TASTE • GOURMET GROUP LIMITED

嚐 • 高美集團有限公司

(Incorporated in the Cayman Islands with limited liabilty)

2019/20 ANNUAL REPORT

STOCK CODE : 8371

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

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

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. WONG Ngai Shan *(Chairman)*
Ms. CHAN Wai Chun *(Chief Executive Officer)*

Independent non-executive Directors
Ms. CHAN Yuen Ting
Mr. TSANG Siu Chun
Mr. WANG Chin Mong

COMPLIANCE OFFICER

Mr. YU Man To Gerald Maximillian

AUTHORISED REPRESENTATIVES

Mr. WONG Ngai Shan
Mr. YU Man To Gerald Maximillian

COMPANY SECRETARY

Mr. YU Man To Gerald Maximillian *B.BUS, MBA, FCPA*

AUDIT COMMITTEE

Mr. WANG Chin Mong *(Chairman)*
Ms. CHAN Yuen Ting
Mr. TSANG Siu Chun

REMUNERATION COMMITTEE

Mr. TSANG Siu Chun *(Chairman)*
Ms. CHAN Yuen Ting
Mr. WANG Chin Mong
Mr. WONG Ngai Shan

NOMINATION COMMITTEE

Ms. CHAN Yuen Ting *(Chairman)*
Mr. TSANG Siu Chun
Mr. WANG Chin Mong

COMPLIANCE COMMITTEE

Ms. CHAN Yuen Ting *(Chairman)*
Mr. TSANG Siu Chun
Mr. WANG Chin Mong

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

COMPLIANCE ADVISER

Dongxing Securities (Hong Kong) Company Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 24/F Crawford Tower
99-101 Jervois Street, Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO 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

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

STOCK CODE

08371

COMPANY'S WEBSITE

www.tastegourmet.com.hk

HIGHLIGHTS

Results

	Year ended 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	163,431	198,568	215,175	307,712	**370,511**
Profit before tax	21,285	25,854	6,910	31,674	**34,930**
Income tax expense	(2,407)	(4,087)	(4,139)	(4,422)	**(4,858)**
Profit for the year	18,878	21,767	2,771	27,252	**30,072**
Attributable to:					
Owners of the Company	12,001	14,214	1,208	27,252	**30,072**
Non-controlling interests	6,877	7,553	1,563	–	**–**
	18,878	21,767	2,771	27,252	**30,072**

Assets and liabilities

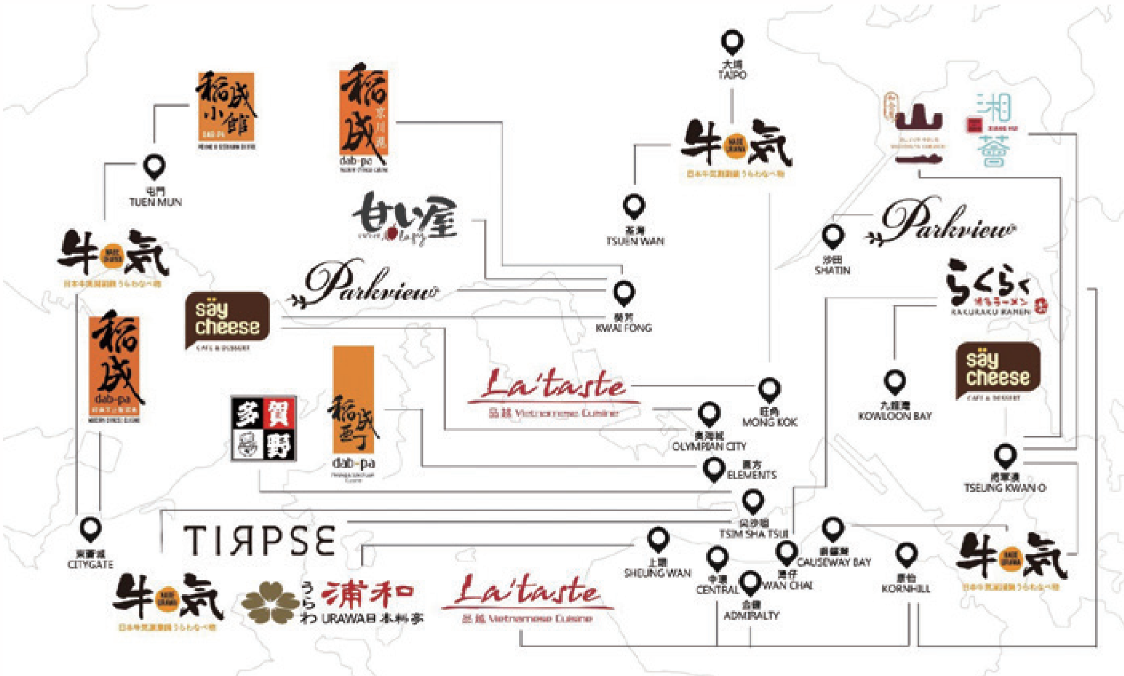
	As at 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	52,614	60,196	129,885	132,984	**326,969**
Total liabilities	(26,400)	(42,721)	(26,031)	(30,897)	**(205,902)**
Net assets	26,214	17,475	103,854	102,087	**121,067**

Note: The results for the two years ended 31 March 2017 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the two years ended 31 March 2017 have been extracted from the Company's prospectus dated 29 December 2017.

The Group has applied Hong Kong Financial Reporting Standards ("**HKFRSs**") 9 and HKFRS 15 since 1 April 2018 and no comparative figures for the prior years are restated. In addition, the Group has applied HKFRS 16 since 1 April 2019 in the current year and no comparative figures for the prior years are restated.

HIGHLIGHTS

GEOGRAPHICAL COVERAGE



COMMUNITY

HIGHLIGHTS

ENVIRONMENT, SOCIAL AND GOVERNANCE INFORMATION

Use of Resources

Water Consumption

104,000 Cubic Metres

Electricity Consumption

5,050,000 Kilowatt Hours

Gas Consumption

5,331,000 Megajoules

Emission Data

Food Waste Disposal
— Non-Hazardous

2,135,000 Kg

Cooking Oil Waste Disposal
— Non-Hazardous

44,000 Kg

CO_2 Emission

3,443,000 Kg

NO_x Emission

446,000 Kg

SO_x Emission

11,000 Kg

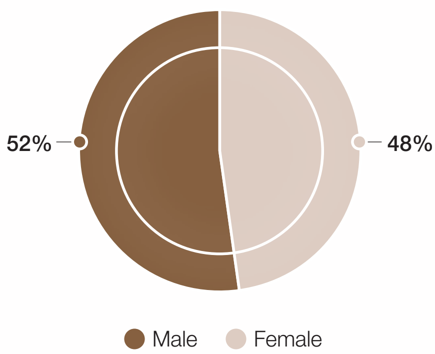
PM Emission

505 Kg

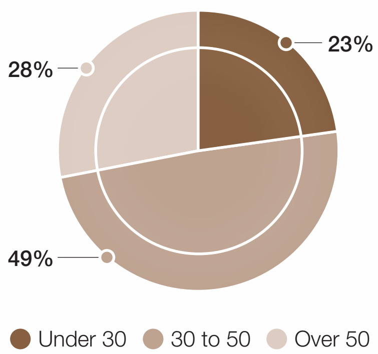
HIGHLIGHTS

Staff Profile

By Gender



By Age Group



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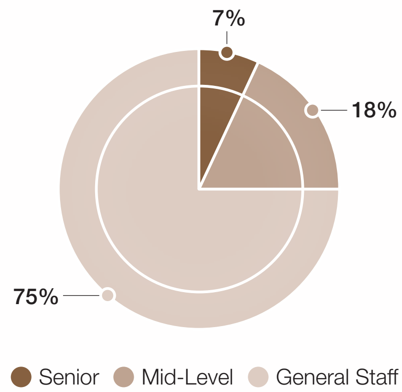
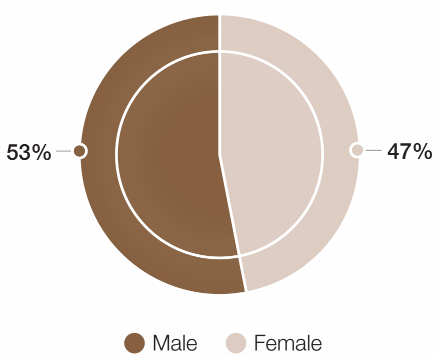
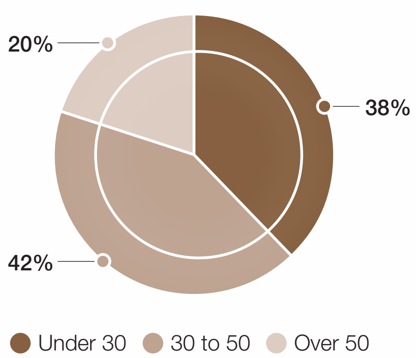


New Hires

By Gender



By Age Group



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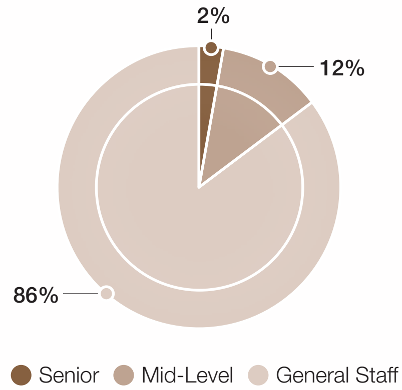

CHAIRMAN'S STATEMENT

Dear shareholders:

On behalf of the board of directors (the "**Board**" or "**Directors**"), I am pleased to present the annual results of Taste • Gourmet Group Limited together with its subsidiaries (the "**Group**") for the year ended 31 March 2020 ("**FY2020**").

BUSINESS REVIEW

In 2019, upholding our core values of "Food Quality and Customer Satisfaction", the Group maintained stringent control over food safety and other risks, motivated our staff, optimized processes and actively sought new momentum for growth with the aim of our Group's competitiveness in a long run.

In line with our multiply branding strategy, the Group launched three new brands during FY2020, namely the high-quality Hunan cuisine "Xiang Hui", the legendary ramen from Tokyo, Japan, "Takano", and the French-Japanese restaurant with the record of the fatest Michelin star in the world, "TIRPSE". In line with our restaurant network expansion plan, the Group focused on the development of "Nabe Urawa" and "Dab-Pa" by opening two "Nabe Urawa" restaurants and one "Dab-Pa" restaurant, respectively during FY2020. The Group opened a total of eight new restaurants but closed down two of our jointly controlled restaurants during FY2020, which contributed to an increase in the number of our restaurants from 22 as at 31 March 2019 to 28 as at 31 March 2020. We believe that with the continuous optimization of our organizational structure over the years, we have made constant improvements in various aspects, amongst others, talent, management and supply chain, which laid a solid foundation for our quality and sustainable growth.

A CHALLENGING YEAR

Since June 2019, Hong Kong social unrest and global outbreak of the new coronavirus (COVID-19) pandemic have brought unprecedented challenges to the overall restaurant industry, our Group was inevitably affected too. To varying degrees, both events are more likely to continue to have an impact on the Hong Kong local economy in 2020. Despite these difficult times, the Group continues to develop at a steady pace due to improved productivity of the team with internally concerted efforts, as well as externally, to the assistance of our landlords and suppliers and the support from The Government of the Hong Kong Special Administrative Region (the "Hong Kong Government").

CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK

The Group will strive to offer customers satisfactory dining experience with high-quality cuisines, attentive services and a comfortable dining environment. Adhering to the development strategies set forth below, the Group will maintain competitive and strive for the utmost interests for shareholders:

Multi-Branding Strategy

The Group will continue to keep abreast of market developments and by seizing market opportunities, launch more brands to enable it to enlarge its customer base and increase its market share.

Further Expansion

In addition to launching new brands, we will also actively develop our current brands with competitive edges to replicate our success. It is more likely that we will expand outside Hong Kong and begin to tap into the Chinese mainland market.

Continuing Enhanced Control on Supply Chain

We are having stronger bargaining power as the Group continues to grow. We will continue to integrate the existing supply chain while actively seeking for more competitive service providers in the market. The purpose is to enable the Group to increase its supply chain capabilities and provide stronger support for our development.

APPRECIATION

I would like to extend my sincere thanks to our shareholders, suppliers and customers for their continued support and trust. On behalf of the Board, I would express my gratitude also to all employees and the management team for their professionalism, sincerity and dedication in implementing our Group's strategies. I firmly believe in the prospects of the Group and look forward to continuing to grow its future business.

