Raymond
Mr. WONG Wai Leung Joseph
(appointed on 7 May 2021)
Mr. CHAN Chun Bong Junbon
(appointed on 13 May 2021)

COMPANY SECRETARY

Mr. NG Kam Tsun Jeffrey

AUTHORISED REPRESENTATIVES

Mr. YEUNG Wai
Mr. NG Kam Tsun Jeffrey

MEMBERS OF AUDIT COMMITTEE

Mr. WONG Wai Leung Joseph *(Chairman)*
Mr. NG Ngai Man Raymond
Mr. CHAN Chun Bong Junbon

MEMBERS OF NOMINATION COMMITTEE

Mr. CHAN Chun Bong Junbon *(Chairman)*
Mr. NG Ngai Man Raymond
Mr. YEUNG Wai

MEMBERS OF REMUNERATION COMMITTEE

Mr. NG Ngai Man Raymond *(Chairman)*
Mr. WONG Wai Leung Joseph
Mr. YEUNG Wai

MEMBERS OF EXECUTIVE COMMITTEE

Mr. YEUNG Wai *(Chairman)*
Mr. YEUNG Yun Chuen
Mr. YEUNG Yun Kei
Mr. LEUNG Siu Sun
Mr. WU Kam On Keith
Mr. YEUNG Ho Wang

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

26/F, Capital Tower, 38 Wai Yip Street,
Kowloon Bay, 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
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

STOCK CODE

01443

WEBSITE

www.fulumgroup.com

Highlights

- Revenue was approximately HK$1,172.7 million (2020: approximately HK$1,853.9 million), representing a decrease of approximately 36.7%

- Gross profit margin[1] was at approximately 67.1% (2020: approximately 65.3%), representing an increase of approximately 1.8 percentage point

- Earning before interest expense, tax, depreciation and amortisation was approximately HK$184.9 million (2020: Loss of approximately HK$266.7 million)

- Loss for the year attributable to owners of the Company was approximately HK$168.3 million (2020: approximately HK$637.5 million)

- Basic loss per share[2] was approximately HK12.95 cents (2020: basic loss per share of approximately HK49.04 cents)

- The guest count was approximately 11.6 million (2020: approximately 18.0 million), representing a decrease of approximately 35.6%

- The Board does not recommend the payment of any dividend for the year ended 31 March 2021 (2020: Nil)

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 loss per share amounts is based on loss for the year attributable to ordinary equity holders of the Company of HK$168,305,000 (2020: HK$637,476,000) and 1,300,000,000 (2020: 1,300,000,000) ordinary shares in issue during the year.

MESSAGE from the CHAIRMAN

During the year, the catering business in Hong Kong was hit hard by the pandemic, and the anti-pandemic social distancing measures, such as limiting the number of customers at the same table and the ratio of the number of customers to the seating capacity, shortening business hours, etc., affected the business of the catering industry. The Group proactively adopted a diversified brand strategy to cope with the challenges, increased the market share of the Group's restaurants, improved operational efficiency and reduced the impact of the pandemic on the Group's operations. At the same time, the Group strengthened the sanitation measures in restaurants and offices, and strived to protect the health of all employees and customers.

The Group is fully confident in the prospects of the catering market in both Hong Kong and the PRC, and will continue to fine-tune its menu and realign the brand portfolio, actively explore high-quality and distinctive ingredients and seek new cooperation models so as to enhance the diversified brand image of the Fulum Group.

Message from the Chairman

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Fulum Group Holdings Limited (the "Company", together with its subsidiaries, the "Fulum Group" or the "Group"), I am pleased to present the annual report of the Company for the year ended 31 March 2021.

During the past year, Hong Kong has experienced a tough year, with the novel coronavirus (COVID-19) pandemic spreading across the world, restricting global economic, business and tourism activities, and affecting the performance of many traditional industries. Fortunately, after years of establishment in Hong Kong, the Group has laid a solid foundation in the Cantonese cuisine catering market and seized the opportunities arising from the crisis to proactively develop its diversified catering business and consolidate its leading position in the industry.

Over the past year, the Group continued to offer catering services of different positioning and cuisines to the market under the brands of "Fulum (富臨)", "Sportful Garden (陶源)" and "Fulum Concept (富臨概念)", allowing customers to enjoy Fulum delicacies at different time slots and covering different age groups of customers. In recent years, the catering demand of the local consumers is no longer limited to traditional Cantonese cuisine and the demand for fusion cuisine has increased significantly. The Group has proactively developed the "Fulum Concept (富臨概念)" main line, increased the number of casual-themed cafes during the year and opened the "Foodeli" branch in Telford Plaza II, Kowloon Bay with the theme of food hall, in order to bring the "Fulum Concept (富臨概念)" main line to different areas and broaden the customer base. In addition, with the pandemic becoming further under control in the Mainland China and the sustained demand for formal meals, the Group operated four "Fulum Palace (富臨皇宮)" restaurants in the Mainland China during the year to embrace the opportunities arising from the consumption upgrade in the Mainland China.

As the COVID-19 pandemic continues, the public is restricted by the containment measures to reduce dining out and stay at home. The Group recognised the surge in the public demand for food delivery and supply of quality ingredients and therefore adopted different operating strategies in a timely manner during the pandemic, such as launching a variety of takeaway options and promotions in restaurants and, online ordering platform and opening of the Group's first supermarket brand in various residential areas, mainly selling frozen meats and frozen instant food, in order to satisfy customers' demand for quality ingredients at affordable prices.

In order to further strengthen the Group's corporate governance and align with its long-term development strategy, the Board sincerely invited Mr. Wu Kam On Keith to be re-designated from an independent non-executive director to an executive director and appointed as the Chief Executive Officer of the Group. With Mr. Wu's extensive experience in the Hong Kong catering industry and in finance and accounting, the Board believes that Mr. Wu can bring new ideas to the Group's operation and lead the Group to further enhance its sustainability. On behalf of the Board, I would like to extend a warm welcome to Mr. Wu.

With the pandemic being further brought under control in Hong Kong, it is expected that social distancing measures will be further relaxed, such as increasing the ratio of the number of customers to the seating capacity and extending the opening hours of restaurants. Being fully confident in the prospects of the catering industry, the Group will continue to proactively develop a diversified brand strategy and adjust the number of 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 various areas to further increase its market share.

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

Yeung Wai
Chairman
29 June 2021

Calender

Announcement of interim results	27 November 2020
Announcement of annual results	29 June 2021
Despatch of annual report to shareholders	30 July 2021
Closure of register of members for attending the annual general meeting	21 September 2021
Annual general meeting	28 September 2021

INDUSTRY OVERVIEW

Since the outbreak of the novel coronavirus (COVID-19) pandemic in late 2019 and its global spread, this once-in-a-century pandemic has lasted for more than a year and resulted in the severe contraction in global economic activities. In order to effectively control the pandemic, the Hong Kong Government has established a series of containment measures requiring operators of catering business and persons responsible for the management of the relevant premises to strictly implement the relevant social distancing measures, such as limiting the number of customers at the same table and the ratio of the number of customers to the seating capacity, shortening business hours, etc. These measures had affected the business of the catering industry.

Despite the impact of the pandemic, the latest information released by the Census and Statistics Department of Hong Kong revealed that gross domestic product (GDP) of Hong Kong for the first quarter of 2021 had increased by approximately 7.8% in real terms as compared with the corresponding period in 2020 and there is also a significant quarter-on-quarter increase of approximately 5.3% after seasonal adjustment. Over the same period, the value of total receipts of the restaurant sector was provisionally estimated at HK$19.7 billion, representing a decrease of approximately 8.8% as compared with the corresponding period for 2020 and a quarter-on-quarter decrease of approximately 2.1% after seasonal adjustments; among which the value of total receipts of Chinese restaurants had decreased by approximately 18.3%. The figures released by the government indicated that the Hong Kong economy rebounded significantly in the first quarter of 2021. With the gradual economic recovery and decreasing unemployment rate, the Group believes that the catering industry will get back on track.

For the PRC market, according to the "Report of Prospects and Investment Forecast Analysis on China Catering Industry" (《中國餐飲行業發展前景與投資預測分析報告》) released by Qianzhan Industry Research Institute (前瞻產業研究院), the catering industry in China is gradually becoming more diversified. In addition to formal meals, the public can enjoy fast food, local snacks, Western cuisines and delivery cuisines. However, formal meals continued to dominate the catering industry in the PRC. As reported in the distribution of the catering industry in China in 2019, formal meals accounted for approximately 42.4% of the catering industry. At the same time, with the improvement of the living standards and consumption power of the public, the development momentum of China's catering industry continues to be strong. Revenue of the catering industry in China is expected to maintain growth of between 8.0% and 9.0% from 2020 to 2026, and is expected to exceed RMB8 trillion by 2026. The Group believes that formal meals are still the mainstream consumption pattern of the public in China.

BUSINESS REVIEW

During the year under review, the catering industry in Hong Kong was affected by the government's containment measures, which had led to a decrease in the number of customers. The Group has proactively adopted a brand strategy of full-time catering to cope with the challenges and extended its business coverage to different time slots throughout the day. From online to offline, the Group offers a variety of cuisines to various age groups. In terms of pandemic prevention and control measures, the Group actively follows the government's containment measures, strengthens the disinfection and cleaning of the restaurant environment and utensils, arranges regular testing for employees, and strives to protect the health of all employees and diners.

As of 31 March 2021, the Group owned a total of 82 restaurants, including 18 restaurants under the "Fulum (富臨)" main brand, 8 restaurants under the "Sportful Garden (陶源)" main brand and 52 restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong and 4 restaurants in the PRC. At the same time, the Group was operating a total of 7 supermarkets which mainly located in residential areas, providing customers with a variety of products, including high-quality ingredients such as frozen meat, fresh vegetables and fruits, prepared food and grains and oil.

During the year under review, the Group continued to focus on its core businesses under the "Fulum (富臨)" and "Sportful Garden (陶源)" main brands to provide traditional Cantonese cuisine to mass market customers and mid to high-end customers, respectively. The "Fulum (富臨)" main brand offers a wide variety of delicacies such as seafood, dim sum and hotpot, as well as luxurious venues and dining experience for wedding banquets and events for couples and customers; while the "Sportful Garden (陶源)" main brand uses premium food ingredients to prepare dishes, such as abalones, sea cucumbers, fresh seafood and bird's nests. Although the public has been affected by the prohibition of group gathering and reduced dining in restaurants during the pandemic, the Group actively launched various delivery promotion packages and online ordering services, so that our customers could maintain their usual catering habits at home.

On the other hand, in line with the Group's brand development strategy, the Group has been actively expanding its "Fulum Concept (富臨概念)" main line and supermarket business to cater for the diversified local catering needs and enhance customers' dining experience in different time slots. The Group operates different brands of restaurant to provide customers with different dining experiences, including popular Korean authentic dining and barbecue restaurants, comfortable casual cafes, restaurants specializing in high-quality Japanese Wagyu beef hotpots and the food hall brand "Foodeli". The Group has continued to explore various catering business opportunities and actively developed the "Fulum Concept (富臨概念)" main line to provide customers with supreme and unique dining experience on different local cuisines and broaden the customer base.

For the supermarket business, the Group has newly launched the supermarket business in response to the increasing demand for home cooking due to the pandemic. Leveraging on its years of experience in restaurant operation, the Group has extensive experience in sourcing different fresh and premium food ingredients around the world. For example, some frozen meats were purchased directly from suppliers and cut and packaged in the Group's own workshops, which effectively control the costs and provide better products to our customers at more affordable prices.

FINANCIAL REVIEW

During the year under review, the Group's revenue decreased by approximately 36.7% to approximately HK$1,172.7 million (2020: approximately HK$1,853.9 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:

	2021 HK$'000	2020 HK$'000	**% Change**
Restaurant operations			
"Fulum (富臨)" main brand	**564,467**	1,143,196	**(50.6)**
"Sportful Garden (陶源)" main brand	**112,723**	234,900	**(52.0)**
"Fulum Concept (富臨概念)" main line	**422,784**	412,636	**2.5**
Sale of food and other operating items	**72,708**	63,186	**15.1**

For the year under review, the Group's gross profit margin was approximately 67.1% (2020: approximately 65.3%). The loss attributable to owners of the Company decreased by approximately HK$469.2 million, from a loss of approximately HK$637.5 million for the year ended 31 March 2020 to a loss of approximately HK$168.3 million for the year ended 31 March 2021. The increase in gross profit margin of the Group for the year ended 31 March 2021 was mainly due to the Group's strategy to reallocation part of its resources from traditional Cantonese restaurants, which are of larger scale and involve higher costs, to modern restaurants under the "Fulum Concept (富臨概念)" main line in view of the industry outlook of the catering industry in Hong Kong and the containment measures imposed by the Hong Kong government in connection with the COVID-19 pandemic. Such strategy had resulted in a decrease in the total revenue of the Group while at the same time reduced the related cost and expenses.