Chairman
WONG Ngai Shan

Hong Kong, 12 June 2020

CEO REPORT

BUSINESS REVIEW

Restaurant Network

During the year ended 31 March 2020, the Group opened 8 new restaurants: (1) Nabe Urawa at the Park Central in Tseung Kwan O; (2) Rakuraku Ramen Restaurant at the MegaBox in Kowloon Bay; (3) Rakuraku Ramen Restaurant at the Kornhill Plaza in Taikoo; (4) Xiang Hui Restaurant at the PopWalk in Tseung Kwan O; (5) Takano Ramen Restaurant at the K11 MUSEA in Tsim Sha Tsui; (6) Nabe Urawa at the Nina Mall in Tsuen Wan; (7) Dab-Pa Restaurant at the Citygate in Tung Chung; and (8) Tirpse at the K11 MUSEA in Tsim Sha Tsui. The shop at which Xiang Hui is located was previously one of our Parkview Restaurant which was closed down at the end of February 2019 and reopened as Xiang Hui during April 2019.

However, the two jointly controlled restaurants, The Pho at the Hysan Place in Causeway Bay and Madam Saigon at the Mira Place in Tsim Sha Tsui were closed down during the year.

The number of restaurants as at 31 March 2019, 31 March 2020 and as at the date of this report are as follows:

Brands	31 March 2019	31 March 2020	Date of Report
Nabe Urawa	4	6	8
La'taste	5	5	5
Dab-Pa	3	4	4
Rakuraku Ramen	1	3	3
Parkview	2	2	2
Say Cheese Kiosk	2	2	2
Say Cheese	1	1	1
Sweetology	1	1	1
Takano Ramen	–	1	1
Tirpse	–	1	1
Urawa	1	1	1
Xiang Hui (2)	–	1	1
Madam Saigon (1)	1	–	–
The Pho (1)	1	–	–
Total	22	28	30

Notes:

(1) 50% owned by the Group.

(2) 40% owned by the Group.

Confirmed leases for the opening of new restaurants are as follows:

Restaurant	Location	Mall Operator	Lease Expiry Date	Option to Renew (Yrs)	Expected Commencement Date	Seats	Site Area (Sq M)
Nabe Urawa	Citygate, Tung Chung	Swire Group	14/03/2026	None	Q2 2020	200	390.20
Nabe Urawa	TMT Plaza, Tuen Mun	Sino Group	15/03/2026	None	Q2 2020	180	371.60
Wasyokuya Yamaichi	The LOHAS, Tseung Kwan O	MTR Corporation	15/08/2023	3	Q3 2020	80	195.19

For details of these leases, please refer to the announcement issued by the Company dated 30 January 2020 and 18 May 2020.

The Nabe Urawa restaurant at the Citygate in Tung Chung and the Nabe Urawa at the TMT Plaza in Tuen Mun commenced operations in April 2020 and June 2020, respectively.

Tirpse

During the year, we entered into a Franchise Agreement (the "**Franchise Agreement**") to license the rights to the exclusive and unlimited usage in Hong Kong and Macau of a contemporary French-Japanese fusion cuisine brand "TIRPSE" (the "**Franchise**") from Tokyo, Japan. The Franchise is for a period of six years commencing 16 October 2019 (the "**Initial Franchise Period**") and the Franchise Agreement is automatically extended for a further six years in the event that no objection is made by either party six months prior to the end of the Initial Franchise Period.

Tirpse, which is "esprit", the French word for spirit, spelled backwards, first gained fame as the fastest restaurant to be awarded a Michelin star within two months of opening in 2015. Tirpse was also named as one of Diners Club World Best 50 Restaurants in 2017. Curated by the brand owner, Mr. Ohashi Naotaka has worked for Hiramatsu Restaurant in Japan, Cordeillan-Bages in France and the Michelin Three-starred Quintessence in Tokyo before opening Tirpse.

For details of the Franchise Agreement, please refer to the announcement issued by the Company dated 22 October 2019.

Significant Investments, Material Acquisitions or Disposals

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2020.

CEO REPORT

New Appointment

Mr. Yuen Wah Lam, Alan, aged 53, joined our Group as the Chief Operating Officer on 1 October 2019 responsible for the operational aspects of all our restaurants. Mr. Yuen has over 34 years of experience in the food and beverage industry and has spent over 11 years at The Peninsula Group and over 20 years at Select Service Partners, one of the major restaurant operators at the Hong Kong International Airport.

Possible Transfer of Listing

The Board has appointed professional parties to evaluate the possibility of transferring the listing of the Company's shares from GEM to the Main Board of the Stock Exchange. The evaluation is at a preliminary stage, however, further announcement(s) will be made to keep our shareholders and potential investors informed on the progress of the Possible Transfer as and when appropriate. For details, please refer to the announcement issued by the Company dated 18 May 2020.

Restaurant Operations

During the year ended 31 March 2020, approximately 2,432,338 customers patronized our restaurants (excluding Madam Saigon, The Pho and Xianghui as they are equity accounted for in the consolidated financial statements of the Group), an increase of 340,839 customers or 16.3% when compared to the previous year. The average spending per customer increased from HK$147.1 to HK$152.3 for the year ended 31 March 2020 compared to the previous year but if the kiosks and the dessert business are excluded, the average spending per customer decreased slightly to HK$161.0 from HK$163.3 due to the lower average spending per customer for our ramen restaurants. The key operating information by cuisine are summarized as follows:

	Year Ended											
	31.03.2020						31.03.2019					
	Revenue HK$'000	Number of Seats	Average Daily Sales HK$	Number of Customers	Average Spending per Customer HK$	Daily Seating Turnover Rate	Revenue HK$'000	Number of Seats	Average Daily Sales HK$	Number of Customers	Average Spending per Customer HK$	Daily Seating Turnover Rate
Vietnamese	56,519	494	157,149	542,895	104.1	3.1	66,551	494	183,779	641,253	103.8	3.6
Japanese	169,578	1,084	528,098	902,007	188.0	2.6	125,966	660	364,122	520,614	242.0	2.3
Chinese	63,790	442	201,774	364,411	175.0	2.6	64,264	336	199,874	376,409	170.7	3.5
Western	69,715	413	229,068	424,179	164.4	3.4	37,547	519	222,333	264,167	142.1	3.0
	359,602	2,433	1,116,089	2,233,492	161.0	2.8	294,328	2,009	970,108	1,802,443	163.3	3.0
Dessert	7,353	31	20,201	107,618	68.3	9.5	8,556	31	23,506	157,939	54.2	14.0
Kiosks	3,556	16	9,908	91,228	39.0	15.9	4,828	16	13,263	131,117	36.8	22.5
	370,511	2,480	1,146,198	2,432,338	152.3	3.0	307,712	2,056	1,006,877	2,091,499	147.1	3.3

CEO REPORT

Impact of Protests and COVID-19

During the year, two major events in Hong Kong impacted our operations significantly: (1) city wide protests from June to December last year (the "**Protests**"); and (2) the on-going COVID-19 pandemic from February of this year ("**COVID-19**"). The following is our operational data by quarter:

	Number of Customers										
	FY2020 Quarter Ended					FY2019 Quarter Ended					
	30.06.2019	30.09.2019	31.12.2019	31.03.2020	Total	30.06.2018	30.09.2018	31.12.2018	31.03.2019	Total	Changes
Vietnamese	159,387	157,922	130,103	95,483	542,895	169,502	170,113	152,573	149,065	641,253	(15.3%)
Japanese	209,861	261,274	256,317	174,555	902,007	118,334	128,252	143,600	130,428	520,614	73.3%
Chinese	102,442	98,207	84,613	79,149	364,411	55,930	114,879	101,354	104,246	376,409	(3.2%)
Western	130,280	113,559	96,864	83,476	424,179	29,749	25,394	93,514	115,510	264,167	60.6%
Dessert	31,963	29,578	24,693	21,384	107,618	39,678	45,666	37,758	34,837	157,939	(31.9%)
Kiosks	27,899	27,788	21,392	14,149	91,228	29,108	39,988	27,908	34,113	131,117	(30.4%)
Total	661,832	688,328	613,982	468,196	2,432,338	442,301	524,292	556,707	568,199	2,091,499	16.3%
Existing Restaurants as at 1 April 2018	392,690	394,117	327,279	225,490	1,339,576	407,858	442,172	405,022	378,187	1,633,239	(18.0%)
Restaurants opened during FY2019	189,148	170,925	152,755	124,812	637,640	20,936	72,886	147,708	186,011	427,541	49.1%
Restaurants closed during FY2019	–	–	–	–	–	13,507	9,234	3,977	4,001	30,719	N/A
New Restaurants opened during FY2020	79,994	123,286	133,948	117,894	455,122	–	–	–	–	–	N/A
	661,832	688,328	613,982	468,196	2,432,338	442,301	524,292	556,707	568,199	2,091,499	16.3%

Existing restaurants as at 1 April 2018 (the "**Existing Restaurants**") saw an overall decrease in the number of customers by approximately 18.0% with decreases during the periods from 1 April 2019 to 30 June 2019 ("**FY2020 Q1**"), 1 July 2019 to 30 September 2019 ("**FY2020 Q2**"), and 1 October 2019 to 31 December 2019 ("**FY2020 Q3**") at 3.7%, 10.9% and 19.2%, respectively, when compared to the respective periods in the previous year. Such decreases were the direct result of the Protests. As for the period from 1 January 2020 to 31 March 2020 ("**FY2020 Q4**"), the impact of COVID-19 resulted in the decrease in the number of customers by approximately 40.4% when compared to the same period last year.

For restaurants that opened during the year ended 31 March 2019 ("**FY2019**"), a direct comparison from quarter to quarter is not conclusive as these restaurants were opened at different times during FY2019, however the number of customers for FY2020 Q4 decreased by approximately 32.9% when compared to the corresponding period from 1 January 2019 to 31 March 2019 ("**FY2019 Q4**").

Although the Hong Kong Government implemented several social distancing measures in April 2020, the number of customers patronizing our restaurants have improved in April 2020 and significantly improved in May 2020.

We strive to uphold our core values of "Food Quality and Customer Satisfaction" through providing to our diversified customer base a pleasant experience with quality dishes and attentive services at affordable price. We believe our multi-brand strategy enables us to capture a diversified group of customers with different taste and allow us to benefit from a wide source of revenue. Given the dynamic market and changing taste of customers in general, we endeavour to maintain a diversified portfolio of brands in order to maintain our competitiveness towards our customers.

Grant of Share Options

On 9 August 2019, a total of 1,920,000 share options were granted to eligible employees of the Company to subscribe for 1,920,000 Shares at an exercise price of HK$0.85 per Share (the "**Share Options**"). The Share Options granted represent approximately 0.5% of the total issued capital of the Company as at date of the grant. No Share Options were granted to any of the Directors. For details of the grant of Share Options, please refer to the announcement issued by the Company dated 9 August 2019.

Future Plans

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the period from the 1 October 2019 to 31 March 2020:

Business Strategies	Business plan from 1 October 2019 to 31 March 2020 as set out in the Prospectus	Business plan not yet completed carried over from Previous Periods	Actual progress from 1 October 2019 to 31 March 2020
Expand our market share and continue to expand our multi-brand dining restaurants in Hong Kong	Set up new restaurants in Hong Kong, which will incur:		The actual progress are as follows:
	(i) Part of the renovation costs and acquisition costs for furniture and equipment and consumables for the third new Nabe Urawa Restaurant in the New Territories.		(i) Adjusted use of proceeds as per actual Net Proceeds for the third Nabe Urawa Restaurant in the New Territories have been reallocated to Kornhill Rakuraku and Takano Ramen as per announcement issued by the Company dated 31 January 2019 and 20 May 2019, respectively (the "**Reallocated Costs**"). The Reallocated Costs have been fully utilised during the period from 1 April 2019 to 30 September 2019.

Business Strategies	Business plan from 1 October 2019 to 31 March 2020 as set out in the Prospectus	Business plan not yet completed carried over from Previous Periods	Actual progress from 1 October 2019 to 31 March 2020
	(ii) rental, utilities and management fee deposits and part of the renovation costs for the second Dab-pa Restaurant in the New Territories.		(ii) The rental, utilities and management fee deposits have been fully utilised for the Dab-pa Restaurant at the Metroplaza in Kwai Fong during the year ended 31 March 2019. For details, please see the announcement issued by the Company dated 10 April 2018.
		(iii) renovation costs, acquisition costs for furniture and equipment and consumables for the first new Dab-pa (Citygate Dab-pa).	(iii) The renovation costs, acquisition costs for furniture and equipment and consumables have been fully utilised.
		(iv) the rental, utilities and management fee deposits for the third new Nabe Urawa Restaurant in the New Territories which was reallocated to our Takano Ramen restaurant.	(iv) The reallocated costs have been fully utilised.