PROSPECTS AND OUTLOOK

With the gradual relief of the pandemic and introduction of vaccines, the Group remains fully confident in the long-term prospects of the catering market in both Hong Kong and China, and believes that the public will be able to return to the pre-pandemic lifestyle in the near future. The Group will continue to adopt a prudent yet optimistic attitude to fine-tune its cuisine portfolio and brand structure, actively explore high-quality and distinctive ingredients and seek new cooperation modes in order to uphold the Group's spirit of "The Rationale of Three Excellents: Excellent Environment, Excellent Supply and Excellent Service". In the meantime, the Group will continue to strictly implement the containment measures and strengthen the disinfection and cleaning of its restaurants to fight against the pandemic together with the public.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2021, the Group's total assets increased to approximately HK$1,206.1 million (2020: approximately HK$1,011.4 million). As at 31 March 2021, the Group recorded a total equity of approximately HK$122.0 million (2020: approximately HK$286.9 million). The decrease in the total equity of the Group as at 31 March 2021 was mainly resulted from (i) the adoption of HKFRS 16 in respect of the leases of 35 premises renewed or entered into during the year under review resulting in an increase of the lease liabilities of the Group as at 31 March 2021; (ii) the impairment of the right-of-use assets in connection with certain leases of the Group; and (iii) the increase in bank borrowings of the Group.

As at 31 March 2021, the Group had approximately HK$145.1 million in cash and bank balances available (2020: approximately HK$116.4 million). The current ratio of the Group was approximately 0.5 (2020: approximately 0.7).

As at 31 March 2021, the Group's total borrowings amounted to approximately HK$177.8 million (2020: approximately HK$94.6 million), which mainly consisted of term loans in the amount of approximately HK$162.1 million (2020: approximately HK$94.6 million) and a revolving loan of approximately HK$15.7 million (2020: Nil). These borrowings were denominated in Hong Kong dollars and the effective interest rates ranged from approximately 1.59% to 2.75% per annum. For details of the maturity profile of the Group's borrowing as at 31 March 2021, please refer to note 25 to the financial statements.

CAPITAL EXPENDITURE

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

CONTINGENT LIABILITIES

As at 31 March 2021, the Group had contingent liabilities not provided for in the consolidated financial statements in the amount of approximately HK$29.1 million in relation to bank guarantees given in lieu of rental and utility deposits (2020: approximately HK$38.7 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 2021, the Group had approximately 2,165 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 2021, the Company had total outstanding bank loans of approximately HK$ 177.8 million, of which approximately HK$ 84.7 million were secured, and approximately HK$ 93.1 million were unsecured. As at 31 March 2021, the Company had lease liabilities recognised on application of HKFRS 16 "Leases" of approximately HK$ 646.5 million, of which approximately HK$ 320.3 million were due within one year and approximately HK$ 326.2 million were due after one year.

As at 31 March 2021, certain assets of the Group with carrying amount in aggregate of HK$176.1 million (2020: HK$189.6 million) were pledged to secure its bank borrowings. For details, please refer to notes 13, 14, 15, 25 and 34 to the financial statements.

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 2021 (2020: Nil).

EXECUTIVE DIRECTORS

MR. YEUNG WAI 楊維

Mr. Yeung Wai ("Mr. Yeung"), aged 57, 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 and father of Mr. Yeung Ho Wang. He is also a director of all members of the Group.

MR. WU KAM ON KEITH 鄔錦安

Mr. Wu Kam On Keith, aged 46, has been appointed as an executive Director and the chief executive officer of the Group since 13 May 2021 and is responsible for overseeing the management and operations of the Group.

Mr. Wu has extensive experience in the food and beverage industry in Hong Kong as well as over 23 years of financial and accounting experience. Mr. Wu joined the Group as an independent non-executive Director since October 2014. He had been 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 from 22 January 2010 and 4 September 2017, respectively, to 4 May 2021. Prior to joining Tsit Wing, 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 has been an executive director of Tsit Wing from 22 January 2010 to 4 May 2021 and 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 (the "Stock Exchange").

MR. YEUNG YUN CHUEN 楊潤全

Mr. YC Yeung, aged 64, 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 and uncle of Mr. Yeung Ho Wang. 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
- Fulum Shopping Network Company Limited
- Food International 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 59, 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" (白金五星勛章) 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 and uncle of Mr. Yeung Ho Wang. 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
- Fulum Shopping Network Company Limited
- Super Rich International Limited

MR. LEUNG SIU SUN 梁兆新

Mr. Leung Siu Sun ("Mr. Leung"), aged 59, 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.

MR. YEUNG HO WANG 楊浩宏

Mr. Yeung Ho Wang, aged 33, was appointed as an executive Director since 13 May 2021 and is primarily responsible for the management and strategic development of the restaurants under the "Fulum Concept (富臨概念)" main line.

Mr. Yeung Ho Wang has over 8 years of experience in operation management and strategic planning especially in the food and beverage industry in Hong Kong. He has joined the Group as the operation manager since August 2014 and is primarily responsible for policy enforcement and corporate management. Mr. Yeung Ho Wang received a Bachelor of Science in Business management and a Master of Science in Food Management in July 2011 and November 2012 respectively from University of Surrey. Mr. Yeung Ho Wang is the son of Mr. Yeung and the nephew of Mr. YC Yeung and Mr. YK Yeung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. NG NGAI MAN RAYMOND 伍毅文

Mr. Ng, aged 60, 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.

MR. WONG WAI LEUNG JOSEPH 黃偉樑

Mr. Wong Wai Leung Joseph, aged 65, was appointed as an independent non-executive Director since 7 May 2021 and is responsible for supervising the overall management of the Group.

Mr. Wong has over 30 years of experience in accounting and financial service industry. Mr. Wong has been an independent non-executive director of Goldin Financial Holdings Limited since May 2019, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 530), and an independent director of Cordlife Group Limited since September 2014, the shares of which are listed on the Singapore Exchange Limited. Mr. Wong had also been an independent director of Borqs Technologies Inc. from August 2017 to January 2019, a company listed on NASDAQ. Prior to that, Mr. Wong was an executive director of Credit Agricole (Suisse), Hong Kong from June 2006 to June 2012, where he served clients on wealth management. From February 1988 to May 2006, Mr. Wong worked at Deloitte Touche Tohmatsu, during which he was engaged in a wide spectrum of business domains, including initial public offerings, taxation and asset protection plans for high-net worth individuals.

Mr. Wong holds a Bachelor of Commerce from the University of Calgary in Alberta, Canada. He is a member of the Hong Kong Independent Non-executive Director Association and Singapore Institute of Directors.

MR. CHAN CHUN BONG JUNBON 陳振邦

Mr. Chan Chun Bong Junbon, aged 39, was appointed as an independent non-executive Director since 13 May 2021 and is responsible for supervising the overall management of the Group.

Mr. Chan has over 11 years of experience in corporate management, business expansion and brand marketing in the areas of real estate, fast moving consumer goods, retail and wholesale. Mr. Chan is the founder and the chief executive officer of Block Group International Holdings Limited (奧創國際(控股)有限公司), a company established in February 2019 and principally engaged in the provision of property investment consultancy services. Mr. Chan also serves in several companies. He has been a director and general manager of Yick Fung Hong Commercial Development Co., Ltd (億豐行商業發展有限公司), a company principally engages in property investment since May 2017 and YFH Management Services Limited (億豐行管理服務有限公司), a company principally engages in property management since March 2017 respectively. He has been a general manager of Guangzhou NAOMI Cosmetics Co., Ltd.* (廣州市娜娥美化妝品有限公司) from May 2015. In addition, Mr. Chan has been a director of Wayway Daily Necessities (Dongguan) Ltd.* (東莞威威日用品有限公司), a detergent manufacturer, from September 2014 and Yick Fung Hong Cosmetic & Detergent Co. Ltd. (億豐行化妝洗劑有限公司), which principally engages in manufacturing and sale of cosmetic and detergent, from May 2015. Prior to that, he worked at Sa Sa Cosmetic Company Limited, a wholly-owned subsidiary of Sa Sa International Holdings Limited, a company currently listed on the Main Board of the Stock Exchange (stock code: 178) from March 2010 to March 2015, and he last served as a senior business development manager. Mr. Chan graduated from Monash University with dual degree of Bachelor of Commerce and Bachelor of Arts in November 2004.

Mr. Chan has been actively involved in community services and philanthropic activities in Hong Kong and the PRC. Mr. Chan has been a member of the Hong Kong Community Chest Campaign Committee and the co-chairman of the "Community for the Chest" Television Show since April 2012. He was appointed as the Honorary President of the Wan Chai District Arts, Cultural, Recreational and Sports Association Limited (灣仔區文娛康樂體育會有限公司) in November 2018, and the honorary president of the Hong Kong Quarry Bay Residents Association Limited (香港鰂魚涌居民協會有限公司). Furthermore, Mr. Chan has also been a member of Action Committee Against Narcotics Sub-committee on Preventive Education and Publicity (禁毒教育及宣傳小組委員會) of the Narcotics Division of the Security Bureau of Hong Kong since March 2019. In addition, Mr. Chan was appointed as a member of the Standing Committee of the 13th Chinese People's Political Consultative Conference Dongguan Committee (中國人民政治協商會議第十三屆東莞市委員會常務委員會) in January 2018 and a Hong Kong member of the 13th All-China Youth Federation (中華全國青年聯合會) since August 2020.

Mr. Chan has made outstanding achievements in the field of corporate innovation and economic construction. In September 2019, he was awarded the "Asian Chinese Leadership Award" by the Chartered Institute of Management of Canada and the Asian Institute of Knowledge Management. In the same year, he was also awarded the 2019 "Global Chinese Outstanding Youth Award (全球華人傑出青年)" which recognizes outstanding young leaders of the world for their achievements in serving the society, promoting social welfare and establishing a model for the new generation.

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. NG KAM TSUN JEFFREY 伍鑑津

Chief financial officer and company secretary

Mr. Ng, aged 48, 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 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 adopted by the Company 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 Board periodically reviews the Group's 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. Throughout the year ended 31 March 2021, 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 (the "Chairman") and the chief executive officer (the "CEO") of the Company should be separate and should not be performed by the same individual. During the year under review, the Company did not have separate Chairman and CEO, with Mr. Yeung performing both roles. As Mr. Yeung has in-depth experience and knowledge of the Group and its businesses, the Board is of the view that his appointment for the dual roles as the Chairman and the CEO would enhance the efficiency in formulation and execution of corporate strategies of the Group. In order to further enhance the corporate governance of the Group, on 13 May 2021, the Company has appointed Mr. Wu Kam On Keith as the CEO while Mr. Yeung has remained as the Chairman. Accordingly, the Company has complied with code provision A.2.1 of the CG Code since 13 May 2021.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Based on responses of specific enquiries made with the Directors, all of the Directors have confirmed that they have complied with required standards as set out in the Model Code and the Code of Conduct throughout the year ended 31 March 2021 and up to the date of the annual results announcement of the Group for the year ended 31 March 2021.

BOARD OF DIRECTORS

The Board is responsible for formulating overall strategic policies of the Company, setting objectives for the management and monitoring 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 nine directors, including six executive Directors and three independent non-executive Directors. Board members are listed below:

EXECUTIVE DIRECTORS

Mr. Yeung Wai *(Chairman)*
Mr. Wu Kam On Keith *(Vice Chairman & Chief Executive Officer)*
Mr. Yeung Yun Chuen
Mr. Yeung Yun Kei
Mr. Leung Siu Sun
Mr. Yeung Ho Wang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Ngai Man Raymond
Mr. Wong Wai Leung Joseph
Mr. Chan Chun Bong Junbon

Biographical information of the Directors and their relationship (if any) are set forth on pages 16 to 20 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 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 2021, 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. During the year ended 31 March 2021, the Directors participated in the following training:

Name of Directors	**Type of continuous professional development** *(Note 1)*
Executive Directors	
Mr. Yeung Wai	R
Mr. Wu Kam On Keith	A, R
Mr. Yeung Yun Chuen	R
Mr. Yeung Yun Kei	R
Mr. Leung Siu Sun	R
Mr. Yeung Ho Wang *(appointed on 13 May 2021)*	N/A *(Note 2)*
Independent non-executive Directors	
Mr. Fan Chun Wah Andrew *(resigned on 7 May 2021)*	A, R
Mr. Ng Ngai Man Raymond	A, R
Mr. Wong Wai Leung Joseph *(appointed on 7 May 2021)*	N/A *(Note 2)*
Mr. Chan Chun Bong Junbon *(appointed on 13 May 2021)*	N/A *(Note 2)*

Note:

1) 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.

2) The director was newly appointed after the year ended 31 March 2021.

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 together with the meeting agenda. For other board meetings, notice is given in a reasonable time in advance.

During the year ended 31 March 2021, the Board has convened and held nine Board meetings.

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, Mr. Wu Kam On Keith, Mr. YC Yeung, Mr. YK Yeung, Mr. Leung and Mr. Yeung Ho Wang, all being executive Directors, are members of the Executive Committee, with Mr. Yeung being the chairman.

During the year ended 31 March 2021, 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. Ng Ngai Man Raymond, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon, all being independent non-executive Directors, are members of the Audit Committee, with Mr. Wong Wai Leung Joseph being the chairman. During the year ended 31 March 2021, the Audit Committee has convened two meetings.

The work performed by the Audit Committee during the year ended 31 March 2021 included (i) reviewing external auditor's management letter and management response; (ii) reviewing the interim and annual reports of the Group before submission to the Board for approval; (iii) reviewing the progress and effectiveness of the Group's internal control and risk management; (iv) reviewing the continuing connected transactions of the Company; and (v) considering 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 currently comprising Mr. Chan Chun Bong Junbon and Mr. Ng Ngai Man Raymond, being independent non-executive Directors and Mr. Yeung, the executive Director. The chairman of the Nomination Committee is Mr. Chan Chun Bong Junbon.

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 2021, the Nomination Committee has convened one meeting and had performed the above mentioned duties.

The Board Diversity Policy

During the year ended 31 March 2021, 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 diversity.

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 currently comprising Mr. Wong Wai Leung Joseph and Mr. Ng Ngai Man Raymond, being independent non-executive Directors and Mr. Yeung, 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 2021, the Remuneration Committee has convened four meetings and had performed the above mentioned duties.

ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at the meetings of the Board, the Audit Committee, the Remuneration committee and the Nomination Committee and the 2020 annual general meeting (the "2020 AGM") during the year under review are set out in the following table:

	Number of meetings attended/Number of meetings convened				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2020 AGM** *(Note 2)*
Executive Directors					
Mr. Yeung Wai	9/9	–	4/4	1/1	1/1
Mr. Wu Kam On Keith	9/9	2/2	–	–	1/1
Mr. Yeung Yun Chuen	9/9	–	–	–	1/1
Mr. Yeung Yun Kei	9/9	–	–	–	1/1
Mr. Leung Siu Sun	9/9	–	–	–	1/1
Mr. Yeung Ho Wang *(appointed on 13 May 2021) (Note 1)*	N/A	–	–	–	N/A
Independent non-executive Directors					
Mr. Fan Chun Wah Andrew *(resigned at 7 May 2021)*	9/9	2/2	4/4	1/1	1/1
Mr. Ng Ngai Man Raymond	9/9	2/2	4/4	1/1	1/1
Mr. Wong Wai Leung Joseph *(appointed on 7 May 2021) (Note 1)*	N/A	N/A	N/A	–	N/A
Mr. Chan Chun Bong Junbon *(appointed on 13 May 2021) (Note 1)*	N/A	N/A	–	N/A	N/A

Notes:

1. The Director was newly appointed after 31 March 2021 and therefore could not attend the meetings of the Board, Board committees and the 2020 AGM of the Group during the year ended 31 March 2021.

2. The 2020 AGM was held on 19 September 2020.

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 (including the executive Directors) by bands for the year ended 31 March 2021 is set out below:

Bands of remuneration	Number of individuals
Nil to HK$500,000	0
HK$500,001 to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	0
	6

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 consolidated financial statement of the Group for the year under review and of ensuring that the preparation of the consolidated financial statements of the Group is in accordance with the applicable standards and requirements.

The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 50 to 52 of this annual report.

GOING CONCERN AND MITIGATING MEASURES

Multiple Uncertainties Relating to Going Concern

For the year ended 31 March 2021, the Group had incurred a net loss of HK$168,305,000 and the Group's current liabilities exceeded its current assets by HK$357,105,000 as at 31 March 2021. At the same time, as at 31 March 2021, the Group did not fulfill one of the financial covenants as required in the banking facilities agreement (the "Facilities Agreement") enter into between the Group as borrower and Hang Seng Bank as lender (the "Lender") which requires the Group to maintain a consolidated tangible net worth of not less than HK$400 million (the "Financial Covenant") and consequently, the related outstanding interest-bearing bank borrowings of HK$84,676,000 (the "Outstanding Borrowings") became repayable on demand. In addition, as at 31 March 2021, lease liabilities of the Group which were past due amounted to approximately HK$80 million. These conditions, together with other matters disclosed in note 2.1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

Mitigating measures taken by the Company

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Company has implemented, or is in the process of implementing, the following key plans and measures (the "Action Plan"):

(i) the Group is actively negotiating new sources of financing. The Group had obtained new bank loans of approximately HK$25 million during May and June 2021, which are repayable after one year from the respective drawdown date;

(ii) the Group has been actively negotiating with the Lender to obtain a waiver in respect of the non-fulfillment of the Financial Covenant and the Group has obtained such waiver subsequent to the publication of the annual results of the Group for the year ended 31 March 2021 on 29 June 2021. The Group is also actively negotiating with the lender for the extension of repayment terms of bank borrowings and to obtain new credit facilities;

(iii) the Outstanding Borrowings are secured by the Group's properties, including the office premises and two car parking spaces (the "Properties"), which have a market value of approximately HK$176.8 million as at 31 March 2021 as determined by an independent valuer. Subsequent to 31 March 2021, on 29 June 2021, the Group has entered into a memorandum of understanding with Mr. Yeung, a controlling shareholder of the Company, and pursuant to which Mr. Yeung will purchase the Properties at a consideration that is not lower than the prevailing market price. Upon the completion of the aforementioned transaction, Mr. Yeung will lease back the Properties to the Group on normal commercial terms or better;

(iv) Mr. Yeung has undertaken to provide additional funding to finance the Group's operations as and when necessary;

(v) the Group is reviewing the business operations for various new initiatives to improve the Group's profitability and has taken measures including closing down under-performing restaurants and implementing various cost control measures in order to better control its costs of operations;

(vi) the Group is negotiating with the landlords for rent concessions in view of the adverse impact of the outbreak of the COVID-19 pandemic on the Group's operations; and

(vii) the Group will continue to consider other financing arrangements with a view to improving its liquidity and financial position.

Disclaimer of Opinion Issued by the Independent Auditor

The matters discussed in the paragraphs headed "Going Concern and Mitigating Measures - Multiple uncertainties relating to going concern" and other matters as described in note 2.1 to the financial statements indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In particular, the validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including:

(i) successfully negotiating with the Lender such that no action will be taken by the Lender to demand repayment arising from the breach in respect of the Outstanding Borrowings with principal and interest in default;

(ii) successfully completing the proposed disposals of the Properties to its substantial shareholder as further disclosed in note 2.1 to the financial statements;

(iii) successfully carrying out the Group's business plan to improve the profitability and cost control measures so as to improve the Group's working capital and cashflow position;

(iv) successfully negotiating with the landlords of the Group's leased properties for rent concessions in view of the adverse impact of the outbreak of COVID-19 on the Group's operations; and

(v) successfully obtaining other financial resources, including but not limited to additional funding from its substantial shareholder so as to enable the Group to 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 12 months from the end of the reporting period.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements. In view of the above, the Company's auditor does not express an opinion on the Group's consolidated financial statements for the year ended 31 March 2021.

The Management's and Audit Committee's View on the Disclaimer of Opinion

The Company has considered the rationale of the auditor of the Company and understood its consideration in arriving the disclaimer of opinion. The Directors have reviewed the Group's cash flow forecast prepared by the Group's management covering a period of 12 months from 31 March 2021. The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within 12 months from 31 March 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements of the Group for the year ended 31 March 2021 on a going concern basis.

The Audit Committee has reviewed the basis for the disclaimer of opinion, the Company's view concerning the basis for disclaimer of opinion and measures taken by the Company in addressing the basis for disclaimer of opinion. The Audit Committee had also discussed with the auditor of the Company and the management regarding the financial position of the Group, the measures taken and to be taken by the Company and the internal system of the Group in continuously monitoring the liquidity and cash flow needs of the Group. The Audit Committee had considered the rationale of the auditor of the Company and understood its consideration in arriving the disclaimer of opinion. Based of the above, the Audit Committee agreed with the Company's view in respect of the disclaimer of opinion and the going concern issue.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to achieve the plans and measures as described above. The Group, the Directors and the management will proactively resolve matters relating to the disclaimer of opinion throughout the financial year ending 31 March 2022.

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 2021, 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 2021, 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	2,656
Non-audit services	
– Tax advisory and compliance	234
– Others	332
Total	3,222

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

During the year ended 31 March 2021, the implementation of the Group's risk management framework was handled by the management and the internal audit department of the Company (the "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 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 internal 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 2021, 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 adopted by the Company 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 26/F, Capital Tower, 38 Wai Yip Street, Kowloon Bay, 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 26/F, Capital Tower, 38 Wai Yip Street, Kowloon Bay, 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: 26/F, Capital Tower, 38 Wai Yip Street, Kowloon Bay, Hong Kong
Email: investor@fulum.com.hk

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2021, there was no significant change in the Company's constitutional documents.

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 2021.

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 the performance and position of the Group's business during the year ended 31 March 2021, using financial key indicators, 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 15 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 2021 and the Group's financial position at that date are set forth in the financial statements on pages 53 to 56.

The Board does not recommend the payment of any dividend for the year ended 31 March 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 September 2021 to Tuesday, 28 September 2021, both days inclusive, during which period no transfer of the shares of the Company (the "Share(s)") will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 20 September 2021.

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

The net proceeds from the initial public offering and listing of Shares (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 2021, the net proceeds from the Listing were utilised in accordance with the proposed applications set out 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)* *(HK$' million)*	**Proceeds utilised during the year ended 31 March 2021** *(HK$' million)*	**Actual use of proceeds up to 31 March 2021** *(HK$' million)*	**Unutilised amount as at 31 March 2021** *(HK$' million)*
Opening of new restaurants under "Fulum (富臨)" main brand and under "Sportful (陶源)" main brand	172.7	–	172.7	–
Opening of specialty cuisine restaurants under "Fulum Concept (富臨概念)" line of business	64.8	–	64.8	–
Opening of restaurants in the PRC	86.3	–	86.3	–
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	64.8	–	64.8	–
Acquisition of, or forming strategic alliances with, other brands or restaurants when suitable opportunities arise	21.6	–	–	21.6
General working capital	21.6	–	21.6	–
Total	431.8	–	410.2	21.6

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.

As at 31 March 2021, approximately HK$21.6 million of the net proceeds from the Listing (the "Unutilised Net Proceeds") was unutilised which was intended to be used in acquisition of, or forming of strategic alliances with, other brands or restaurants. The Company intends to apply the Unutilised net proceeds in accordance to the disclosed use of proceeds in the Prospectus. As the Group is still in the course of exploring and identifying suitable opportunities for acquisitions of, or forming of strategic alliances with, other brands or restaurants, there was a delay in utilizing the Unutilised net proceeds. It is expected that the Unutilized Net Proceeds would be fully utilized on or before 31 March 2023.

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, is set out on page 144 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

As at 31 March 2021, the Company had 1,300,000,000 Shares of HK$0.001 each in issue (31 March 2020: 1,300,000,000 Shares of HK$0.001 each).

Details of the share capital and the movements in share options of the Company during the year are set out in notes 28 and 29 to the financial statements, respectively.

TREASURY POLICIES AND CAPITAL STRUCTURE

The Group generally financed its operations with internally generated resources and bank borrowings. As at 31 March 2021, bank borrowings of the Group and the cash and cash equivalent held by the Group were mainly in HK$. For further information on the financial resources of the Group, please refer to the paragraph headed "Financial resources and liquidity" under the management discussion and analysis section of this report.

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 the Shares 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 2021.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group 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

As at 31 March 2021, the above properties were used as offices and car parking spaces of the Group.

DISTRIBUTABLE RESERVES

At 31 March 2021, 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$120,679,000.

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$59,200.

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 2021, the five largest suppliers and the single largest supplier of the Group accounted for approximately 34.4% (2020: 29.4%) and 9.0% (2020: 10.7%) of the total purchases of the Group, respectively.