Business Strategies	Business plan from 1 October 2019 to 31 March 2020 as set out in the Prospectus	Business plan not yet completed carried over from Previous Periods	Actual progress from 1 October 2019 to 31 March 2020
		(v) the rental, utilities and management fee deposits for a new Wasyokuya Yamaichi Restaurant at the LOHAS in Tsang Kwan O ("**TKO WY**").	(v) Funds reallocated have not been utilised.
Enhance our brand recognition through raising our service levels on a continual basis, the increase of marketing initiatives and renovation of our restaurants	(i) Renovation and refurbishment of TLC, TLM, TNM and TNT.	(ii) Renovation and refurbishment of TDC.	The remaining funds of HK$5 million have been reallocated to the opening of TKO WY. For details, please see the Change in the Use of Proceeds announcement issued by the Company dated 18 May 2020.

Notes:
TUS – Urawa Restaurant in Sheung Wan
TLO – La'taste Restaurant at the Olympian City in Olympic
TFC – Fiat Caffé at the Mira Place in Tsim Sha Tsui
TLA – La'taste Restaurant at the Far East Finance Centre in Admiralty
TLK – La'taste Restaurant at the Kornhill Plaza in Kornhill
TLC – La'taste Restaurant in Stanley Street in Central
TLM & TNM – La'taste Restaurant and Nabe Urawa Restaurant at the Grand Plaza in Mongkok
TDC – Dab-pa Cuisine Restaurant at the Elements in Tsim Sha Tsui
TNT – Nabe Urawa Restaurant at The One in Tsim Sha Tsui

Use of Proceeds

The Net Proceeds from the Share Offer had been applied as follows:

	Unutilised as at 1 April 2019 HK$ Millions	Utilised as at 31 March 2020 HK$ Millions	Unutilised as at 31 March 2020 HK$ Millions	Change in the Use of Proceeds as disclosed in 18 May 2020 Announcement HK$ Millions
Expand our restaurants in Hong Kong				
– TKO Nabe Urawa	0.5	(0.5)	–	–
– Dab-Pa Restaurant (Citygate)	5.0	(5.0)	–	–
– Nabe Urawa (Nina Tower II)	5.7	(5.7)	–	–
– MegaBox Rakuraku	0.8	(0.8)	–	–
– Kornhill Rakuraku	2.0	(2.0)	–	–
– Takano Ramen	2.5	(2.5)	–	–
– Wasyokuya Yamaichi (The LOHAS)	–	–	–	5.0
	16.5	(16.5)	–	5.0
Enhance our brand recognition				
– Renovation of TUS, TLO, TDC, TFC, TLA, TLK, TLC, TLM, TNM and TNT	6.4	(1.4)	5.0	–
	6.4	(1.4)	5.0	–
Other use of proceeds				
– Upgrading our information technology system	0.2	(0.2)	–	–
	0.2	(0.2)	–	–
Total Use of Proceeds	23.1	(18.1)	5.0	5.0

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, the Group recorded revenue of approximately HK$370,511,000, representing an increase of 20.4% when compared to the previous year.

We derive our revenue from the sales of food and beverages at our restaurants in Hong Kong. The following tables sets forth the breakdown of our revenue by cuisine and the number of restaurants in operations by cuisine during the relevant periods.

	Year Ended				Changes
	31.03.2020		31.03.2019		
	HK$'000 (Audited)	**% of Revenue**	HK$'000 (Audited)	% of Revenue	
Vietnamese	**56,519**	**15.2%**	66,551	21.6%	(15.1%)
Japanese	**169,578**	**45.8%**	125,966	40.9%	34.6%
Chinese	**63,790**	**17.2%**	64,264	20.9%	(0.7%)
Western	**69,715**	**18.8%**	37,547	12.2%	85.7%
Dessert	**7,353**	**2.0%**	8,556	2.8%	(14.1%)
Kiosks	**3,556**	**1.0%**	4,828	1.6%	(26.3%)
Total revenue	**370,511**	**100.0%**	307,712	100.0%	20.4%

The increase in revenue is attributable to the opening of: (1) Nabe Urawa at the Park Central in Tseung Kwan O; (2) Rakuraku Ramen Restaurant at the MegaBox in Kowloon Bay; (3) Rakuraku Ramen Restaurant at the Kornhill Plaza in Taikoo; (4) Takano Ramen Restaurant at the K11 MUSEA in Tsim Sha Tsui; (5) Nabe Urawa at the Nina Mall in Tsuen Wan; (6) Dab-Pa Restaurant at the Citygate in Tung Chung; and (7) Tirpse at the K11 MUSEA in Tsim Sha Tsui during the year ended 31 March 2020; (together the "**New Restaurants**") and those restaurants that opened during the year ended 31 March 2019 but without full year of operations during the year ended 31 March 2019: (1) Nabe Urawa restaurant at the Uptown Plaza in Taipo (opened in April 2018); (2) Dab-Pa restaurant at the Metroplaza in Kwai Fong (opened in July 2018); (3) Rakuraku Ramen restaurant at the Lee Tung Avenue in Wanchai (opened in November 2018); and (4) Two Parkview Restaurants, located at the New Town Plaza in Shatin and Metroplaza in Kwai Fong (Acquired in November 2018). However, the increase was partially off-set by closure or our Fiat Caffé in August 2018.

Impact of Protests and COVID-19

The following is our revenue by quarter:

	FY2020 Quarter Ended					FY2019 Quarter Ended					
	30.06.2019 HK$'000	30.09.2019 HK$'000	31.12.2019 HK$'000	31.03.2020 HK$'000	Total HK$'000	30.06.2018 HK$'000	30.09.2018 HK$'000	31.12.2018 HK$'000	31.03.2019 HK$'000	Total HK$'000	Changes
Vietnamese	16,942	16,486	13,272	9,819	56,519	17,651	17,531	15,645	15,724	66,551	(15.1%)
Japanese	40,881	48,031	48,527	32,139	169,578	28,876	31,519	34,340	31,231	125,966	34.6%
Chinese	18,127	16,978	14,670	14,015	63,790	9,052	19,063	17,436	18,713	64,264	(0.7%)
Western	19,627	17,671	15,081	17,336	69,715	3,662	3,264	12,145	18,476	37,547	85.7%
Dessert	2,132	1,967	1,727	1,527	7,353	1,985	2,374	2,096	2,101	8,556	(14.1%)
Kiosks	1,089	1,096	816	555	3,556	1,103	1,461	1,182	1,082	4,828	(26.3%)
Total	98,798	102,229	94,093	75,391	370,511	62,329	75,212	82,844	87,327	307,712	20.4%
Existing Restaurants as at 1 April 2018	56,507	56,530	47,978	32,150	193,165	56,076	60,857	59,379	56,433	232,744	(17.0%)
Restaurants opened during FY2019	31,025	28,596	24,941	20,610	105,172	4,256	12,955	23,157	30,560	70,929	48.3%
Restaurants closed during FY2019	–	–	–	–	–	1,997	1,400	308	334	4,039	N/A
New Restaurants opened during FY2020	11,266	17,103	21,174	22,631	72,174	–	–	–	–	–	N/A
	98,798	102,229	94,093	75,391	370,511	62,329	75,212	82,844	87,327	307,712	20.4%

Existing Restaurants saw an overall decrease in revenue by approximately 17.0% with decreases during FY2020 Q1, FY2020 Q2 and FY2020 Q3 at 0.8%, 7.1% and 19.2%, respectively, when compared to the respective periods in the previous year. Such decreases were the direct result of the Protests. As for FY2020 Q4, the impact of COVID-19 resulted in the decrease in revenue by approximately 43.0% when compared to the same period last year.

For restaurants that opened during FY2019, a direct comparison from quarter to quarter is not conclusive as these restaurants were opened at different times during FY2019, however revenue for FY2020 Q4 decreased by approximately 32.6% when compared to FY2019 Q4.

As discussed previously on the impact of the Protests and COVID-19 on the number of customers above, revenue improved in April 2020 and significantly improved in May 2020.

Subsidies from the Hong Kong Government

As a part of the first phase of the Anti-epidemic Fund granted by the Hong Kong Government, we received a total of HK$4,920,000 which has been accounted for as other income in the Consolidated Income Statement. Funds from the second phase of the of the Anti-epidemic Fund from the Hong Kong Government will be released in the second half of this year.

Major Cost Components

	Year Ended				Changes
	31.03.2020		31.03.2019		
	HK$'000 (Audited)	**% of Revenue**	HK$'000 (Audited)	% of Revenue	
Raw materials and consumables used	**100,782**	**27.2%**	85,333	27.7%	18.1%
Staff costs	**109,287**	**29.5%**	93,757	30.5%	16.6%
Depreciation and amortisation	**75,004**	**20.2%**	8,822	2.9%	750.2%
Property rental and related expenses	**15,952**	**4.3%**	58,544	19.0%	(72.8%)
Utilities and cleaning expenses	**13,160**	**3.6%**	10,395	3.4%	26.6%
Other expenses	**20,148**	**5.4%**	17,435	5.7%	15.6%
Finance costs	**5,213**	**1.4%**	123	0.0%	4,138.2%

With the exception of property rental and related expenses, all costs recorded significant increases when compared to FY2019 and the reasons for such increases are the same as for revenue increase discussed above.

Raw materials and consumables used as a percentage of revenue decreased from 27.7% to 27.2% when compared to FY2019 is primarily due to: (i) the reduction in wastages; (ii) the reduction of the impact of new restaurants opening on raw material costs due to the larger scale of operations of the Group as a whole; and (iii) the increase in the average spending per customer in our restaurants.

Staff costs as a percentage of revenue decreased from 30.5% to 29.5% when compared to FY2019 is primarily due to: (i) the increase in the number of restaurants that require fewer staff such as our Nabe Urawa restaurants and Rakuraku Ramen restaurants; (ii) the increase in the average spending per customer in our restaurants; and (iii) the benefits of scale economy on head office costs as more new restaurants are opened.

Although it was very challenging in controlling our staff costs during the months of February and March 2020 due to the impact of COVID-19, with the exception of a few underperforming staff, we have retained all our full time staff during these difficult times. Even by deploying a more efficient roster to control staff costs, due to the decrease in revenue, staff costs as a percentage of revenue increased to over 35% for some of our restaurants during the months of February and March 2020.

Impact of HKFRS 16 Leases

Depreciation

	Year Ended		Changes
	31.03.2020 HK$'000 (Audited)	**31.03.2019 HK$'000 (Audited)**	
Property, plant and equipment	**12,967**	8,822	**47.0%**
Right-of-Use asset – Leases ("**ROU Asset**")	**62,037**	–	**100.0%**
	75,004	8,822	

Upon application of HKRFS 16, leases are now presented as depreciation of ROU Asset. The ROU Asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Finance Costs

	Year Ended		Changes
	31.03.2020 HK$'000 (Audited)	**31.03.2019 HK$'000 (Audited)**	
Bank borrowing and finance lease interest expenses	**79**	123	**(35.8%)**
Interests on lease liabilities	**5,134**	–	**100.0%**
	5,213	123	

Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest.

Property rental and related expenses

With lease rentals now presented as depreciation of ROU Asset and interests on lease liabilities, property rental and related expenses decreased significantly from 19.0% to 4.3% as a percentage of revenue. However, as the total of the depreciation expense of the ROU Asset and related interests on lease liabilities are not materially different to the rental amount if it had not been accounted for under HKFRS 16 for our Group, a table comparing the changes is presented as follows:

	Year Ended				Changes
	31.03.2020		31.03.2019		
	HK$'000 (Audited)	% of Revenue	HK$'000 (Audited)	% of Revenue	
Property rental and related expenses	**15,952**	**4.3%**	58,544	19.0%	(72.8%)
Right-of-Use assets (Leases)	**62,037**	**16.7%**	–	–	100.0%
Interests on lease liabilities	**5,134**	**1.4%**	–	–	100.0%
	83,123	**22.4%**	58,544	19.0%	42.0%

After including the depreciation of ROU Assets and interests on lease liabilities, property rental and related expenses ("**Adjusted Property Rental and Related Expenses**") increased from 19.0% to 22.4% as a percentage of revenue. The increase in mainly due to new leases from lease renewals and opening of new restaurants resulting in higher depreciation amount at the beginning of lease terms under HKFRS 16.