During the year under review, none of the Directors, their respective close associates or any shareholders of the Company (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)*
Mr. Wu Kam On Keith *(redesignated as vice chairman of the Board and chief executive officer on 13 May 2021)*
Mr. Yeung Yun Chuen
Mr. Yeung Yun Kei
Mr. Leung Siu Sun
Mr. Yeung Ho Wang *(appointed on 13 May 2021)*

Independent Non-executive Directors:

Mr. Fan Chun Wah Andrew *(resigned on 7 May 2021)*
Mr. Ng Ngai Man Raymond
Mr. Wong Wai Leung Joseph *(appointed on 7 May 2021)*
Mr. Chan Chun Bong Junbon *(appointed on 13 May 2021)*

Pursuant to articles 84(1) and 84(2) of the Articles of Association, Mr. YC Yeung, Mr. Leung and Mr. Ng Ngai Main Raymond will retire as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In addition, Mr. Yeung Ho Wang, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon will retire as Directors and offer themselves for re-election at the forthcoming annual general meeting of the Company pursuant to article 83(3) of the Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company which may be terminated 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 by either party giving to the other party not less than three months' advance written notice of termination.

All Directors are subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

None of the Directors has entered into 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 45 to 46 of the annual report, no Director nor any entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group subsisting during or at the end of the year ended 31 March 2021 to which the Company or any of the Company's subsidiaries was a party.

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.

ENVIRONMENT POLICIES AND PERFORMANCE

The Company recognises the importance of its role in environmental and social sustainability. During the year under review, the Group has been striving to comply with the relevant laws and regulations in connection with environment protection, emissions and efficient use of resources such as energy, water and packaging materials.

A separate environmental, social and governance report of the Group is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report had been published.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best knowledge, information and belief of the Board and management, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group and there was no material breach of or non-compliance with the applicable laws and regulations by the Group during the year ended 31 March 2021.

RELATIONSHIP WITH EMPLOYEES

A description of the relationship with the employees of the Group is contained in the paragraph headed "Human resources and remuneration policy" under the management discussion and analysis section of this report.

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 2021, 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 2021, 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 2021, 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	69.88%
Ms. Yung Yuk Ling	Interest of spouse *(Note 3)*	908,375,000	69.88%
Ms. Hui Lin Na	Interest of spouse *(Note 4)*	908,375,000	69.88%
China Sage International Limited	Beneficial owner *(Note 5)*	452,075,000	34.78%
Ms. Leung Siu Kuen	Interest of spouse *(Note 6)*	66,625,000	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, 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 2021, 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 SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") 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 Share Option Scheme 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 Share Option Scheme was adopted by the Company on 28 October 2014 and became effective on 13 November 2014, and, unless otherwise cancelled or amended, will remain in force for 10 years from the effective date. Accordingly, the Share Option Scheme will expire on 12 November 2024.

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 within the period specified in the letter containing the offer of the grant of the share options. The period within which the Shares under the share options must be taken up and the minimum period, if any, for which a share option must be held before it can be exercised, will be determined by the Board in accordance with the Share Option Scheme.

Pursuant to the Share Option Scheme, the Directors may invite participants to take up share 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 Shares 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 maximum number of Shares in respect of which options may be granted under the Share Option Scheme 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 (i.e. 130,000,000 Shares) unless shareholders' approval has been obtained.

The maximum number of Shares issuable to each eligible participant under the Share Option Scheme within any 12-month period is limited to 1% of the Shares 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 associates, in excess of 0.1% of the Shares in issue at any time or with an aggregate value (based on the closing price of the 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.

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. The total number of Shares available for issue under the Share Option Scheme as at 31 March 2021 was 130,000,000 Shares, representing 10% of the total issued share capital of the Company as at the date of this annual report.

Further details of the Share Option Scheme are set out in note 29 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 which enable the Directors to acquire such rights in any other body corporate.

CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Continuing Connected Transactions" on pages 45 to 46 of this annual report, there was no contract of significance in relation to the Group's business between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their respective subsidiaries during the year ended 31 March 2021.

CONTINUING CONNECTED TRANSACTIONS

On 9 December 2019, the Company has entered into a tenancy framework agreement (as amended by a supplemental agreement dated 7 February 2020) (the "2020 Connected Tenancy Framework Agreement") with Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. Leung and Mr. Yeung Chun Nin, the son of Mr. YC Yeung (the "Connected Parties"), pursuant to which, the Group, as tenant, agreed to lease from various entities controlled by the Connected Parties and/or their associates (the "Landlords") 35 premises (the "Premises") for the operation of restaurants, warehouse, central kitchen and logistics center of the Group. Pursuant to the terms of the 2020 Connected Tenancy Framework Agreement, the relevant members of the Group had entered into separate tenancy agreements (the "2020 Connected Tenancy Agreements") with the Landlords in respect of the lease of the Premises with a term of three years commencing from 1 April 2020 to 31 March 2023. The relevant members of the Group are required to pay the monthly rent (together with rates and the government rent, service charges and other outgoings) as set forth in the respective 2020 Connected Tenancy Agreements.

According to HKFRS 16, the Company recognised right-of-use assets of approximately HK$332 million under the 2020 Connected Tenancy Framework Agreement for the year ended 31 March 2021. Given that (i) Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung are executive Directors and thus connected persons of the Company; and (ii) Mr. Yeung Chun Nin and the Landlords are associates of connected persons of the Company, the 2020 Connected Tenancy Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. For further details of the 2020 Connected Tenancy Framework Agreement and the 2020 Connected Tenancy Agreements, please refer to the announcement and circular of the Company dated 9 December 2019 and 7 February 2020, respectively.

The independent non-executive Directors had reviewed the transactions contemplated under the 2020 Connected Tenancy Framework Agreement and the 2020 Connected Tenancy Agreements 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 2021, 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 37 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, the controlling shareholders of the Company (the "Controlling Shareholders") had interests in, or control of, five mid-to-high end restaurants located in Guangdong Province of the PRC under the brand of "Sportful Garden (陶源)" which were not included in the Group (the "Excluded PRC Restaurants"). The Excluded PRC Restaurants were indirectly held by Mr. Yeung and Sportful Garden Restaurant Limited ("SGRL"), a company indirectly held as to 41%, 31%, 21% and 7% by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, respectively. As at 31 March 2021, only one of the Excluded PRC Restaurants which was located in Shenzhen ("Shenzhen Sportful Garden") remained in operation and the remaining four Excluded PRC Restaurants had been discontinued.

On 28 October 2014, Mr. Yeung, SGRL and the Company have entered into an option deed (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 its sole and absolute discretion, acquire (i) all or part of their respective interests in the holding companies of 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. Under the Deed of Annual Offer and ROFR, Mr. Yeung and SGRL will make the annual offer 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, 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.

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 2021 given by Mr. Yeung and SGRL after evaluating the financial and operational performance of Shenzhen Sportful Garden for the financial year ended 31 December 2020 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 Shenzhen Sportful Garden were still in loss for the financial year ended 31 December 2020, and the business environment for mid-to-high end catering segments in the PRC was still sluggish.

Mr. Yeung and SGRL further confirmed in the Annual Offer Notice for the year ended 31 March 2021 that there was no Third Party Disposal during the year under review.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 March 2021, Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, each being an executive Director, had interested in Shenzhen Sportful Garden, details of which are set out in the paragraph headed "Annual offer arrangement and right of first refusal" in this report of the Directors. As at 31 March 2021, the Group did not operate any restaurants targeting mid-to-high end market in the PRC. As such, the business of the Group and that of Shenzhen Sportful Garden are clearly delineated. In view of such business delineation and the terms of the Deed of Annual Offer and ROFR, the Group is capable of carrying on its business independently of, and at arm length from the competing business of the Directors.

Save as disclosed above as at 31 March 2021, none of the Directors 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 the Controlling Shareholders (namely Mr. Yeung, China Sage International Limited, Mr. YK Yeung and Mr. YC Yeung) in respect of their compliance with the provisions of the deed of non-competition ("the Deed of Non-competition"), entered into between the Controlling Shareholders and the Company during the year under review.

The independent non-executive Directors had reviewed the Controlling Shareholders' compliance with the Deed of Non-competition.

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. As stated in the paragraphs headed "Going Concern and Mitigating Measures – Multiple uncertainties relating to going concern", as at 31 March 2021, the Group did not fulfill the Financial Covenants under the Facilities Agreement which requires the Group to maintain a consolidated tangible net worth of not less than HK$400 million. Consequently, the related outstanding interest-bearing bank borrowings of HK$84,676,000 became repayable on demand. For details, please refer to note 25 to the financial statements. Subsequent to the publication of the annual results of the Group for the year ended 31 March 2021 on 29 June 2021, the Group has obtained a waiver from the Lender respect of the non-fulfillment of the Financial Covenant.

EVENT AFTER REPORTING PERIOD

The Board is not aware of any material event affecting the Group since the end of the reporting period and up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares has been held in public hands) as required under the Listing Rules during the year ended 31 March 2021 and up to the date of this report.

AUDITOR

The consolidated financial statements of the Group for the financial year ended 31 March 2021 have been audited by Ernst & Young.

ON BEHALF OF THE BOARD

Yeung Wai
Chairman

Hong Kong
29 June 2021

EY 安永

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Fulum Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 143, which comprise the consolidated statement of financial position as at 31 March 2021, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements and as to whether they have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As set out in note 2.1 to the financial statements, the Group incurred a net loss of HK$168,305,000 for the year ended 31 March 2021. As at 31 March 2021, the Group's current liabilities exceeded its current assets by HK$357,105,000.

As at 31 March 2021, the Group did not fulfill one of the financial covenants as required in the banking facilities agreement. Consequently, the related outstanding interest-bearing bank borrowings of HK$84,676,000 (the "Outstanding Borrowings") became repayable on demand.

In addition, as at 31 March 2021, lease liabilities which were past due amounted to approximately HK$80 million.

These conditions, together with other matters disclosed in note 2.1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Multiple Uncertainties Relating to Going Concern *(continued)*

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including:

(i) successfully negotiating with the Group's existing lender such that no action will be taken by the lender to demand repayment arising from the breach in respect of the Outstanding Borrowings with principal and interest in default;

(ii) successfully completing the proposed disposals of the Group's properties to its substantial shareholder as further disclosed in note 2.1 to the financial statements;

(iii) successfully carrying out the Group's business plan to improve the profitability and cost control measures so as to improve the Group's working capital and cashflow position;

(iv) successfully negotiating with the landlords of the Group's leased properties for rent concessions in view of the adverse impact of the outbreak of COVID-19 on the Group's operations; and

(v) successfully obtaining other financial resources, including but not limited to additional funding from its substantial shareholder so as to enable the Group to 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 12 months from the end of the reporting period.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report 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. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

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.

The engagement partner on the audit resulting in this independent auditor's report is Lai Wan Fung, Jacky.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

29 June 2021

Consolidated Statement Of Profit Or Loss

Year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**1,172,682**	1,853,918
Other income and gains, net	5	**170,527**	36,121
Cost of inventories sold		**(385,932)**	(642,780)
Staff costs		**(388,778)**	(683,798)
Property rentals and related expenses		**(68,959)**	(188,374)
Depreciation of right-of-use assets	15	**(265,659)**	(245,363)
Depreciation of property, plant and equipment	13	**(61,234)**	(79,630)
Fuel and utility expenses		**(85,825)**	(121,430)
Other expenses		**(172,293)**	(250,248)
Losses from impairment/write-off of non-financial assets		**(52,254)**	(241,592)
Losses from impairment/write-off of financial assets		**(4,222)**	(28,562)
Finance costs	6	**(26,071)**	(25,344)
LOSS BEFORE TAX	7	**(168,018)**	(617,082)
Income tax expense	10	**(287)**	(20,021)
LOSS FOR THE YEAR		**(168,305)**	(637,103)
Attributable to:			
Owners of the Company		**(168,305)**	(637,476)
Non-controlling interests		**–**	373
		(168,305)	(637,103)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	12	**HK(12.95) cents**	HK(49.04) cents
– Diluted	12	**HK(12.95) cents**	HK(49.04) cents

Consolidated Statement Of Comprehensive Income

Year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
LOSS FOR THE YEAR	**(168,305)**	(637,103)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,390**	(3,031)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**3,390**	(3,031)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(164,915)**	(640,134)
Attributable to:		
Owners of the Company	**(164,915)**	(640,507)
Non-controlling interests	**–**	373
	(164,915)	(640,134)

Consolidated Statement Of Financial Position

31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**169,988**	122,020
Investment properties	14	**–**	189,600
Right-of-use assets	15	**601,877**	290,334
Deposits and other receivables	20	**54,726**	69,672
Total non-current assets		**826,591**	671,626
CURRENT ASSETS			
Inventories	18	**93,382**	85,067
Trade receivables	19	**9,708**	8,928
Prepayments, deposits and other receivables	20	**119,138**	110,066
Financial assets at fair value through profit or loss	21	**–**	10,767
Tax recoverable		**12,194**	8,491
Cash and cash equivalents	22	**145,074**	116,412
Total current assets		**379,496**	339,731
CURRENT LIABILITIES			
Trade payables	23	**51,711**	36,996
Other payables, accruals and deferred income	24	**172,827**	78,921
Interest-bearing bank borrowings	25	**177,758**	94,594
Lease liabilities	15	**320,320**	260,710
Provision	26	**12,205**	6,760
Tax payable		**1,780**	5,517
Total current liabilities		**736,601**	483,498
NET CURRENT LIABILITIES		**(357,105)**	(143,767)
TOTAL ASSETS LESS CURRENT LIABILITIES		**469,486**	527,859

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Accruals and deferred income	24	**11,981**	3,522
Lease liabilities	15	**326,153**	223,781
Provision	26	**8,803**	12,918
Deferred tax liabilities	27	**570**	744
Total non-current liabilities		**347,507**	240,965
Net assets		**121,979**	286,894
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**1,300**	1,300
Reserves	30	**120,679**	285,594
Total equity		**121,979**	286,894

Yeung Wai
Director

Yeung Yun Chuen
Director

Consolidated Statement Of Changes In Equity

Year ended 31 March 2021

	Notes	Attributable to owners of the Company									
		Issued capital HK$'000	Share premium account HK$'000	Other reserve HK$'000 (Note 30(a))	Merger reserve HK$'000 (Note 30(b))	Share option reserve HK$'000 (Note 30(c))	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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 income/(loss) for the year		–	–	–	–	–	(3,031)	(637,476)	(640,507)	373	(640,134)
Final 2020 dividend	11	–	–	–	–	–	–	(10,270)	(10,270)	–	(10,270)
Disposal of subsidiaries	31	–	–	–	–	–	–	–	–	(1,057)	(1,057)
Transfer of share option reserve upon the forfeiture/lapse of share options	29	–	–	–	–	(27,414)	–	27,414	–	–	-
At 31 March 2020		1,300	540,140*	(5,372)*	31,073*	–*	(5,701)*	(274,546)*	286,894	–	286,894

Consolidated Statement Of Changes In Equity

Year ended 31 March 2021

	Notes	Attributable to owners of the Company									
		Issued capital HK$'000	Share premium account HK$'000	Other reserve HK$'000 (Note 30(a))	Merger reserve HK$'000 (Note 30(b))	Share option reserve HK$'000 (Note 30(c))	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2020		1,300	540,140	(5,372)	31,073	-	(5,701)	(274,546)	286,894	-	286,894
Loss for the year		-	-	-	-	-	-	(168,305)	(168,305)	-	(168,305)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		-	-	-	-	-	3,390	-	3,390	-	3,390
Total comprehensive income/(loss) for the year		-	-	-	-	-	3,390	(168,305)	(164,915)	-	(164,915)
At 31 March 2021		1,300	540,140*	(5,372)*	31,073*	-*	(2,311)*	(442,851)*	121,979	-	121,979

* These reserve accounts comprise the consolidated reserves of HK$120,679,000 (2020: HK$285,594,000) in the consolidated statement of financial position.

Consolidated Statement Of Cash Flows

Year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(168,018)**	(617,082)
Adjustments for:			
Interest income	5	**(290)**	(4,673)
Overprovision of reinstatement liabilities	5	**(1,623)**	(3,494)
Rent concessions related to COVID-19	5	**(23,303)**	(2,519)
Gain on lease termination	5	**(3,395)**	–
Finance costs	6	**26,071**	25,344
Loss on disposal of items of property, plant and equipment, net	7	**–**	769
Impairment of trade receivables	7	**–**	13,573
Impairment of other receivables	7	**–**	6,600
Write-off of other receivables	7	**4,222**	8,389
Fair value losses on investment properties	7	**12,850**	18,051
Fair value losses/(gain), net:			
Financial assets at fair value through profit or loss	7	**(11,386)**	8,233
Other receivables	7	**–**	5,357
Impairment of goodwill	7	**–**	58,707
Impairment of intangible assets	7	**–**	13,000
Impairment of items of property, plant and equipment	7	**15,617**	53,745
Write-off of items of property, plant and equipment	7	**1,992**	9,793
Impairment of right-of-use assets	7	**30,032**	105,110
Write-off of right-of-use assets	7	**4,613**	–
Impairment of deposits	7	**–**	1,237
Loss/(gain) on disposal of subsidiaries	7	**(5,795)**	917
Depreciation of property, plant and equipment		**61,234**	79,630
Depreciation of right-of-use assets		**265,659**	245,363
		208,480	26,050
Decrease/(increase) in inventories		**(8,161)**	1,238
Decrease/(increase) in trade receivables		**(726)**	1,520
Decrease/(increase) in prepayments, deposits and other receivables		**(2,829)**	18,805
Increase/(decrease) in trade payables		**14,236**	(50,880)
Increase/(decrease) in other payables, accruals and deferred income		**66,587**	(30,000)
Decrease in provision	26	**–**	(60)
Cash generated from/(used in) operations		**277,587**	(33,327)
Interest received		**290**	4,673
Hong Kong profits tax paid		**(8,064)**	(7,380)
PRC corporate income tax paid		**(341)**	(501)
Net cash flows from/(used in) operating activities		**269,472**	(36,535)

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(76,765)**	(64,416)
Proceeds from disposal of items of property, plant and equipment		**–**	1,158
Purchase of investment properties		**–**	(143,095)
Disposal of subsidiaries	31	**(17)**	(164)
Purchase of financial assets at fair value through profit or loss		**–**	(19,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**22,153**	–
Net cash flows used in investing activities		**(54,629)**	(225,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**108,788**	124,100
Repayment of bank loans		**(25,624)**	(29,906)
Principal portion of lease payments		**(246,862)**	(173,025)
Dividends paid		**–**	(10,270)
Interest paid		**(26,071)**	(25,344)
Net cash flows used in financing activities		**(189,769)**	(114,445)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**25,074**	(376,497)
Cash and cash equivalents at beginning of year		**116,412**	496,922
Effect of foreign exchange rate changes, net		**3,588**	(4,013)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**145,074**	116,412
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**145,074**	111,410
Time deposits with original maturity of less than three months when acquired	22	**–**	5,002
		145,074	116,412

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 26/F, Capital Tower, 38 Wai Yip Street, Kowloon Bay, 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 Extreme Limited	Hong Kong	HK$1	–	100	Restaurant and supermarket operation
China Enviro Enterprises Limited	Hong Kong	HK$1	–	100	Restaurant operation
Sino Favour (Hong Kong) Limited	Hong Kong	HK$100	–	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 and supermarket operation
China Forward Development Limited	Hong Kong	HK$1	–	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	
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 and supermarket operation
Glory Food Services 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 and food court operation
Centro (Asia) Limited	Hong Kong	HK$500,000	–	100	Restaurant and supermarket 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 Professional Asia Limited	Hong Kong	HK$1	–	100	Restaurant and supermarket 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
Grander Creation Limited	Hong Kong	HK$2,000,000	–	100	Food court operation
Super Rich International Limited	Hong Kong	HK$3,800	–	100	Restaurant operation
Central King Development Limited	Hong Kong	HK$1	–	100	Restaurant operation
China Show Industrial Limited	Hong Kong	HK$1	–	100	Restaurant operation
Central Group (Hong Kong) Limited	Hong Kong	HK$1	–	100	Restaurant operation
Best Food Development Limited	Hong Kong	HK$1	–	100	Supermarket operation
Central Ocean Catering Limited	Hong Kong	HK$300,000	–	100	Restaurant operation
Central South Catering Limited	Hong Kong	HK$500,000	–	100	Restaurant operation
Central Place Catering Limited	Hong Kong	HK$1	–	100	Food court operation
Century High Limited	Hong Kong	HK$1	–	100	Restaurant operation
Central Cabin Limited	Hong Kong	HK$1	–	100	Restaurant operation
Sino Rank Limited	Hong Kong	HK$1	–	100	Processing, sale and distribution of food products
Fulum Management Limited	Hong Kong	HK$100	–	100	Provision of management service
Sino Mountain Trading Limited	Hong Kong	HK$1	–	100	Trading of kitchen utensils and other operating items
Fulum Food (International) Limited	Hong Kong	HK$1	–	100	Sales and distribution of food products
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

* 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

The Group incurred a net loss of HK$168,305,000 for the year ended 31 March 2021. As at 31 March 2021, the Group's current liabilities exceeded its current assets by HK$357,105,000.

As at 31 March 2021, the Group did not fulfill one of the financial covenants as required in the banking facilities agreement. Consequently, the related outstanding interest-bearing borrowings of HK$84,676,000 (the "Outstanding Borrowings") became repayable on demand. As at the date of approval of these financial statements, the bank has not requested the Group's repayment of the Outstanding Borrowings. Further details of the Group's interest-bearing bank borrowings are disclosed in note 25 to the financial statements.

In addition, as at 31 March 2021, lease liabilities which were past due amounted to approximately HK$80 million.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented, or is in the process of implementing, the following key plans and measures:

(i) Subsequent to 31 March 2021 and up to the date of approval of these financial statements, the Group has obtained new bank loans of approximately HK$25 million during May and June 2021, which are repayable after one year from the drawdown date;

(ii) The Group is actively negotiating with the existing lender of the Outstanding Borrowings to obtain a waiver in respect of the non-fulfillment of the financial covenant and/or to seek for the extension of repayment terms of bank borrowings and to obtain new credit facilities;

2.1 BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

(iii) The Outstanding Borrowings are secured by the Group's properties including the office premises and two car parking spaces (the "Properties"), which have a market value of approximately HK$176.8 million as at 31 March 2021 as determined by an independent valuer. Subsequent to 31 March 2021, on 29 June 2021, the Group has entered into a memorandum of understanding with Mr. Yeung Wai, the substantial shareholder of the Company, and pursuant to which Mr. Yeung Wai will purchase the Properties at a consideration that is not lower than the prevailing market price. Upon the completion of the aforementioned transaction, Mr. Yeung Wai will lease back the Properties to the Group on normal commercial terms or better.

Part of the proceeds arising from the aforementioned transaction will be used for the settlement of the Outstanding Borrowings.

As at the date of approval of these financial statements, the Group and Mr. Yeung Wai have not yet confirmed the details (such as the amount of consideration, date of transaction, etc.) of the above proposed transaction;

(iv) Mr. Yeung Wai has undertaken to provide additional funding to finance the Group's operations as and when necessary;

(v) Management is reviewing the business operations for various new initiatives to improve the Group's profitability, and has taken measures including closing down under-performing restaurants and implementing various cost control measures, in order to better control the costs of operations;

(vi) Management is negotiating with the landlords of the Group's leased properties for rent concessions in view of the adverse impact of the outbreak of COVID-19 on the Group's operations; and

(vii) Management will consider other financing arrangements with a view to improving the Group's liquidity and financial position.

The directors of the Company, including the members of the audit committee, have reviewed the Group's cash flow forecast prepared by management. The cash flow forecast covers a period of 12 months from the end of the reporting period. The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements of the Group for the year ended 31 March 2021 on a going concern basis.

2.1 BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to continue as a going concern, which will depend upon the Group's ability to generate adequate financial and operating cash flows through the following:

(i) successfully negotiating with the Group's existing lender such that no action will be taken by the lender to demand repayment arising from the breach in respect of the Outstanding Borrowings with principal and interest in default;

(ii) successfully completing the proposed disposals of the Group's properties to its substantial shareholder as mentioned above;

(iii) successfully carrying out the Group's business plan to improve the profitability and cost control measures so as to improve the Group's working capital and cashflow position;

(iv) successfully negotiating with the landlords of the Group's leased properties for rent concessions in view of the adverse impact of the outbreak of COVID-19 on the Group's operations; and

(v) successfully obtaining other financial resources, including but not limited to additional funding from its substantial shareholder so as to enable the Group to 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 12 months from the end of the reporting period.

Should the going concern assumptions be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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 2021. 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).

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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.