Although we received some rental concessions from our landlords, according to the requirement of HKFRS16, such concessions are amortised over the remaining term of the lease instead of deducting the whole concession amount during the months in which we received the concession. As a result, the Adjusted Property Rental and Related Expenses increased to 22.4% as a percentage of revenue.

Other expenses

Other expenses include items such as advertising expenses, credit card charges, delivery fees, entertainment expenses, insurance, printing and stationery, medical expenses and repairs and maintenance. Other expenses amounted to approximately HK$20,148,000, representing an increase of approximately 15.6% when compared to FY2019. As a percentage of revenue, other expenses accounted for 5.4% of revenue for the year ended 31 March 2020, a slight decrease compared to the 5.7% recorded during FY2019. The decrease was primarily due to the better absorption of the expenses incurred in relation to compliance costs on maintaining the listing of the Company's shares on GEM.

Net Profit and Profit Attributable to Owners of the Company

For the year ended 31 March 2020, net profit and profit attributable to owners of the Company amounted to approximately HK$30,072,000, an increase of approximately HK$2,820,000 or 10.3% from approximately HK$27,252,000 recorded during FY2019. The increase is the result of the cumulative effect of the above factors.

Financial Resources and Position

As at 31 March 2020, total borrowings amounted to approximately HK$2.0 million, representing a decrease of 37.8% compared to FY2019. Our bank borrowing carry variable-rate at Hong Kong Dollar Best Lending Rate less 2.2% per annum. The bank borrowing is secured by the corporate guarantee of the Company.

As at 31 March 2020, obligations under finance leases have been fully repaid during the year.

Cash and cash equivalents amounted to HK$64.2 million as at 31 March 2020 which are mostly denominated in Hong Kong Dollars. As the Group's businesses are conducted in Hong Kong, therefore the Group does not expect to be exposed to any material foreign exchange risks.

As at 31 March 2020, the Group was in a net cash position (net debt divided by equity attributable to owners of the Company plus net debt).

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including market risk, credit risk and liquidity risk. The risk management policies and practices of the Group are stated in Note 37 to the consolidated financial statements in this annual report.

Staff Training and Development

As at 31 March 2020, the Group had a total of 419 employees, all of whom are situated in Hong Kong. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The remuneration committee of the Company (the "**Remuneration Committee**"), having regard to the Company's operating results, individual performance and comparable market statistics, determined the emoluments of the Directors. None of the Directors or any of his/her associates, and executive, is involved in dealing in his/her own remuneration.

Contingent Liabilities

As at 31 March 2020, the Group did not have any significant contingent liabilities (2019: Nil).

Capital Commitments

As at 31 March 2020, the Group's outstanding capital commitments was approximately HK$535,000 (2019: HK$1,772,000).

Final Dividend

The Board recommended the payment of a final cash dividend out of the retained profits under reserves of the Company of HK$0.015 per Share (FY2019: HK$0.015) to Shareholders whose names are on the register of members of the Company on 28 July 2020, which is subject to the approval by the Shareholders at the annual general meeting of the Company on 22 July 2020 or any adjournment thereof (the "**2020 AGM**") and compliance with the Companies Law of the Cayman Islands. The Company paid an interim dividend of HK$0.015 per Share (the "**Interim Dividend**") for the six months ended 30 September 2019 during the year.

It is expected that the cheques for cash dividends will be sent by ordinary mail to the Shareholders at their own risk on or about 19 August 2020.

As committed in the Prospectus, an annual dividend will be paid to our Shareholders at a ratio of not less than 30% of profit attributable to Shareholders (the "**Dividend Pay-out Ratio**"). Any amount of dividends to be declared and paid by our Company in excess of the 30% ratio will be at the discretion of our Directors taking into consideration our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. The profit attributable to Shareholders amounted to approximately HK$30,072,000 and based on the estimated dividend amount of approximately HK$5,696,000 plus the Interim Dividend of approximately HK$5,696,000, the Dividend Pay-out Ratio is 37.9% for the year ended 31 March 2020.

FUTURE PROSPECTS

The food and beverage sector in Hong Kong was hit hard by the Protests and COVID-19 during the year, however as the COVID-19 situation has eased in Hong Kong, revenue have been improving since April with significant improvements in May, we are confident that Hong Kong will recover although it might not fully return to the level before the Protests and COVID-19 during the upcoming financial year. Fund from the second phase of the of the Anti-epidemic Fund from the Hong Kong Government will be released in the second half of this year.

As we have stressed before, value-for-money is the key to our success, customers need to feel that they are getting their money's worth of quality food as well as high standard of services, it is therefore imperative for us to deliver this philosophy during these difficult times.

We now operate 30 restaurants compared to 22 restaurants as at 31 March 2019, representing a 36.4% increase. In addition, we have committed three new leases thus far and we will continue to discuss with shopping mall landlords for new potential locations.

Chief Executive Officer and Executive Director
Chan Wai Chun

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Ngai Shan *(Chairman)*

Mr. Wong, aged 45, is one of the co-founders of our Group. He is responsible for our Group's overall corporate strategies, management, business development, project planning and implementation. He has assumed a leading role in our management and is responsible for formulating business direction of our Group. Mr. Wong is a member of the remuneration committee of the Company.

Mr. Wong graduated from the City University of Hong Kong with a Higher Diploma in Accountancy and became an associate of the Association of Chartered Certified Accountants and is a Certified Public Accountant (CPA) of The Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 14 years of accounting and finance experience and has worked as an auditor for Deloitte Touche Tohmatsu and as the financial controller of a company in the coating industry.

Mr. Wong started investing in the food and beverage business since 2006 and is familiar with industry trends, market behaviour, customer and supplier impact and dealing with competitions and other operational challenges. He has obtained the Basic Food Hygiene Certificate for Hygiene Managers.

Mr. Wong is the spouse of Ms. CHAN Wai Chun. He is also a director of all members of our Group.

Ms. CHAN Wai Chun *(Chief Executive Officer)*

Ms. Chan, aged 43, is one of the co-founders of our Group. She is responsible for the overall day to day operation and management of our business, overseeing menu design, accounting, internal control, human resources, and staff training.

Ms. Chan holds a Postgraduate Diploma in Education (Primary) from the Hong Kong Institute of Education and a Bachelor of Science degree from The University of Hong Kong. Ms. Chan obtained the Certificate of Registration as a Teacher under the Education Ordinance. She also obtained the Certificate in Food Hygiene for Hygiene Supervisor.

Ms. Chan has over 12 years of experience in the food and beverage industry. She worked as a teacher in Hong Kong for seven years before joining our Group.

Ms. Chan is the spouse of Mr. Wong Ngai Shan. She is also a director of all members of our Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHAN Yuen Ting

Ms. Chan, aged 46, was appointed as an independent non-executive Director of our Company on 17 January 2018. She is the chairman of the nomination committee and compliance committees and a member of the audit committee and remuneration committee of the Company.

Ms. Chan is currently the head of legal and company secretary of NWS Transport Services Limited, its subsidiaries and associated companies. Ms. Chan holds a Bachelor's degree of Social Science from The Chinese University of Hong Kong, a Master's degree in Arts, major in Public Administration and Public Policy from the University of York in the United Kingdom and a Master's degree of Law, major in International Trade and Commercial Law from the University of Durham in the United Kingdom. She was granted the award of Postgraduate Diploma of the Manchester Metropolitan University in the United Kingdom having followed an approved programme in English and Hong Kong Law (Common Professional Examination) at The University of Hong Kong (Space). Ms. Chan obtained the Postgraduate Certificate in Laws from The University of Hong Kong. She was admitted as a solicitor in Hong Kong in November 2008 and is a member of the Law Society of Hong Kong.

Ms. Chan has over 13 years of legal and compliance experience. She has worked for Philip KH Wong, Kennedy YH Wong & Co. Solicitors & Notaries. She has served as a legal counsel of NWS Transport Services Limited for over 4 years.

Mr. TSANG Siu Chun

Mr. Tsang, aged 64, was appointed as an independent non-executive Director of our Company on 17 January 2018. He is the chairman of the remuneration committee and a member of the audit committee, nomination committee and compliance committee of the Company.

Mr. Tsang holds a Bachelor's degree in Arts from the University of Toronto.

Mr. Tsang serves as the managing director of An Seng Enterprises Limited which is principally engaged in the manufacturing and sales of furniture and home decoration products and the managing director of Chan Seng Yee Estates Ltd which is principally engaged in estates agency investment. He was the chairman of Po Leung Kuk from 1992 to 1993. Mr. Tsang was appointed as a Non-official Justice of Peace since June 1993. He was the vice president of An Kwei Clans Association (H.K.) Ltd from November 2011 to February 2017, and is currently the president. Mr. Tsang is also the president of The 14th Hong Kong Federation of Quanzhou Association and the vice chairman of the Hong Kong Federation of Fujian Associations Limited.

Mr. WANG Chin Mong
Mr. Wang, aged 48, was appointed as an independent non-executive Director of our Company on 17 January 2018. He is the chairman of the audit committee and a member of the remuneration committee, nomination committee and compliance committee of the Company.

Mr. Wang became an associate of the Hong Kong Society of Accountants in October 1999 and a fellow member of The Association of Chartered Certified Accountants in July 2004. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Wang has more than 21 years of experience in the fields of auditing, accounting and finance.

Mr. Wang served as an independent non-executive director of Chinese Strategic Holdings Limited (formally known as China Railway Logistics Limited, 8089.HK).

SENIOR MANAGEMENT

Mr. Yu Man To Gerald ***(Chief Financial Officer and Company Secretary)***
Mr. Yu, aged 53, is the Chief Financial Officer and Company Secretary of our Company who joined our Group in April 2017. He is mainly responsible for human resources, administration, secretarial and financial matters of our Group. Mr. Yu holds a Bachelor's degree in Business and a Master's degree in Business Administration. Mr. Yu was admitted as a fellow member of CPA Australia (FCPA (Aust.)) and a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA). Mr. Yu has over 27 years of experience in accounting, finance, management and company secretarial field. Prior to joining the Company, Mr. Yu has worked as the chief financial officer and company secretary of China MeiDong Auto Holdings Limited (1268.HK), Sound Global Limited (967.HK and E6E.SI), Wai Chun Mining Industry Group Company Limited (660.HK), Wai Chun Group Limited (1013.HK) and Towngas China Company Limited (1083.HK). Mr. Yu also worked as the company secretary of Sinolink Worldwide Holdings Limited (1168.HK). Mr. Yu was with Towngas China for almost nine years and was with an international accounting firm for over seven years prior to joining Towngas China.

Mr. Yuen Wah Lam, Alan ***(Chief Operating Officer)***
Mr. Yuen, aged 53 joined our Group as the Chief Operating Officer in October 2019. He is responsible for the operational aspects of all our restaurants. Mr. Yuen has over 34 years of experience in the food and beverage industry and has spent over 11 years at The Peninsula Group and over 20 years at Select Service Partners, one of the major restaurant operators at the Hong Kong International Airport.

Ms. LEE Ching Ha Virginia ***(Associated Director)***
Ms. Lee, aged 39, is an associated director of our Company who joined our Group in September 2013. She is primarily responsible for the general administration of the Group. Ms. Lee obtained an Associate in Arts Degree from the Northeast Iowa Community College and holds a Bachelor's degree in Business. She has completed a course in Intermediate French in June 2009. Prior to joining our Group, Ms. Lee worked for The Repulse Bay Company Limited (a subsidiary of The Hongkong and Shanghai Hotels Limited) as club receptionist, customer services supervisor at ET Business College Limited (a member of Hong Kong Economic Times Holdings Limited), and worked for PricewaterhouseCoopers as an administrator.

Mr. CHAN Ka Shing *(General Manager – Projects)*

Mr. Chan, aged 32, is our assistant general manager responsible for the new projects of our Group. Mr. Chan joined our Company in September 2014, responsible for the opening of our new stores, including the decoration, floor plan and design of our different brands of restaurants. Mr. Chan completed a bartending course in December 2010. He obtained the Merit Awards in the Asian Cocktail Championship, De Kuyper Cocktail Championship and Creative Classic and Bartending Flair. Mr. Chan was awarded the Certificate in Food Hygiene for Hygiene Supervisor and obtained the Level 2 Award in Food Safety in Catering. Mr. Chan worked for IPC Foodlab as an assistant restaurant manager, as a management trainee in the food and beverage department of Page One The Designer's Bookshop (HK) Ltd. He also worked as a bar supervisor for the Nabe One Limited.