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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

(d) 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, or both. The amendments did not have any significant impact on the financial position and 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	*Reference to the Conceptual Framework*[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[2]
HKFRS 17	*Insurance Contracts*[4]
Amendments to HKFRS 17	*Insurance Contracts*[4, 7]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4, 6]
Amendments to HKAS 1	*Disclosure of Accounting Policies*[4]
Amendments to HKAS 8	*Definition of Accounting Estimates*[4]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[4]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[3]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 No mandatory effective date yet determined but available for adoption
6 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
7 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

Fair value measurement

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Buildings	2.3%
Leasehold improvements	Over the shorter of the lease terms and the 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.

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.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 asset 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.

(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:

Leasehold land	44 years
Buildings	2 to 12 years
Motor vehicles	3 to 5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

***Group as a lessee** (continued)*

(a) *Right-of-use assets (continued)*

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 lease. 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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

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 costs 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, 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, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 with 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 the point in time when 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 the point in time when 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 is 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 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.

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. An 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 reporting period based on changes in circumstances. The carrying amount of property, plant and equipment at 31 March 2021 was HK$169,988,000 (2020: HK$122,020,000). Further details are contained in note 13 to the financial statements.

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.

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

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade and other receivables *(continued)*

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 assumptions about the risk of default and expected loss rates. The Group makes adjustments 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 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.

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).

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 2021 and 2020, and certain non-current asset information as at 31 March 2021 and 2020, by geographical areas.

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
Hong Kong	**1,060,523**	1,744,673
Mainland China	**112,159**	109,245
	1,172,682	1,853,918

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

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Hong Kong	**708,014**	533,101
Mainland China	**64,198**	68,892
	772,212	601,993

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:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Restaurant operations	**1,099,974**	1,790,732
Sale of food and other operating items	**72,708**	63,186
Total revenue from contracts with customers and recognised at a point in time	**1,172,682**	1,853,918

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 HK$'000	2020 HK$'000
Geographical markets		
Hong Kong	**1,060,523**	1,744,673
Mainland China	**112,159**	109,245
Total revenue from contracts with customers and recognised at a point in time	**1,172,682**	1,853,918

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:

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Restaurant operations	**13,713**	15,293

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.

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

Revenue from contracts with customers *(continued)*

(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.

Other income and gains, net

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

	Notes	2021 HK$'000	2020 HK$'000
Interest income		**290**	4,673
Licensing income		**935**	1,227
Food court income		**6,430**	7,207
Sponsorship income		**3,502**	7,774
Government subsidies*		**128,027**	4,240
Rent concessions related to COVID-19#	15(b)	**23,303**	2,519
Gain on lease termination	15(c)	**3,395**	–
Overprovision of reinstatement liabilities	26	**1,623**	3,494
Others		**3,022**	4,987
		170,527	36,121

* Government subsidies of HK$128,027,000 (2020: HK$4,240,000) were granted during the year ended 31 March 2021 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 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:

	2021 HK$'000	2020 HK$'000
Interest on bank overdrafts and bank loans	**4,081**	2,942
Interest on lease liabilities	**21,990**	22,402
	26,071	25,344

7. LOSS BEFORE TAX

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

	Notes	2021 HK$'000	2020 HK$'000
Lease payments not included in the measurement of lease liabilities	15(c)	**11,355**	123,250
Employee benefit expenses (including directors' remuneration (note 8)):			
Salaries, bonuses and other allowances		**375,039**	658,771
Retirement benefit scheme contributions (defined contribution schemes)^		**13,739**	25,027
		388,778	683,798
Impairment of items of property, plant and equipment*	13	**15,617**	53,745
Write-off of items of property, plant and equipment*	13	**1,992**	9,793
Impairment of right-of-use assets*	15(a)	**30,032**	105,110
Write-off of right-of-use assets*	15(a)	**4,613**	–
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
Impairment of other receivables**	20	**–**	6,600
Write-off of other receivables**		**4,222**	8,389

7. LOSS BEFORE TAX *(continued)*

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

	Notes	2021 HK$'000	2020 HK$'000
Other expenses included:			
Advertising and marketing expenses		**24,364**	27,391
Auditor's remuneration		**2,656**	2,816
Bank charges		**1,272**	1,655
Cleaning and air conditioning		**47,057**	63,935
Consumables expenses		**26,361**	27,870
Credit card commission		**6,853**	14,094
Entertainment		**586**	3,991
Fair value losses on investment properties	14	**12,850**	18,051
Fair value losses/(gain), net:			
Financial assets at fair value through profit or loss		**(11,386)**	8,233
Other receivables		**–**	5,357
Foreign exchange differences, net		**(11)**	19
Insurance		**10,239**	14,493
Legal and professional fees (excluding auditor's remuneration)		**9,719**	9,516
Loss on disposal of items of property, plant and equipment, net		**–**	769
Loss/(gain) on disposal of subsidiaries	31	**(5,795)**	917
Repairs and maintenance		**34,394**	33,071
Transportation and travelling expenses		**7,100**	8,157
Others		**6,034**	9,913
		172,293	250,248

^ At 31 March 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: Nil).

* 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:

	2021 HK$'000	2020 HK$'000
Fees	**720**	690
Other emoluments:		
Salaries, allowances and benefits in kind	**3,560**	3,850
Retirement benefit scheme contributions (defined contribution scheme)	**72**	72
	3,632	3,922
	4,352	4,612

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 29 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:

	2021 HK$'000	2020 HK$'000
Mr. Fan Chun Wah Andrew	**240**	230
Mr. Wu Kam On Keith	**240**	230
Mr. Ng Ngai Man Raymond	**240**	230
	720	690

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2021				
Mr. Yeung Wai#	**–**	**1,010**	**18**	**1,028**
Mr. Yeung Yun Chuen	**–**	**918**	**18**	**936**
Mr. Yeung Yun Kei	**–**	**816**	**18**	**834**
Mr. Leung Siu Sun	**–**	**816**	**18**	**834**
	–	**3,560**	**72**	**3,632**
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

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

During the year ended 31 March 2021, 4 (2020: 7) directors of the Company have waived emoluments of HK$640,000 (2020: HK$380,000).

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 (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2020: 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 (2020: three) non-director highest paid employees are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, bonuses and allowances	**3,568**	3,551
Retirement benefit scheme contributions	**54**	54
	3,622	3,605

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

	Number of employees	
	2021	2020
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	3
	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 29 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 (2020: Nil).

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2020: 25%) during the year.

	2021 HK$'000	2020 HK$'000
Current – Hong Kong		
Charge for the year	**–**	797
Underprovision/(overprovision) in prior years	**(279)**	619
Current – Mainland China		
Charge for the year	**566**	104
Deferred (note 27)	**–**	18,501
Total tax charge for the year	**287**	20,021

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

	2021 HK$'000	2020 HK$'000
Loss before tax	**(168,018)**	(617,082)
Tax at the Hong Kong statutory tax rate of 16.5% (2020: 16.5%)	**(27,723)**	(101,819)
Difference in tax rates applied for specific provinces in Mainland China	**(798)**	(1,552)
Adjustment in respect of current tax of previous periods	**(279)**	619
Income not subject to tax	**(24,178)**	(967)
Expenses not deductible for tax	**12,687**	39,981
Tax losses utilised from previous periods	**(3,428)**	(771)
Tax losses not recognised	**42,199**	64,972
Reversal of deferred tax assets previously recognised	**–**	18,501
Others	**1,807**	1,057
Tax charge at the Group's effective tax rate	**287**	20,021

11. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year:		
Final 2020 – nil (2020: 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. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on loss for the year attributable to ordinary equity holders of the Company of HK$168,305,000 (2020: HK$637,476,000) and 1,300,000,000 (2020: 1,300,000,000) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2021.

No adjustment had been made to the basic loss per share amounts presented for the year ended 31 March 2020 in respect of a dilution as impact of the share options outstanding had no dilutive effect on the basic loss per share amounts presented for the year ended 31 March 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'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 2021								
At 1 April 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
At 1 April 2020, net of accumulated depreciation and impairment	–	82,109	26,584	2,353	6,220	4,603	151	122,020
Additions	–	65,229	10,525	3,024	3,643	3,717	615	86,753
Transfer from investment properties (note 14)	38,920	–	–	–	–	–	–	38,920
Write-off	–	(84)	(1,572)	(143)	(147)	(46)	–	(1,992)
Disposal of subsidiaries (note 31)	–	(763)	(266)	(15)	–	–	–	(1,044)
Depreciation provided during the year	(146)	(44,031)	(10,083)	(1,772)	(3,135)	(1,811)	(256)	(61,234)
Impairment	–	(11,161)	(3,283)	(359)	(366)	(448)	–	(15,617)
Exchange realignment	–	523	1,032	445	153	28	1	2,182
At 31 March 2021, net of accumulated depreciation and impairment	38,774	91,822	22,937	3,533	6,368	6,043	511	169,988
At 31 March 2021:								
Cost	38,920	397,779	112,699	26,560	53,909	48,926	4,494	683,287
Accumulated depreciation and impairment	(146)	(305,957)	(89,762)	(23,027)	(47,541)	(42,883)	(3,983)	(513,299)
Net carrying amount	38,774	91,822	22,937	3,533	6,368	6,043	511	169,988

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

	Buildings HK$'000	Leasehold improvements HK$'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:								
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 1 April 2019, net of accumulated depreciation and impairment	–	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)*

During the years ended 31 March 2021 and 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 end of the expected useful lives of these relevant assets.

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 cash-generating unit ("CGU") and carried out impairment assessment for the restaurants which have indicator of impairment.

As at 31 March 2021, the Group's management identified certain loss making restaurants which indicated that impairment may exist and estimated the corresponding recoverable amount of their property, plant and equipment and right-of-use assets. Based on the assessment performed by the Group's management, impairment of HK$15,617,000 (2020: HK$53,745,000) and HK$30,032,000 (2020: HK$105,110,000) were recognised to write down the carrying amounts of these items of property, plant and equipment and right-of-use assets, respectively, to their recoverable amounts as at 31 March 2021. The estimates of the recoverable amounts were determined using fair value less costs of disposal calculations based on the discounted cash flow method.

Under the discounted cash flow method, fair value is estimated by using cash flow projections based on financial budgets approved by senior management covering a five-year period (the "5-Year Projection").

The key assumptions used in fair value less costs of disposal calculations of the relevant CGUs include budgeted revenue and the discount rate. Revenue from restaurant operations is estimated based on the business trend in the industry of restaurant operation, historical performance, market conditions and economic outlook. The annual revenue growth rate used by each CGU is ranging from 10% to 53%. The pre-tax discount rate applied is 17%. The fair value measurement was categorised under Level 3 with significant unobservable inputs.

A significant increase (decrease) in the revenue growth rate would result in a significant increase (decrease) in the fair value of the relevant CGUs. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the relevant CGUs.

Further details of the impairment testing for the year ended 31 March 2020 are set out in note 16 to the financial statements.

As at 31 March 2021, the Group's buildings with a net carrying amount of HK$38,774,000 (2020: Nil) were pledged to secure the banking facilities granted to the Group (note 25).

14. INVESTMENT PROPERTIES

	2021 **HK$'000**	2020 HK$'000
Carrying amount at beginning of year	**189,600**	–
Additions	**–**	207,651
Net losses from fair value adjustment	**(12,850)**	(18,051)
Transfer to owner-occupied properties	**(176,750)**	–
Carrying amount at end of year	**–**	189,600

During the year ended 31 March 2021, the Group's investment properties are transferred to owner-occupied properties (notes 13 and 15).

As at 31 March 2020, the directors of the Company had 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. Management decided 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 had 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 were pledged to secure general banking facilities granted to the Group (note 25).

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 ended 31 March 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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 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**
Net losses from fair value adjustment recognised in profit or loss	**(12,850)**
Transfer to owner-occupied properties	**(176,750)**
Carrying amount at 31 March 2021	–

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties as at 31 March 2020:

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

The fair value of investment properties as at 31 March 2020 was 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:

	Leasehold land HK$'000	Buildings HK$'000	Motor vehicles HK$'000	Total HK$'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**
Additions	**–**	**444,059**	**596**	**444,655**
Transfer from investment properties (note 14)	**137,830**	**–**	**–**	**137,830**
Lease modifications	**–**	**31,037**	**–**	**31,037**
Write-off	**–**	**(4,613)**	**–**	**(4,613)**
Disposal of subsidiaries (note 31)	**–**	**(5,414)**	**–**	**(5,414)**
Depreciation charge	**(517)**	**(264,950)**	**(192)**	**(265,659)**
Impairment	**–**	**(30,032)**	**–**	**(30,032)**
Exchange realignment	**–**	**3,742**	**(3)**	**3,739**
As at 31 March 2021	**137,313**	**463,863**	**701**	**601,877**

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) *Right-of-use assets* *(continued)*

At 31 March 2021, certain of the Group's right-of-use assets with an aggregate carrying amount of HK$137,313,000 (2020: Nil) were pledged to secure the banking facilities granted to the Group, further details of which are included in note 25 to the financial statements.