Mr. WONG Chun Kuen *(Manager – Procurement)*

Mr. Wong, aged 41, is our procurement manager who joined our Group in June 2015. Mr. Wong is responsible for all procurements of our Group. Mr. Wong holds a Bachelor's degree in Public Administration and Management with honours. Mr. Wong was certificated by Travel Industry Council of Hong Kong in 2003. Mr. Wong worked as a manager for Xiamen Gangpin Imp & Exp Co. Ltd. overseeing the development of new markets including the sourcing, import and sales of wine in the Fujian and Guangdong provinces of the PRC and worked as a merchandiser for A.Y.N. Accessories Trading Limited and Joy Life Ltd. Mr. Wong is a nephew of Mr. Wong Ngai Shan, our Controlling Shareholder and Executive Director, and is therefore an associate of a connected person of our Company.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the operation of full-service restaurants and kiosks in Hong Kong. Particulars of the subsidiaries are set out in Note 41 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2020 and a discussion on the Group's future business development are provided in the section "Chairman's Statement" and "CEO Report" of this Annual Report. A discussion on the Group's environmental policies and performance, an account of the Group's key relationships with its stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group can be found in the "Corporate Governance Report" on pages 39 to 52 and the "Environmental, Social and Governance Report" on pages 53 to 59 of this Annual Report.

Description of possible risks and uncertainties that the Group may be facing can be found in Notes 5 and 37 to the consolidated financial statements.

Also, the financial risk management objectives and policies of the Group can be found in Note 37 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the "Financial Summary" on page 4 of this Annual Report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2020 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on page 65 to page 70 of this Annual Report.

The Directors have recommended the payment of a final cash dividend out of retained profits under reserves of the Company of HK$0.015 per share (the "**Final Dividend**"). The Company paid a final dividend of HK$0.015 per Share for the year ended 31 March 2019 and paid an interim dividend of HK$0.015 per Share for the six months ended 30 September 2019 during the year.

The Final Dividend will be paid to shareholders whose names are on the register of members of the Company on 28 July 2020. Subject to approval by shareholders at the 2020 AGM and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on or about 19 August 2020 and the register of members of the Company will be closed from 29 July 2020 to 30 July 2020, both days inclusive, during which period no transfer of shares will be registered.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity set out on page 68 of this Annual Report.

The Company's reserves available for distribution to shareholders as at 31 March 2020 amounted to HK$29,039,000 (2019: HK$34,061,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 March 2020 is set out on page 4 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year ended 31 March 2020 are set out in Note 15 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any tax relief available to shareholders by reason of their holdings in the Company's securities.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 March 2020 are set out in Note 34 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 March 2020 and up to the date of this Annual Report were as follows:

Executive Directors
Mr. Wong Ngai Shan *(Chairman)*
Ms. Chan Wai Chun *(Chief Executive Officer)*

Independent Non-executive Directors
Ms. Chan Yuen Ting
Mr. Tsang Siu Chun
Mr. Wang Chin Mong

REPORT OF THE DIRECTORS

The biographical details of the Directors and senior management of the Company are set out on pages 25 to 28 of this Annual Report.

In accordance with Article 84 of the articles of association of the Company (the "**Articles of Association**"), Mr. Wang Chin Mong and Mr. Wong Ngai Shan shall retire from office by rotation at the AGM and, all of them being eligible, would offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing with effect from the Listing Date, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years from the Listing Date, which can be terminated by either party giving not less than three months' notice in writing to the other party. Each of the independent non-executive Directors is subject to the provisions for retirement by rotation and re-election at the 2020 AGM in accordance with the Articles of Association.

Save as disclosed above, no Director proposed for re-election at the 2020 AGM has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of emoluments of the Directors are set out in Note 12 to the consolidated financial statements.

Each of the independent non-executive Directors is entitled to a director's fee of HK$100,000 per annum. Save for Director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

The Directors' fees are subject to the Shareholders' approval at the AGM. Other emoluments are determined by the Board with reference to the recommendations from the Remuneration Committee taking into account the directors' duties, responsibilities and performance and the results of the Group.

Interests in Contracts

Other than as disclosed in Note 40 to the consolidated financial statements, there is no contract of significance to which the Company, its holding company, or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Competing Business

Save as disclosed in this Annual Report, none of the Directors or their respective associates (as defined in the GEM Listing Rules) had any interests in any business (apart from the Group's business), which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the year and up to the date of this Annual Report.

Directors' and Chief Executive's Interests and Short positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long Positions in Shares

Name of Director	Capacity	Number of Shares Held	Approximate percentage of shareholding
Mr. Wong Ngai Shan ("**Mr. Wong**")	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
Ms. Chan Wai Chun ("**Ms. Chan**")	Interest in controlled corporation and interest of spouse	260,302,000	68.549%

Notes:

1. IKEAB Limited is owned by Mr. Wong as to 70% and Ms. Chan as to 30%. As such Mr. Wong and Ms. Chan are deemed to be interested in the Shares owned by IKEAB Limited by virtue of the SFO.

2. Elite China Enterprise Limited ("**Elite China**") is owned by Mr. Wong as to 50% and Ms. Chan as to 50%. As such Mr. Wong and Ms. Chan are deemed to be interested in 9,984,000 Shares held by Elite China as at 31 March 2020 by virtue of the SFO.

3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

Interests and Short Position of Substantial Shareholders' and Other Person in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 March 2020, the interests and short positions of substantial shareholders and other persons (other than a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Position in Shares

Name of Shareholder	Capacity	Number of Shares Held	Approximate percentage of shareholding
IKEAB Limited	Beneficial owner	260,302,000	68.549%
Mr. Wong	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
Ms. Chan	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
Mr. Chua Sai Men	Beneficial owner	24,220,000	6.378%
Mr. Ng Chun Yum	Beneficial owner	19,590,000	5.159%

Notes:

1. IKEAB Limited is owned by Mr. Wong as to 70% and Ms. Chan as to 30%. As such Mr. Wong and Ms. Chan are deemed to be interested in the Shares owned by IKEAB Limited by virtue of the SFO.

2. Elite China Enterprise Limited ("**Elite China**") is owned by Mr. Wong as to 50% and Ms. Chan as to 50%. As such Mr. Wong and Ms. Chan are deemed to be interested in 9,984,000 Shares held by Elite China as at 31 March 2020 by virtue of the SFO.

3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 31 March 2020, the Directors are not aware of any interests and short positions owned by any parties (other than a Director) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Short Positions in Shares and Underlying Shares in the Company

As at 31 March 2020, the Company had not been notified of any short positions being held by any substantial Shareholder in the Shares or underlying Shares of the Company.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted by the Shareholders on 20 December 2017 (the "**SOS**"), the Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "**Executive**"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, or any advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the GEM Listing Rules) of any of the foregoing persons (together, the "**Eligible Persons**" and each an "**Eligible Person**").

The purpose of the Share Option Scheme is to motivate Eligible Persons to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS will remain in force for a period of 10 years commencing on 17 January 2018.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the Listing Date without prior approval from the Shareholders. No option may be granted in any 12-month period to any one Eligible Person which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Each grant of share options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates under the Share Option Scheme shall be approved by Independent Non-executive Directors of our Company (excluding the Independent Non-executive Director of our Company who is the proposed grantee of the share options). Where any grant of share options to a substantial Shareholder or an Independent Non-executive Director of our Company or any of their respective associates would result in the securities issued and to be issued upon exercise of all share options already granted and which may be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of share options must be approved by our Shareholders.

The Company shall send a circular to our Shareholders containing the information required under Rule 23.04 of the GEM Listing Rules. The relevant Eligible Person, his associates and all core connected persons of our Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such share options must be taken on a poll.

Share options granted under the SOS must be taken up within the time period to be stated on the letter containing the offer of the grant of the share options, upon payment of HK$1.00 per grant.

As at 31 March 2020, the Company had 4,700,000 share options outstanding under the SOS, representing approximately 1.2% of the issued share capital of the Company. Details of the share options outstanding as at the date of this report are as follows:

Option Type	Date of Grant	Exercisable Period	Exercie Price (HK$)
2018 Options	29 June2018	29 June 2019 to 28 June 2028	0.92
	29 June2018	29 June 2020 to 28 June 2028	0.92
	29 June2018	29 June 2021 to 28 June 2028	0.92
2019 Options	9 August 2019	9 August 2020 to 8 August 2029	0.85
	9 August 2019	9 August 2021 to 8 August 2029	0.85
	9 August 2019	9 August 2022 to 8 August 2029	0.85

The following table discloses movements in the share options of the Company during the year:

Eligible Person	Options Type	Date of Grant	Exercisable Period	Exercie Price (HK$)	Number of Shares subject to the outstanding options as at 01.04.2019	Granted during the year	Exercised during the year	Lapsed during the year	Number of Shares subject to the outstanding options as at 31.03.2020	Weighted average closing price of Shares immediately before the date on which the options were exercised
Category 1: Employees	2018 Options	29 June 2018	29 June 2019 to 28 June 2028	0.92	843,000	–	–	(9,000)	834,000	–
			29 June 2020 to 28 June 2028	0.92	843,000	–	–	(9,000)	834,000	–
			29 June 2021 to 28 June 2028	0.92	1,124,000	–	–	(12,000)	1,112,000	–
	2019 Options	9 August 2019	9 August 2020 to 8 August 2029	0.85	–	576,000	–	–	576,000	–
			9 August 2021 to 8 August 2029	0.85	–	576,000	–	–	576,000	–
			9 August 2022 to 8 August 2029	0.85	–	768,000	–	–	768,000	–
Total					2,810,000	1,920,000	–	(30,000)	4,700,000	

A total of 1,920,000 share options were granted on 9 August 2019 ("**Options Granted**").

Note:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

The fair value of Options Granted amounted to approximately HK$296,000 (the "**Options Fair Value**") or HK$0.15391 per share option, which will be amortised over the vesting period of the Options Granted. The value of the Options Granted was calculated using the Binomial Model based on the following assumptions:

Valuation date	9 August 2019
Exercise price	HK$0.85
Share price at effective grant date	HK$0.76
Expected volatility	29.89%
Risk-free interest rate	1.12%
Contractual life of Options Granted	10 years
Expected dividend yield	3.95%

Notes:

(1) The risk-free rate represents the yields to maturity of Hong Kong Sovereign Curve with respective terms to maturity as at the valuation date.

(2) Volatility is the annualised standard deviation of daily return of comparable companies' share price.

The volatility of the underlying Shares during the life of the Options Granted was estimated with reference to the historical volatility prior to the grant of the share options. Changes in such input assumptions could affect the fair value estimates.

During the year ended 31 March 2020, approximately HK$300,000 of the Options Fair Value was amortised in the accounts of the Company.

CONNECTED TRANSACTION

During the year ended 31 March 2020, the Group had no transaction which need to be disclosed as connected transaction in accordance with the requirements of the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in Note 40 to the consolidated financial statements.

NON-COMPETITION UNDERTAKINGS

Each of the controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Non-Compete Undertakings dated 20 November 2017 (the "**Non-Complete Undertakings**") for the year ended 31 March 2020. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

BORROWING

Particular of borrowing of the Group as at 31 March 2020 are set out in Note 27 to the consolidated financial statements.

DONATIONS

During the year ended 31 March 2020, the Group made charitable and other donations amounting to HK$110,000.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Shares in issue as required under the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

We target the general public and have a large and diverse customer base in Hong Kong. Owing to the nature of our business, we do not rely on any single customer. During the year, the percentage of revenue attributable to the Group's five largest customers was less than 30%. The five largest suppliers of the Group in aggregate accounted for about 26.5% of its operating costs for the year. Purchases from the largest supplier accounted for about 9.0% of its operating costs for the year. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's Share capital) had any interest in the Group's five largest suppliers.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The 13,796,000 Shares repurchased by the Company during the last financial year from 18 March 2019 to 26 March 2019 were cancelled on 18 April 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

EMOLUMENT POLICY

As at 31 March 2020, the Group had a total of 419 employees, the of whom are situated in Hong Kong. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing with his own remuneration.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the schemes is set out in Note 42 to the consolidated financial statements and under the heading "Share Option Scheme" in this report.

CORPORATE GOVERNANCE

During the year ended 31 March 2020, the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "**CG Code**").

AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2020 have been audited by Deloitte Touche Tohmatsu, the Company's auditors. A resolution will be proposed at the AGM to re-appoint Deloitte Touche Tohmatsu as the auditors of the Company.

This report is signed for and on behalf of the Board.

Chan Wai Chun
Executive Director and Chief Executive Officer

Hong Kong, 12 June 2020

CORPORATE GOVERNANCE REPORT

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve continuing prosperity and to act in the best interests of the Company and its Shareholders as a whole in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the core of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of the Shareholders and stakeholders, and enhance Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as its own code on corporate governance practices. The Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company has complied with the code provisions as set out in the CG Code during the year ended 31 March 2020.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board comprises five members as follows:

Executive Directors

Mr. Wong Ngai Shan *(Chairman)*
Ms. Chan Wai Chun *(Chief Executive Officer)*

Independent Non-executive Directors

Ms. Chan Yuen Ting
Mr. Tsang Siu Chun
Mr. Wang Chin Mong

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 25 to 28 of this Annual Report.

The Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company. The insurance coverage is reviewed on an annual basis.

Each independent non-executive Director has confirmed, in accordance with the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules that he or she is independent of the Company and the Company also considers that all of them are independent.

Except for the spousal relationship between Mr. Wong Ngai Shan and Ms. Chan Wai Chun as disclosed in the biographical details on page 25 of this Annual Report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board and the Group.

The list of Directors is disclosed in all corporate communications issued by the Company from time to time pursuant to the GEM Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the GEM Listing Rules.

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 17 January 2018, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Each of the independent non-executive Directors, namely, Ms. Chan Yuen Ting, Mr. Tsang Siu Chun and Mr. Wang Chin Mong has entered into a letter of appointment with the Company for an initial term of three years from 17 January 2018, which can be terminated by either party giving not less than three months' notice in writing to the other party.

Pursuant to the Articles of Association, at least one-third of the Directors shall retire from office but are eligible for re-election by the Shareholders at each annual general meeting of the Company and each Director shall retire on a rotational basis at least once every three years.

During the year, the Board had at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 5.05 of the GEM Listing Rules and the appointment of independent non-executive Directors representing at least one-third of the Board pursuant to Rule 5.05A of the GEM Listing Rules.

Board Diversity Policy

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Board has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Board Diversity Policy is available on the website of the Company at *tastegourmet.com.hk* for public information.

Functions of the Board

The Board, headed by the chairman of the Board (the "**Chairman**"), is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board.

In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

The Articles of Association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board.

Corporate Governance Functions

The Board is responsible for performing corporate governance duties that include:

(a) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(e) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2020, the Board approved the terms of reference of the Board (with respect to corporate governance duties), and the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee and the Shareholders communication policy of the Company (the "**Shareholders communication Policy**").

Directors' Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the GEM Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enrol in a wide range of professional development courses and seminars relating to the GEM Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, the Company Secretary updates and provides written training materials on the latest developments of applicable laws, rules and regulations to the Directors.

Each of the Directors have attended training sessions arranged by the Company on the continuing obligations of listed companies and directors, disclosure obligations of listed companies and amendments to the GEM Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in relation to "inside information".

In addition to the above-mentioned training sessions, some Directors and members of the senior management of the Company have also attended several presentations organized by the Company on the compliance of the GEM Listing Rules and conducts of listed companies.

Board Meetings

Code provision A.1.1 of the Code prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. Due notices and board papers were given to all Directors prior to each meeting in accordance with the Articles of Association and the Code.

During the year ended 31 March 2020, six Board meetings were held. Details of individual attendance of each of the Directors are set out below:

	Attendance/ Number of Meetings Eligible to Attend
Executive Directors:	
Mr. Wong Ngai Shan *(Chairman)*	6/6
Ms. Chan Wai Chun *(Chief Executive Officer)*	6/6
Independent Non-Executive Directors:	
Ms. Chan Yuen Ting	6/6
Mr. Tsang Siu Chun	6/6
Mr. Wang Chin Mong	6/6

Board Process

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquires if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial Shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Chairman is Mr. Wong Ngai Shan; and the chief executive officer of the Company (the "**Chief Executive Officer**") is Ms. Chan Wai Chun. The roles of Chairman and Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development of the Group and ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer, who is assisted by the Company's senior management team, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all the Directors fully informed of all major business developments and issues.

Responsibilities of the Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

BOARD COMMITTEES

The Company has set up a number of committees of the Board, including the Remuneration Committee, the Audit Committee, the Nomination Committee and the Compliance Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprises one executive Director, Mr. Wong Ngai Shan and three independent non– executive Directors, namely Ms. Chan Yuen Ting, Mr. Tsang Siu Chun and Mr. Wang Chin Mong. Mr. Tsang Siu Chun is the chairman of the Remuneration Committee.

The Remuneration Committee was established in December 2017 and written terms of reference of the Remuneration Committee have been adopted by the Board and posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee's responsibilities include but not limited to the review and consideration of the Company's remuneration policy for the Directors and senior management, the recommendations to the Board on the remuneration packages of individual executive Director and senior management including benefits in kind, pension rights and compensation payments, and recommendations relating to remunerations of independent non-executive Directors.

During the year ended 31 March 2020, one Remuneration Committee meeting was held. Details of individual attendance of each of the Directors are set out below:

	Attendance/ Number of Meetings Eligible to Attend
Mr. Tsang Siu Chun *(Chairman)*	2/2
Ms. Chan Yuen Ting	2/2
Mr. Wang Chin Mong	2/2
Mr. Wong Ngai Shan	2/2

The Group remunerates its employees based on their individual performance, job nature and responsibilities. The Group also provides training and various benefits to its employees including medical welfare, provident funds, bonuses and other incentives. The Group also encourages its employees to pursue a balanced life and provides a good working environment to maximize their potential and contribution to the Group.

Audit Committee

The Audit Committee comprises Ms. Chan Yuen Ting, Mr. Tsang Siu Chun and Mr. Wang Chin Mong, all of whom are independent non-executive Directors. Mr. Wang Chin Mong is the chairman of the Audit Committee.

The Audit Committee was established in December 2017 and written terms of reference, which describe the authority and duties of the Audit Committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The Audit Committee reports directly to the Board and reviews financial statements and internal control, and to protect the interests of the Shareholders.

The Audit Committee meets regularly with the Auditors to discuss various accounting issues, and reviews the effectiveness of internal controls.

During the year ended 31 March 2020, four Audit Committee meetings was held. Details of individual attendance of each of the Directors are set out below:

	Attendance/ Number of Meetings Eligible to Attend
Mr. Wang Chin Mong *(Chairman)*	4/4
Ms. Chan Yuen Ting	4/4
Mr. Tsang Siu Chun	4/4

A meeting of the Audit Committee was held on 29 May 2020 to review the Group's consolidated financial statements for the year ended 31 March 2020, in conjunction with the Group's external auditor, Deloitte Touche Tohmatsu.

Nomination Committee

The Nomination Committee comprises Ms. Chan Yuen Ting, Mr. Tsang Siu Chun and Mr. Wang Chin Mong, all of whom are independent non-executive Directors. Ms. Chan Yuen Ting is the chairman of the Nomination Committee.

The Nomination Committee was established in December 2017 and written terms of reference of the Nomination Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange which conforms with the revised GEM Listing Rules which became effective on 1 January 2019.

The Nomination Committee's responsibilities include but not limited to formulating policy and making recommendation to the Board on nominations and appointments of Directors and Board succession.

The Nomination Committee is also responsible for reviewing the structure, size and composition of the Board taking into account of the Company's Board Diversity Policy, assessing independence of the independent non-executive Directors, making recommendations on any proposed changes to the Board (including suspension or termination), review the business, technical, or specialised skills and experience of each Director or potential Director and the ability, time, commitment and willingness of a new Director to serve and an existing to continue.

Having reviewed the written confirmation from each of the independent non-executive Director, the Nomination Committee is satisfied that each independent non-executive Director conforms to the independence requirement as set out in Rule 5.09 of the GEM Listing Rules.

During the year ended 31 March 2020, one Nomination Committee meeting was held. Details of individual attendance of each of the Directors are set out below:

	Attendance/ Number of Meetings Eligible to Attend
Ms. Chan Yuen Ting *(Chairman)*	1/1
Mr. Tsang Siu Chun	1/1
Mr. Wang Chin Mong	1/1

Nomination of Directors

On 29 May 2020, the Nomination Committee, having reviewed the Board's composition, nominated Mr. Wang Chin Mong and Mr. Wong Ngai Shan to the Board for recommendation to the Shareholders for re-election at the 2020 AGM. The nominations were made in accordance with the Nomination Policy and the Board Diversity Policy. Mr. Wang Chin Mong, who is a member of the Nomination Committee, abstained from voting when his respective nomination was being considered.

The biographical details of Mr. Wang Chin Mong and Mr. Wong Ngai Shan are set out under "***Biographical Details of Directors and Senior Management***" on pages 25 to 28 of this Annual Report.

Compliance Committee

The Compliance Committee comprises Ms. Chan Yuen Ting, Mr. Tsang Siu Chun and Mr. Wang Chin Mong, all of whom are independent non-executive Directors. Ms. Chan Yuen Ting is the chairman of the Compliance Committee.

The Compliance Committee was established in December 2017 and its responsibilities include but not limited to:

- review the effectiveness of our Group's regulatory compliance procedures and system, including operational and compliance procedures and risk management functions;
- assess and review the adequacy of resources and training provided to our management and staff in relation to our Group's regulatory compliance functions; and
- receive and handle any actual or potential non-compliance matters and engage external professional advisers where necessary.

During the year ended 31 March 2020, one Compliance Committee meeting was held. Details of individual attendance of each of the Directors are set out below:

	Attendance/ Number of Meetings Eligible to Attend
Ms. Chan Yuen Ting *(Chairman)*	1/1
Mr. Tsang Siu Chun	1/1
Mr. Wang Chin Mong	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors (the "**Model Code**"). All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2020.

EXTERNAL AUDITOR

The Auditors is Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the year ended 31 March 2020.

For the year ended 31 March 2020, apart from the provision of annual audit services, the Company's external auditors, Deloitte Touche Tohmatsu, were also the reporting accountants of the Company in relation to the Listing. The remuneration charged by the Company's auditors, Deloitte Touche Tohmatsu, during the year ended 31 March 2020 is set out below:

Description of Services Performed

	HK$
(1) Audit services	1,550,000
(2) Non-audit services *(Note)*	400,000
	1,950,000

Note: Non-audit services represents services provided on the interim review of the financial statements of the Company for the six months ended 30 September 2019.

The statement of the Auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 60 to 64 of this Annual Report.

DIRECTORS' RESPONSIBILITIES IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the Company's risk management and internal control systems and for reviewing its effectiveness. The Group's internal audit department and senior management conduct reviews of the effectiveness of the risk management and internal control systems of the Group. The Audit Committee reviews the findings and recommendations of the senior management in their meetings held at least four times a year and reports to the Board on such review.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

In respect of the year ended 31 March 2020, the Board, through the Audit Committee and an external/internal auditor, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective system is in place to adequately safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

COMPANY SECRETARY

The company secretary is responsible for ensuring that Board's procedures are followed and facilitating communications among Directors as well as with shareholders and management. The Company Secretary is Mr. Yu Man To, Gerald. The Company Secretary has duly complied with the relevant training requirement under Rule 5.15 of the GEM Listing Rules.

CONSTITUTIONAL DOCUMENTS

There were no changes to the memorandum and Articles of Association of the Company during the year ended 31 March 2020.

A copy of the memorandum and Articles of Association of the Company is posted on the websites of the Company and the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS

The Directors are aware of the importance of maintaining good relations and communications with the Shareholders. The Board established a Shareholders Communication Policy setting out the principles of the Company in relation to Shareholders' communications, with the objective of ensuring that its communication with the Shareholders are timely and accurate.

The Company uses a range of communication tools, such as annual general meetings, annual reports, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of the Group's key business imperatives.

The Company has maintained a website at www.tastegourmet.com.hk which serves as a forum for corporate communications with the Shareholders and the general public. All corporate communications required under the GEM Listing Rules are displayed and archived since the Listing Date on the Company's website and there are established procedures to ensure timely update in compliance with the GEM Listing Rules.

At the AGM, separate resolutions will be proposed by the Chairman in respect of each issue itemized on the agenda, including the re-election of the Directors. The Chairman, the chairman of each of the Remuneration Committee, the Audit Committee and the Nomination Committee and members of senior management, together with representative(s) from the Auditors will attend the AGM to answer questions from the Shareholders.

The notice of the AGM will be distributed to all Shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the GEM Listing Rules.