At 31 March 2021, certain of the Group's right-of-use assets with an aggregate carrying amount of HK$701,000 (2020: HK$300,000) were pledged to secure the Group's lease liabilities.

Further details of the impairment testing are set out in notes 13 and 16 to the financial statements.

(b) *Lease liabilities*

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

	Lease liabilities	
	2021 HK$'000	2020 HK$'000
Carrying amount at beginning of year	**484,491**	554,001
New leases	**444,379**	169,144
Accretion of interest recognised during the year	**21,990**	22,402
Lease modifications and termination	**27,642**	(55,509)
Rent concessions related to COVID-19 (note 5)	**(23,303)**	(2,519)
Payments	**(268,852)**	(195,427)
Disposal of subsidiaries (note 31)	**(46,113)**	(3,216)
Exchange realignment	**6,239**	(4,385)
Carrying amount at end of year	**646,473**	484,491
Analysed into:		
Current portion	**320,320**	260,710
Non-current portion	**326,153**	223,781
Carrying amount at 31 March	**646,473**	484,491

The maturity analysis of lease liabilities is disclosed in note 40 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:***

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**21,990**	22,402
Depreciation charge of right-of-use assets	**265,659**	245,363
Impairment of right-of-use assets	**30,032**	105,110
Write-off of right-of-use assets	**4,613**	–
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)	**10,442**	122,665
Variable lease payments not included in the measurement of lease liabilities (included in property rentals and related expenses)	**913**	585
Rent concessions related to COVID-19	**(23,303)**	(2,519)
Gain on lease termination	**(3,395)**	–
Total amount recognised in profit or loss	**306,951**	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$9,309,000 (2020: HK$592,000) and HK$913,000 (2020: HK$585,000), respectively.

In addition, rent concessions arising as a direct consequence of the COVID-19 pandemic of HK$23,303,000 (2020: 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 32 and 35, respectively, to the financial statements.

15. LEASES *(continued)*

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$2,230,000 (2020: HK$3,544,000), included in "Other income and gains, net" to the financial statements (note 5).

At 31 March 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**14,232**	3,211
After one year but within two years	**10,588**	3,731
After two years but within three years	**4,304**	946
After three years but within four years	**1,864**	–
	30,988	7,888

16. GOODWILL

	HK$'000
At 1 April 2019:	
Cost and net carrying amount	58,707
Cost and net carrying amount at 1 April 2019	58,707
Impairment during the year	(58,707)
Cost at 31 March 2020, 1 April 2020 and 31 March 2021, net of accumulated impairment	–
At 31 March 2020, 1 April 2020 and 31 March 2021:	
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	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Goodwill:						
Cost	**27,728**	27,728	**30,979**	30,979	**58,707**	58,707
Accumulated impairment	**(27,728)**	(27,728)	**(30,979)**	(30,979)	**(58,707)**	(58,707)
Carrying amount	**–**	–	**–**	–	**–**	–
Intangible assets:						
Cost	**13,000**	13,000	**–**	–	**13,000**	13,000
Accumulated impairment	**(13,000)**	(13,000)	**–**	–	**(13,000)**	(13,000)
Carrying amount	**–**	–	**–**	–	**–**	–

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 have 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 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.

16. GOODWILL *(continued)*

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

For the year ended 31 March 2020

The growth rate used to extrapolate the cash flows beyond the five-year period is 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%.

Due to the adverse change in the restaurant operations environment in Hong Kong, the Group has revised the 5-Year Projection, 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, HK$13,000,000 (note 17), HK$53,745,000 (note 13) and HK$105,110,000 (note 15(a)) had 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 2019:	
Cost and net carrying amount	13,000
Cost and net carrying amount at 1 April 2019	13,000
Impairment during the year	(13,000)
Cost at 31 March 2020, 1 April 2020 and 31 March 2021, net of accumulated impairment	–
At 31 March 2020, 1 April 2020 and 31 March 2021:	
Cost	13,000
Accumulated impairment	(13,000)
Net carrying amount	–

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

	2021 HK$'000	2020 HK$'000
Food and beverages	**87,690**	80,047
Other operating items for restaurant operations	**5,692**	5,020
	93,382	85,067

19. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Credit card receivables	**2,134**	871
Others	**19,451**	19,934
	21,585	20,805
Impairment	**(11,877)**	(11,877)
	9,708	8,928

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 (2020: 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.

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.

	2021 %	2020 %
Largest debtor	**23**	10
Five largest debtors	**50**	39

19. TRADE RECEIVABLES *(continued)*

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:

	2021 HK$'000	2020 HK$'000
Within 1 month	**6,554**	5,706
1 to 3 months	**1,531**	1,092
3 to 12 months	**1,623**	1,586
Over 12 months	–	544
	9,708	8,928

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

	2021 HK$'000	2020 HK$'000
At beginning of year	**11,877**	4,948
Impairment losses (note 7)	–	13,573
Amount written off as uncollectible	–	(6,644)
At end of year	**11,877**	11,877

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.

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:

19. TRADE RECEIVABLES *(continued)*

As at 31 March 2021

			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%**	**6.96%**	**13.55%**	**21.37%**	**–**	**55.02%**
Gross carrying amount (HK$'000)	**10,706**	**7,044**	**1,771**	**2,064**	**–**	**21,585**
Expected credit losses (HK$'000)	**10,706**	**490**	**240**	**441**	**–**	**11,877**

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%	10.97%	67.55%	95.31%	57.09%
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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**5,097**	2,945
Deposits	**129,027**	145,693
Rental deposits paid to related companies*	**19,574**	15,756
Deposits for purchases of items of property, plant and equipment	**337**	39
Other receivables	**26,429**	21,905
	180,464	186,338
Less: impairment – other receivables	**(6,600)**	(6,600)
	173,864	179,738
Analysed into:		
Non-current portion	**54,726**	69,672
Current portion	**119,138**	110,066
	173,864	179,738

* 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:

	2021 HK$'000	2020 HK$'000
At beginning of year	**6,600**	–
Impairment losses (note 7)	**–**	6,600
At end of year	**6,600**	6,600

Except for the aforementioned impaired other receivables, the 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 2021.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'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

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**145,074**	111,410
Time deposits	–	5,002
	145,074	116,412

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to HK$44,388,000 (2020: HK$46,998,000). 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 the reporting period, based on the invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	**41,225**	22,692
1 to 3 months	**7,059**	11,095
3 to 12 months	**1,190**	1,508
Over 12 months	**2,237**	1,701
	51,711	36,996

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	2021 HK$'000	2020 HK$'000
Other payables		**104,995**	19,832
Accruals		**52,834**	43,087
Contract liabilities	(a)	**13,169**	13,713
Deferred other income		**13,810**	5,811
		184,808	82,443
Analysed into:			
Non-current liabilities		**11,981**	3,522
Current liabilities		**172,827**	78,921
		184,808	82,443

24. OTHER PAYABLES, ACCRUALS AND DEFERRED INCOME *(continued)*

Note:

(a) Details of contract liabilities are as follows:

	31 March 2021 HK$'000	31 March 2020 HK$'000	1 April 2019 HK$'000
Short-term advances received from customers			
Restaurant operations	**13,169**	13,713	15,293

Included in "Other payables, accruals and deferred income" at 31 March 2021 are salaries payable of HK$334,000 (2020: HK$229,000) 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

	2021			2020		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	**Prime rate -2.25%**	**2021 or on demand**	**93,082**	1-month HIBOR +1.45% to 1-month HIBOR +2.5%^	2020 or on demand	21,682
Bank loans – secured	**1-month HIBOR +1.45%^**	**On demand**	**84,676**	1-month HIBOR +1.45%^	On demand	72,912
			177,758			94,594

25. INTEREST-BEARING BANK BORROWINGS *(continued)*

	2021 HK$'000	2020 HK$'000
Analysed into:		
Bank loans repayable within one year or on demand (Note)	**177,758**	94,594

Note:

For the purpose of the above analysis, the Group's unsecured bank loans in the amount of HK$93,082,000 (2020: Nil) containing a repayment on demand clause are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the unsecured bank loans, the amounts repayable in respect of the bank loans are: HK$34,310,000 (2020: Nil) repayable within one year; HK$46,854,000 (2020: Nil) repayable in the second year; and HK$11,918,000 (2020: Nil) repayable in the third to fifth years, inclusive.

All borrowings are in Hong Kong dollars. The Group's bank loans of HK$84,676,000 (2020: HK$72,912,000) as at 31 March 2021 are secured by mortgages over the Group's own-occupied properties (2020: investment properties) situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$176,087,000 (2020: HK$189,600,000). The Group's unsecured bank loans of HK$93,082,000 (2020: Nil) as at 31 March 2021 are fully guaranteed by the Government of the Hong Kong Special Administrative Region.

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 covenants as required in the banking facilities agreement for an outstanding balance of HK$84,676,000 as at 31 March 2021 which is presented under current liabilities in the Group's consolidated statement of financial position as at 31 March 2021.

^ HIBOR denotes Hong Kong Interbank Offered Rate.

26. PROVISION

	2021 HK$'000	2020 HK$'000
At beginning of year	**19,678**	24,042
Additional provision	**8,197**	1,196
Amounts utilised during the year	**–**	(60)
Reversal of unutilised amounts (note 5)	**(1,623)**	(3,494)
Disposal of subsidiaries (note 31)	**(4,149)**	(1,934)
Exchange realignment	**(1,095)**	(72)
At end of year	**21,008**	19,678
Analysed into:		
Non-current portion	**8,803**	12,918
Current portion	**12,205**	6,760
	21,008	19,678

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.

27. 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 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 31)	(813)	(1,117)	(22)	(1,952)
Exchange realignment	(51)	–	(3)	(54)
At 31 March 2020 and 1 April 2020	**–**	**226**	**–**	**226**
Deferred tax credited to the statement of profit or loss during the year (note 10)	**–**	**2,144**	**–**	**2,144**
At 31 March 2021	**–**	**2,370**	**–**	**2,370**

27. DEFERRED TAX *(continued)*

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 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 31)	(63)	–	–	(63)
Exchange realignment	–	–	(14)	(14)
At 31 March 2020 and 1 April 2020	**736**	**–**	**234**	**970**
Deferred tax charged to the statement of profit or loss during the year (note 10)	**2,144**	**–**	**–**	**2,144**
Disposals of subsidiaries (note 31)	**(40)**	**–**	**(134)**	**(174)**
At 31 March 2021	**2,840**	**–**	**100**	**2,940**

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:

	2021 HK$'000	2020 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**570**	744

At 31 March 2021, the Group had estimated tax losses arising in Hong Kong of approximately HK$649,903,000 (2020: HK$483,336,000), 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 2021, the Group also had estimated tax losses arising in Mainland China of HK$6,987,000 (2020: HK$1,282,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

27. DEFERRED TAX *(continued)*

Deferred tax assets have not been recognised in respect of tax losses arising in Hong Kong of approximately HK$635,537,000 (2020: HK$481,966,000) and tax losses arising in Mainland China of HK$6,987,000 (2020: HK$1,282,000) as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. In addition, the Group has deductible temporary differences of HK$163,252,000 (2020: HK$160,806,000) for which deferred tax assets have not been recognised. The related tax effects are as follows:

	2021 HK$'000	2020 HK$'000
Tax losses	**106,610**	79,844
Deductible temporary differences	**26,936**	26,533
	133,546	106,377

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

At 31 March 2021, 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 totalled approximately HK$1,249,000 (2020: HK$1,049,000).

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

28. ISSUED CAPITAL

Shares

	2021 HK$'000	2020 HK$'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 29 to the financial statements.

29. 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.

29. SHARE OPTION SCHEMES *(continued)*

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

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

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

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.

29. SHARE OPTION SCHEMES *(continued)*

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

	2021 Weighted average exercise price HK$ per share	2021 Number of options '000	2020 Weighted average exercise price HK$ per share	2020 Number of options '000
At beginning of year	–	–	0.93	42,420
Forfeited or lapsed during the year	–	–	0.93	(42,420)
At end of year		–	–	–

No share options were granted under the Schemes during the year (2020: Nil).

30. 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 57 to 58 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.

31. DISPOSAL OF SUBSIDIARIES

(a) During the year ended 31 March 2021, the Group disposed of its entire interests in certain subsidiaries to independent third parties for an aggregate consideration of HK$105.