Details of individual attendance at general meeting of the Company of each of the Directors during the year ended 31 March 2020 are set out as follows:

	Attendance/ Number of Meetings
Executive Directors:	
Mr. Wong Ngai Shan *(Chairman)*	1/1
Ms. Chan Wai Chun *(Chief Executive Officer)*	1/1
Independent Non-Executive Directors:	
Ms. Chan Yuen Ting	1/1
Mr. Tsang Siu Chun	1/1
Mr. Wang Chin Mong	1/1

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

Under the Articles of Association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her/its contact details, such as postal address or fax, addressing to the head office of the Company at Unit B, 24/F Crawford Tower, 99-101 Jervois Street, Sheung Wan, Hong Kong or facsimile number (852) 2880 9068.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, Dongxing Securities (Hong Kong) Company Limited has been appointed as the compliance adviser of the Company (the "**Compliance Adviser**"). As confirmed by the Compliance Adviser, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 23 June 2017, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) has or may have any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIVIDEND POLICY

As disclosed in the Prospectus, it is the Company's policy to pay an annual dividend at a ratio of no less than 30% of profit attributable to owners of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

At Taste • Gourmet, we believe the consideration of Environmental, Social and Governance (ESG) factors as one of the key driver of the way we conduct our business. We take an active approach to managing ESG-related risks and tackling environmental and social challenges, and we acknowledge the importance of effective governance at the management and the Board.

We are committed to uphold the highest ESG standards for the benefit of our stakeholders. While an acknowledgment of ESG risk factors is important, it is not enough. Appropriate oversight at the management and Board level, as well as effective policies and practices, are key contributors to our ability to effectively manage a wide variety of risk factors.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 to the GEM Listing Rules and covers the Group's business in Hong Kong for the year ended 31 March 2020.

Based on the principles of objectivity, standardisation, transparency and comprehensiveness, this report serves to provide details of the Company's ESG policies and initiatives of our restaurant business in Hong Kong. We have identified the following ESG Segments in this report:

Environment	Workplace	Social
• Waste Management	• Employment & Labour Practices	• Supply Chain Management
• Energy Management	• Health and Safety	• Product Responsibility
• Water Conservation	• Training and Development	• Anti-Corruption

This is the third ESG Report issued by the Company.

STAKEHOLDER ENGAGEMENT

We engages our stakeholders, both formally and informally, on a number of major issues and initiatives in order to gain a better understanding of their views and expectations.

Shareholders

- Roadshows in Hong Kong and Taiwan during the year
- Publication of research reports on the Company
- Regular issuance of announcements on a voluntary basis on business updates

Customers

- Continuous review of customer feedbacks through comments cards, direct discussion with the customers and through social media platforms
- Timely respond to customer complaints
- Collaboration with third parties to provide online table reservation services as well as delivery services
- Introduction of alternative payment methods in addition to cash and credit cards

Suppliers

- Due to the impact of the Protests and COVID-19, we have entered into purchase contacts from some of our suppliers in order to secure supply as well as a favourable purchase price

Government

- Engaged external professionals on the review of the legal compliance status
- Organised professional and compliance training

Employees

- Continuous training provided to our employees
- Adopted the SOS as an incentive to employees
- Subsidies to our employees for external continuous educational courses

ENVIRONMENT

Waste Management

Food waste and cooking oil waste are the major non-hazardous emissions in our restaurant operations. We also use recyclable materials in our takeaway containers.

Food Waste

The control of food waste is a very important factor for the Group. Food waste could be the result of poor storage management, poor inventory control, or poor quality control. Food waste not only affect profitability and customer satisfaction, it is an unnecessary waste. We have a stringent set of policies and procedures that helps to eliminated unnecessary food waste, however the attitudes of our employees towards the reduction of food waste as a part of our corporate culture is the key to success.

Each of our restaurant monitors the consumption amount of our food ingredients on a daily basis, which we believe is an effective way to reduce wastage and storage costs as the head chef of each restaurant should know the best utilisation of the various food ingredients and the consumption patterns of the customers at each restaurant. We generally minimise the amount of food ingredients stored at our restaurants based on our estimated sales and production volume of the following day.

During the year, no material non-compliance issue was noted in relation to food waste disposal.

Please refer to page 6 under heading “Environmental, Social and Governance Information” for food waste disposal data during the year.

Cooking Oil Waste

Cooking oil waste and grease trap waste are properly disposed of through waste oil collectors with the International Sustainability and Carbon Certification authorised by the Environmental Protection Department in Hong Kong.

Please refer to page 6 under “Environmental, Social and Governance Information” for cooking oil waste disposal data during the year.

During the year, no material non-compliance was noted in relation to cooking oil waste disposal.

Energy Management

Please refer to page 6 under "Environmental, Social and Governance Information" for use of resources data and related emission data during the year.

In our operation, electricity and gas is consumed in the form of lightings, cooking equipment, refrigerators, air conditioning, office equipment and motor vehicles.

We have a number of policies in place to limit the consumption of electricity to the minimum level, examples of some of our energy savings initiatives are as follows:

- Energy saving lightings in all our restaurants and at our office
- Turning off cooking equipment when not in use
- Closed off and turn off air-conditioning and lights in sections of our restaurant during non-peak hours
- Dishwashers to be turned on only with a full load

In shopping malls, there is a fixed period when air conditioning is supplied which we matched as far as possible the operating hours of our restaurants.

All our vehicles are electric vehicles.

Water Management

Although the amount of water consumed in our operation is not significant, we encourage our employees to use water efficiently such as only using the dishwasher with a full load.

WORKPLACE

Employment and Labour Practices

Our employees are the most important asset and resources of our Group. We are an equal opportunity employer and no discrimination is tolerated on the basis of age, gender, race, colour, sexual orientation, disability or marital status. We do not employ any person below the age of 16. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

Quality service is an important success factor to our business and employee retention is a known challenge within the fierce restaurant business. Aside from offering competitive remuneration packages, our Group has also implemented an incentive bonus scheme for each restaurant to encourage self-initiatives to drive sales, employee retention and reduction in unnecessary headcount at every outlet. Our bonus scheme is performance based and would be calculated taking into account the achievement of performance target including financial indicators such as revenue and profit target, as well as other qualitative targets such as service quality and work attitude such as timeliness of the employee. Such bonus vary in accordance with the seniority and positions of different employees.

We also conduct annual performance reviews for our employees, which is used as a basis to determine salary adjustments which frequency would depend on a number of factors such as our financial performance and general market conditions and suitability for promotion, taking into account market conditions and business needs.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group. Normal working hours for our full time employees at our restaurants is 10 hours per day.

Our headcount planning is subject to regular review by our head office, taking into factors including but not limited to (i) market conditions; (ii) the size of the restaurant; (iii) proportion of labour costs to total overheads; and (iv) profit margin of the restaurant.

During the year ended 31 March 2020, no material non-compliance issue was noted in relation to employment regulations in Hong Kong.

Health and Safety

In conformity with industry norms, we are required to comply with various laws and regulations applicable to the restaurant industry in Hong Kong. In order to comply with safety related laws and regulations and occupational health and safety regulations issued by the government authorities in Hong Kong, we have designed and implemented internal safety measures and guidelines for our employees to follow. We also provide training to new recruits and existing employees to keep them up to date with work safety procedures and standards.

We have policies in place to ensure a high standard is kept at all times with regards to means of ventilation, sanitary fitments, facilities for cleaning equipment and utensils, means of exit and entry and fire safety.

We also maintain an internal record and reporting procedure in relation to work injuries in order for our Directors to monitor work injury incidences and make necessary amendments to the internal procedures to reduce the risk of further injuries. During the year ended 31 March 2020, no major work safety incidents occurred in our restaurants.

During the year ended 31 March 2020, no material non-compliance issue was noted in relation to health and safety regulations in Hong Kong.

Training and Development

We believe that training is needed to ensure that all employees possess the required knowledge on our standards and procedures as well as work and safety procedures. For our front-line new recruits, we provide on-the-job training to assist the new recruit to become familiarised with our operation processes. We provide our experienced staff with checklists to ensure all matters on food quality, internal procedures and safety standards are properly discussed with new recruits. To cater for the working hours of our staff, we also provide various training classes including dining service and preparation of a dish in video format so that the staff can access the training materials at the time and place at their convenience. We also encourage our employees to undertake external courses that are funded by the Group.

- Our Directors and senior management are encouraged to undertake some form of continuing professional development courses or training. Subsidies are granted to our employees to undertake external continuous educational courses.

SOCIAL

Supply Chain Management

We generally select our suppliers based on a set of selection criteria, which includes (i) capacity, reputation and business operations of the supplier; (ii) type, variety and quality of food ingredients, goods or services offered by the supplier; (iii) pricing of the food ingredients, goods or services; (iv) supply terms and conditions, such as payment terms, delivery schedule and discount; (v) past performance; and (vi) our relationship with the suppliers.

New suppliers may be introduced by first passing our executive chef's sample testing, followed by an assessment by our Group executive chef and final approval by our Directors. If we identify a potential new supplier, our head chef will first screen the supplier whether their product quality can meet our standards and whether they satisfy our other requirements, such as the cost, origin of the supply of the food ingredients, possession of necessary licences and timely delivery of orders. We will only choose potential suppliers as our approved supplier if the price quoted by the supplier is lower than the purchase prices generally offered by our existing approved suppliers or, if higher, then need to be justifiable by other reasons such as exclusivity. If the potential supplier passes our initial screening, we will place a small trial order to test the quality of their food, and their reliability and timeliness in the delivery. If the potential supplier passes the testing phase, we will then negotiate a long-term supply relationship although we generally do not enter into any framework or long-term agreements, which we believe is the customary industry practice in Hong Kong. We will then consider the above factors and results to determine whether to approve the supplier as an approved supplier.

Our Group has maintained a list of approved food and beverage suppliers, comprising more than 50 suppliers as at 31 March 2020. In order to secure a stable supply of food ingredients and beverages, there are at least two approved suppliers for each type of food ingredient and beverage when possible. Our Group executive chef and business development manager will monitor the quality of our raw materials and consumables and may suggest to our management to consider removing certain suppliers if there is deterioration in the capacities, reliability or consistency of service and product quality of those suppliers. We may remove suppliers failing to meet our selection criteria or being susceptible of negative publicity from our supplier list. However, during the year, due to the impact of the Protests and COVID-19, we have entered into purchase contacts from some of our suppliers in order to secure supply as well as a favourable purchase price.

Product Responsibility

Food Safety and Hygiene

Food safety and hygiene is the most important factor and central to our restaurant operation. Our food safety and quality control policies and procedures are closely integrated with our supplier selection process and food preparation process. Our restaurant managers and head chefs are responsible for the quality control at each of our restaurants. They are responsible for inspecting the food supplies and ingredients, overseeing the food preparation process and monitoring the dining environment and kitchen area. We clean and sanitise each of our restaurants in accordance with our policies and procedures. We ensure the implementation of our quality control policies through (i) training and supervision of our employees; and (ii) the evaluation of our procedures.

During the year ended 31 March 2020, no material complaints or claims on our food was received by us nor were our restaurants subject to any investigation on food hygiene by any government authorities or relevant consumer protection organisations due to any food safety incident.

Customer Service and Food Quality

We believe the key to our success is our returning customers, however a customer will only return if they are getting value for their money regardless of the amount of money spent. We address customer satisfaction through the provision of good customer service and consistent food quality.

Daily briefing sessions and evaluations are conducted by our restaurant manager of each restaurant to ensure the quality of our services, and to brief the staff about the new dishes launched to ensure they have a good understanding of the menu. Head chef and the restaurant manager of each restaurant also have a daily meeting to communicate any problems encountered so as to ensure a smooth operation of the restaurant. Our senior management hold a monthly meeting to discuss various issues, including the profitability, food and service quality, staffing arrangement, renovation and marketing strategy, to understand the current status as well as adjust our business strategy as appropriate.

We collect feedback from our customers through various channels: (i) our social media pages and emails; (ii) food-critic websites; (iii) visits by our marketing team, who will examine various aspects such as service quality and customers' feedback. Our restaurant managers discuss the customer feedbacks during daily briefing sessions and our marketing department compiles all the feedbacks and identify and evaluate the issues with the relevant personnel in order to improve our overall operations. Our restaurant managers will also discuss the customer feedbacks with our senior management in order to improve our overall operations.

During the year ended 31 March 2020, we did not receive any material complaints nor complaint filed by our customers to the Consumer Council. We were not aware of any incident of customer complaint claiming material compensation that could have a material adverse impact on our business, results of operations and financial position. Most of the customer complaints related to the food and service quality.