	Notes	2021 HK$'000
Net assets disposed of:		
Property, plant and equipment	13	1,044
Right-of-use assets	15	5,414
Cash and bank balances		17
Trade receivables		102
Prepayments, deposits and other receivables		4,668
Tax recoverable		1,308
Trade payables		(317)
Other payables, accruals and deferred income		(13,019)
Lease liabilities	15(b)	(46,113)
Provision	26	(4,149)
Tax payable		(689)
Deferred tax liabilities	27	(174)
		(51,908)
Other payables for the disposals of certain subsidiaries^		46,113
		(5,795)
Gain on disposal of subsidiaries (note 7)		(5,795)
		–
Satisfied by:		
Cash		–

^ As at the respective disposal dates, the disposed subsidiaries had outstanding lease liabilities in respect of the lease contracts, where the landlords may claim against the Group for the unpaid rent under these lease contracts. As a result, other payables in the same amount of the aforementioned lease liabilities was recorded by the Group as at 31 March 2021.

31. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) 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	27	1,952
Trade payables		(354)
Other payables		(1,752)
Lease liabilities	15(b)	(3,216)
Provision	26	(1,934)
Tax payable		(173)
Deferred tax liabilities	27	(63)
Non-controlling interests		(1,057)
		917
Loss on disposal of subsidiaries (note 7)		917
		–
Satisfied by:		
Cash		–

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

	2021 HK$'000	2020 HK$'000
Cash consideration	**–**	–
Cash and bank balances disposed of	**(17)**	(164)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(17)**	(164)

32. 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$8,197,000 (2020: HK$1,196,000) 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$1,791,000 (2020: HK$1,158,000) 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$444,379,000 and HK$444,379,000, respectively, in respect of lease arrangements for buildings and motor vehicles (2020: HK$169,144,000 and HK$169,144,000, respectively).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
2021		
At 1 April 2020	**94,594**	**484,491**
Changes from financing cash flows	**83,164**	**(268,852)**
New leases	**–**	**444,379**
Lease modifications and termination	**–**	**27,642**
Rent concessions related to COVID-19	**–**	**(23,303)**
Accretion of interest	**–**	**21,990**
Disposal of subsidiaries	**–**	**(46,113)**
Exchange realignment	**–**	**6,239**
At 31 March 2021	**177,758**	**646,473**

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

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

	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
2020		
At 1 April 2019	400	554,001
Changes from financing cash flows	94,194	(195,427)
New leases	–	169,144
Lease modifications and termination	–	(55,509)
Rent concessions 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

(c) Total cash outflow for leases

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

	2021 HK$'000	2020 HK$'000
Within operating activities	**(11,355)**	(123,250)
Within financing activities	**(268,852)**	(195,427)
	(280,207)	(318,677)

33. CONTINGENT LIABILITIES

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

	2021 HK$'000	2020 HK$'000
Bank guarantees given in lieu of rental and utility deposits	**29,088**	38,685

34. 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 13, 14, 15 and 25 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

As lessee

In addition to the lease arrangements detailed in note 15 to the financial statements, as at 31 March 2021, 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.

At 31 March 2021, 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 2021) as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**4,382**	10,121
In the second to fifth years, inclusive	**7,386**	49,626
Beyond five years	**–**	7,668
	11,768	67,415

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 2021.

36. COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**684**	1,902

37. 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:

	2021 HK$'000	2020 HK$'000
Related companies*:		
Purchase of food^	**4,475**	3,307
Rental expenses^	**–**	78,859

* 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 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 2021, the right-of-use assets related to the restaurants leased from these related companies amounted to HK$193,470,000 (2020: HK$46,000) and lease liabilities of HK$229,435,000 (2020: HK$4,956,000) are due to these related companies of the Group. Depreciation and impairment of right-of-use assets related to these restaurants amounted to HK$139,399,000 (2020: HK$13,130,000) and interest on lease liabilities to these related companies of the Group amounted to HK$7,895,000 (2020: HK$511,000) during the year ended 31 March 2021.

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.

37. RELATED PARTY TRANSACTIONS *(continued)*

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

	2021 **HK$'000**	2020 HK$'000
Short term employee benefits	**5,797**	7,401
Post-employment benefits	**108**	126
Total compensation paid to key management personnel	**5,905**	7,527

38. 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**
2021			
Trade receivables	–	**9,708**	**9,708**
Financial assets included in prepayments, deposits and other receivables	–	**168,430**	**168,430**
Cash and cash equivalents	–	**145,074**	**145,074**
	–	**323,212**	**323,212**

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial assets *(continued)*

	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

Financial liabilities

	Financial liabilities at amortised cost	
	2021 HK$'000	2020 HK$'000
Trade payables	**51,711**	36,996
Financial liabilities included in other payables, accruals and deferred income	**161,644**	62,694
Interest-bearing bank borrowings	**177,758**	94,594
Lease liabilities	**646,473**	484,491
	1,037,586	678,775

39. 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	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Deposits, non-current portion	**54,331**	69,633	**54,331**	69,440
Financial assets at fair value through profit or loss	**–**	10,767	**–**	10,767
	54,331	80,400	**54,331**	80,207

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 2021 was assessed to be insignificant.

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

39. 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

The Group did not have any financial assets measured at fair value as at 31 March 2021. The Group did not have any financial liabilities measured at fair value as at 31 March 2021 and 2020.

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 (2020: 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.

40. 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 2021 and 2020 would have increased/decreased the Group's loss before tax by HK$889,000 and HK$474,000, 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.

40. 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 2021

	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*	–	–	–	21,585	21,585
Financial assets included in prepayments, deposits and other receivables					
– Normal**	161,558	–	–	–	161,558
– Doubtful**	–	13,472	–	–	13,472
Cash and cash equivalents					
– Not past due	145,074	–	–	–	145,074
	306,632	13,472	–	21,585	341,689

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

* 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:

	2021			
	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	51,711	–	–	51,711
Financial liabilities included in other payables, accruals and deferred income	156,244	5,400	–	161,644
Interest-bearing bank borrowings*	177,758	–	–	177,758
Lease liabilities	338,305	309,528	25,731	673,564
	724,018	314,928	25,731	1,064,677

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	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

* Included in interest-bearing bank borrowings are bank loans of HK$93,082,000 (2020: Nil) containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as "on demand".

Notwithstanding the above repayment on demand clause, the directors of the Company do not believe that the bank loans will be called in their entirety within 12 months, and they consider that the bank loans will be repaid in accordance with the maturity dates as set out in the bank loan agreements. This evaluation was made considering: the bank loans are fully guaranteed by the Government of the Hong Kong Special Administrative Region, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans, their maturity terms at 31 March 2021 are HK$36,560,000 repayable within one year; HK$47,886,000 repayable in the second year; and HK$11,973,000 repayable in the third to fifth years, inclusive.

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 2021 and 2020.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

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

	2021 HK$'000	2020 HK$'000
Interest-bearing bank borrowings	**177,758**	94,594
Equity attributable to owners of the Company	**121,979**	286,894
Gearing ratio	**145.7%**	33.0%

41. 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:

	2021 HK$'000	2020 HK$'000
CURRENT ASSETS		
Other receivables	**190**	8
Due from subsidiaries	**135,341**	302,497
Cash and cash equivalents	**706**	516
Total current assets	**136,237**	303,021
CURRENT LIABILITIES		
Other payables and accruals	**2,901**	–
Due to subsidiaries	**11,357**	11,277
Interest-bearing bank borrowings	**–**	4,850
Total current liabilities	**14,258**	16,127
NET CURRENT ASSETS	**121,979**	286,894
Net assets	**121,979**	286,894
EQUITY		
Issued capital	**1,300**	1,300
Reserves (note)	**120,679**	285,594
Total equity	**121,979**	286,894

41. 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 losses) HK$'000	Total HK$'000
At 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 2020 dividend declared	–	–	(10,270)	(10,270)
At 31 March 2020 and 1 April 2020	**540,140**	**–**	**(254,546)**	**285,594**
Loss and total comprehensive loss for the year	**–**	**–**	**(164,915)**	**(164,915)**
At 31 March 2021	**540,140**	**–**	**(419,461)**	**120,679**

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2021.

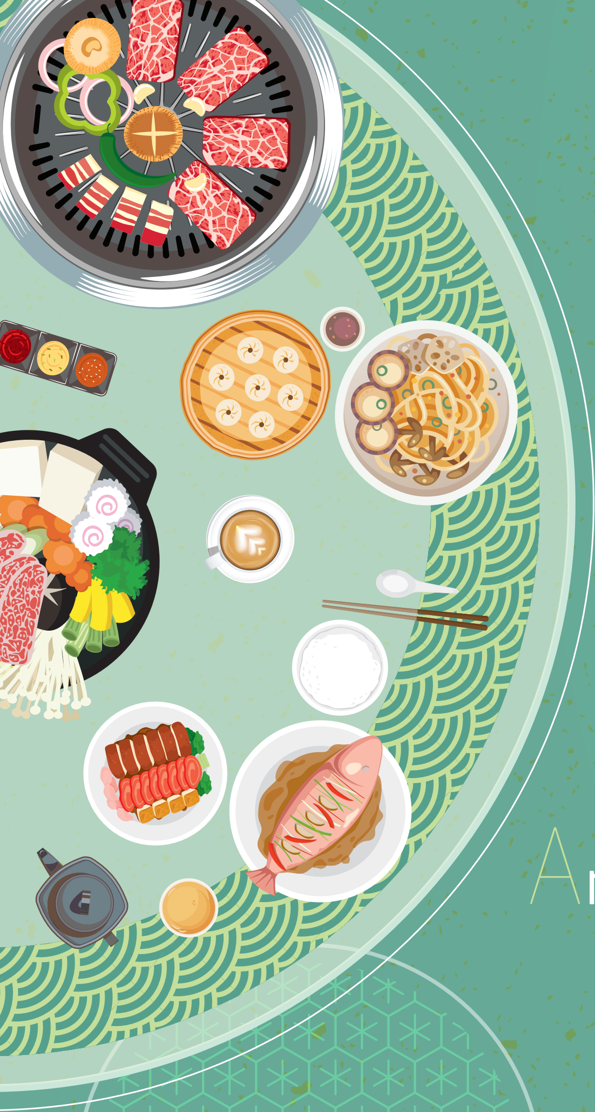
Five-Year Financial Summary

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				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
RESULTS					
REVENUE	**1,172,682**	1,853,918	2,627,192	2,961,974	2,965,974
Cost of inventories sold	**(385,932)**	(642,780)	(778,226)	(874,762)	(842,926)
	786,750	1,211,138	1,848,966	2,087,212	2,123,048
Other income and gains, net	**170,527**	36,121	18,104	21,269	19,643
Staff costs	**(388,778)**	(683,798)	(880,271)	(977,101)	(990,064)
Property rentals and related expenses	**(68,959)**	(188,374)	(471,443)	(545,771)	(523,660)
Depreciation of right-of-use assets	**(265,659)**	(245,363)	–	–	–
Depreciation of property, plant and equipment	**(61,234)**	(79,630)	(85,514)	(98,800)	(97,529)
Fuel and utility expenses	**(85,825)**	(121,430)	(157,953)	(180,472)	(184,709)
Other expenses	**(172,293)**	(250,248)	(227,122)	(240,733)	(236,155)
Losses from impairment/write-off of non-financial assets	**(52,254)**	(241,592)	(1,571)	(4,574)	(1,685)
Losses from impairment/write-off of financial assets	**(4,222)**	(28,562)	(2,137)	–	(3,675)
Finance costs	**(26,071)**	(25,344)	(345)	(622)	(691)
PROFIT/(LOSS) BEFORE TAX	**(168,018)**	(617,082)	40,714	60,408	104,523
Income tax expense	**(287)**	(20,021)	(15,134)	(17,931)	(21,681)
PROFIT/(LOSS) FOR THE YEAR	**(168,305)**	(637,103)	25,580	42,477	82,842
Attributable to:					
Owners of the Company	**(168,305)**	(637,476)	25,496	42,477	82,842
Non-controlling interests	**–**	373	84	–	–
	(168,305)	(637,103)	25,580	42,477	82,842

ASSETS AND LIABILITIES

	As at 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
TOTAL ASSETS	**1,206,087**	1,011,357	1,202,420	1,336,965	1,307,996
TOTAL LIABILITIES	**1,084,108**	(724,463)	(264,065)	(311,411)	(299,442)
NON-CONTROLLING INTERESTS	**–**	–	684	–	–
TOTAL EQUITY	**121,979**	286,894	938,355	1,025,554	1,008,554



Annual Report 年報 2021

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

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