The marketing activities of our Group aim to promote pleasant dining experience at our restaurants with quality food and affordable prices available in a range of cuisines and dining setting from casual to full service dining. We promote our restaurants through various marketing activities, including the maintenance of our website, the display of our menu in digital panels at the shopping malls to the public at our restaurant, launching promotion campaigns with credit cards and shopping mall networks, offering discount to major corporates and residents in the vicinity. We also have a VIP card programme, use various forms of media, such as social media and magazines, third-party smartphone applications for online table reservation as well as promote our restaurants through the distribution of flyers/coupons which can broaden our reach to our potential customers.

Anti-Corruption

Corruption, deception, bribery, forgery, extortion, money-laundering and any other kinds of business fraud are strictly prohibited. Our employee's handbook set out internal control policies and procedures to govern the investigation and follow-up procedures of reported fraud incidents. We have internal control policies and procedure to mitigate fraudulent events which are reviewed and systematic fraud risk assessments are conducted periodically. Any abnormality should be reported to the Audit Committee for investigation. Whistle-blowing channel is also established for the reporting of violations of professional conducts.

During the year, no material non-compliance issue was noted or reported to the relevant authorities in relation to any corruption or fraudulent activities.

Community

We are committed to investing in the improvement of community well-being and social services. Employees are encouraged to participate in a wide range of charitable events.

For details of some of the events we participated during the year ended 31 March 2020, please refer to page 5 of this annual report.

During the year, the Group made donations of approximately HK$110,000.

Deloitte. 德勤

TO THE SHAREHOLDERS OF TASTE • GOURMET GROUP LIMITED
嚐 • 高美集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Taste • Gourmet Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 65 to 152, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment loss on property, plant and equipment and rights-of-use assets related to loss-making restaurants	
We identified the impairment of property, plant and equipment and right-of-use assets as a key audit matter, as significant judgement is required to assess the amount of impairment of property, plant and equipment and right-of-use assets. As at 31 March 2020, property, plant and equipment of loss-making restaurants amounted to HK$2,076,000, net of accumulated impairment losses of HK$356,000 and HK$57,000 on leasehold improvements and furniture and equipment, respectively, while right-of-use of loss-making restaurants amounted to HK$4,720,000, net of accumulated impairment loss of HK$687,000. As further disclosed in Notes 5, 15, 16 and 17 to the consolidated financial statements, determining whether property, plant and equipment and right-of-use assets are impaired requires an estimation of the value in use of the cash-generating units of each loss-making restaurant. The value in use calculation requires the Group to estimate the cash flow projections to arise from the cash-generating units by considering operating costs, budgeted sales, growth rates and gross margins which are based on past performance and management's expectations to future changes in the market and taking into account a suitable discount rate to calculate the present value. Based on the management's assessment, impairment losses on leasehold improvements and furniture and equipment included in property, plant and equipment and right-of-use assets of HK$83,000, HK$57,000 and HK$687,000, respectively, were charged to profit or loss during the year ended 31 March 2020.	Our procedures in related to management's impairment assessment included: • Understanding key controls and evaluating that the management reviews on the historical operation and financial performance of each of the loss-making restaurants to determine whether there is any indication of impairment for those loss-making restaurants, and the assumptions used in the value in use calculation for those loss-making restaurants; • Checking the mathematical accuracy of the value in use calculation; • Challenging the reasonableness of the key assumptions adopted in the cash flow projections including operating costs, budgeted sales, growth rates and gross margins, by referring to the historical information and the management budget; • Assessing the key factors e.g. equity risk premium and size premium used in determining the discount rate and comparing to discount rate adopted in the industry for reasonableness; and • Evaluating the sensitivity analysis prepared by the management on the operating costs, budgeted sales, growth rates, gross margins and discount rate to assess the extent of impact on the value in use calculation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yau Wing Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

12 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	6	**370,511**	307,712
Other income	7a	**6,664**	263
Other gains or losses, net	7b	**(776)**	(8)
Impairment losses under expected credit loss model	8	**(1,923)**	(442)
Raw materials and consumables used		**(100,782)**	(85,333)
Staff costs		**(109,287)**	(93,757)
Depreciation of property, plant and equipment	15	**(12,967)**	(8,822)
Depreciation of right-of-use assets	16	**(62,037)**	–
Property rentals and related expenses		**(15,952)**	(58,544)
Utilities and cleaning expenses		**(13,160)**	(10,395)
Other expenses		**(20,148)**	(17,435)
Share of loss of a joint venture		**–**	(1,395)
Share of loss of an associate		**–**	(47)
Finance costs	9	**(5,213)**	(123)
Profit before tax	10	**34,930**	31,674
Income tax expense	11	**(4,858)**	(4,422)
Profit and total comprehensive income for the year		**30,072**	27,252
		HK cents	HK cents
Earnings per share	14		
– Basic		**7.9**	6.9
– Diluted	14	**7.9**	6.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**47,437**	32,109
Right-of-use assets	16	**173,319**	–
Interest in a joint venture	18	**–**	–
Interest in an associate	19	**–**	–
Goodwill	20	**3,051**	3,051
Intangible assets	21	**1,538**	1,524
Financial asset at fair value through profit or loss	22	**1,620**	1,569
Rental and utilities deposits	23	**19,782**	22,211
Prepayments and other deposits	23	**1,752**	1,972
Loan to an associate	30	**–**	844
Amount due from a joint venture	30	**–**	1,596
Deferred tax assets	31	**901**	474
		249,400	65,350
CURRENT ASSETS			
Inventories	24	**516**	–
Trade and other receivables	23	**12,133**	10,960
Amount due from a shareholder	30	**44**	37
Amount due from an associate	30	**54**	321
Income tax recoverable		**620**	1,045
Bank balances and cash	25	**64,202**	55,271
		77,569	67,634
CURRENT LIABILITIES			
Trade and other payables	26	**18,747**	19,314
Amount due to a shareholder	30	**195**	498
Bank borrowing	27	**2,048**	3,292
Lease labilities/obligations under finance leases			
– due within one year	28, 29	**59,560**	176
Tax payable		**699**	2,408
		81,249	25,688
NET CURRENT (LIABILITIES) ASSETS		**(3,680)**	41,946
TOTAL ASSETS LESS CURRENT LIABILITIES		**245,720**	107,296
NON-CURRENT LIABILITIES			
Lease liabilities	28	**121,657**	–
Provision for reinstatement costs	32	**1,802**	1,262
Provision for long service payments	33	**291**	274
Deferred rent	26	**–**	2,947
Deferred tax liabilities	31	**903**	726
		124,653	5,209
NET ASSETS		**121,067**	102,087

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
CAPITAL AND RESERVES			
Share capital	34	**37,973**	39,353
Reserves		**83,094**	62,734
TOTAL EQUITY		**121,067**	102,087

The consolidated financial statements on pages 65 to 152 were approved and authorised for issue by the Board of Directors on 12 June 2020 and are signed on its behalf by:

WONG NGAI SHAN
DIRECTOR

CHAN WAI CHUN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Share options reserve HK$'000	Capital redemption reserve HK$'000	Treasury share reserve HK$'000 (note iii)	Retained profits HK$'000	Total HK$'000
At 1 April 2018	40,000	43,908	(300)	313	–	–	–	19,885	103,806
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	27,252	27,252
Shares repurchased and cancelled (Note 34)	(647)	(4,131)	–	–	–	647	–	(647)	(4,778)
Shares repurchased	–	–	–	–	–	–	(9,864)	–	(9,864)
Recognition of share-based payment expenses (Note 42)	–	–	–	–	232	–	–	–	232
Dividends recognised as distribution (Note 13)	–	(14,561)	–	–	–	–	–	–	(14,561)
At 31 March 2019	39,353	25,216	(300)	313	232	647	(9,864)	46,490	102,087
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	30,072	30,072
Shares cancelled (Note 34)	(1,380)	(8,484)	–	–	–	1,380	9,864	(1,380)	–
Recognition of share-based payment expenses (Note 42)	–	–	–	–	300	–	–	–	300
Lapse of share options (Note 42)	–	–	–	–	(4)	–	–	4	–
Dividends recognised as distribution (Note 13)	–	(11,392)	–	–	–	–	–	–	(11,392)
At 31 March 2020	37,973	5,340	(300)	313	528	2,027	–	75,186	121,067

Notes:

i. The special reserve represents the differences between the nominal amount of the share capital issued by the Company pursuant to the group reorganisation and the issued share capital of BWHK Limited when the Company became the holding company of the Group upon completion of the group reorganisation on 23 June 2017.

ii. Other reserve represents the aggregate amount of:

1) the differences between the considerations received and the proportionate share of the carrying amount of the net assets attributable to the relevant interest upon the deemed disposal of partial interest in subsidiaries during the year ended 31 March 2016; and

2) the difference between the consideration paid and the proportionate share of the carrying amount of the net assets attributable to the relevant interests upon the deemed acquisition of additional interest in a subsidiary during the year ended 31 March 2017.

iii. The treasury share reserve represents share repurchased but not yet cancelled during the year ended 31 March 2019 and all treasury shares have been cancelled subsequently in April 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**34,930**	31,674
Adjustments for:			
Depreciation of property, plant and equipment		**12,967**	8,822
Depreciation of right-of-use assets		**62,037**	–
Amortisation of intangible assets		**203**	96
Fair value gain on financial asset at fair value through profit or loss		**(51)**	(48)
Impairment loss on property, plant and equipment		**140**	273
Impairment loss on right-of-use assets		**687**	–
Impairment loss on loan to an associate		**844**	153
Impairment loss on amount due from a joint venture		**1,079**	289
Gain on disposal of property, plant and equipment		**–**	(217)
Bank interest income		**(217)**	(4)
Interest income on rental deposits		**(468)**	–
Finance costs		**5,213**	123
Share-based payment expenses		**300**	232
Share of loss of a joint venture		**–**	1,395
Share of loss of an associate		**–**	47
Operating cash flows before movements in working capital		**117,664**	42,835
Increase in inventories		**(516)**	–
Increase in trade and other receivables, prepayments and other deposits and rental and utilities deposits		**(1,051)**	(9,521)
(Decrease) increase in trade and other payables and deferred rent		**(1,594)**	6,892
Increase in provision for reinstatement costs		**–**	389
Increase in provision for long service payments		**17**	76
(Decrease) increase in amount due to a shareholder		**(303)**	83
Cash generated from operations		**114,217**	40,754
Income tax paid		**(6,392)**	(6,135)
NET CASH FROM OPERATING ACTIVITIES		**107,825**	34,619
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(24,581)**	(15,216)
Purchase of intangible assets		**(217)**	(1,526)
Payments for rights-of-use assets		**(3,692)**	–
Payments for rental deposits		**(2,736)**	–
Acquisition of a business	45	**–**	(5,500)
Acquisition of a joint venture		**–**	(54)
Capital injection in a joint venture		**–**	(4)
Loan advanced to an associate		**–**	(1,040)
Repayment from an associate		**267**	17
Repayment from (advance to) a joint venture		**517**	(2,077)
Proceeds from disposal of property, plant and equipment		**–**	498
Deposits paid for acquisition of property, plant and equipment		**(1,544)**	(1,972)
Interest received		**217**	4
Advance to a shareholder		**(7)**	(8)
NET CASH USED IN INVESTING ACTIVITIES		**(31,776)**	(26,878)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowing	**(1,244)**	(1,212)
Interest paid on bank borrowing	**(79)**	(113)
Interest paid on lease liabilities/obligations under finance leases	**(5,134)**	(10)
Repayments for lease liabilities/obligations under finance leases	**(49,269)**	(381)
Payment on repurchases of shares	**–**	(14,642)
Dividends paid	**(11,392)**	(14,561)
NET CASH USED IN FINANCING ACTIVITIES	**(67,118)**	(30,919)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**8,931**	(23,178)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**55,271**	78,449
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**64,202**	55,271

1. GENERAL

Taste • Gourmet Group Limited (the "Company") (hereinafter its subsidiaries together with the Company collectively referred to as the "Group") was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 January 2018. Its parent is IKEAB Limited, a private company incorporated in the British Virgin Islands ("BVI"). The address of its registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is located at Unit B, 24/F Crawford Tower, 99 – 101 Jervois Street, Sheung Wan, Hong Kong. Its ultimate controlling parties are Mr. Wong Ngai Shan ("Mr. Wong") and Ms. Chan Wai Chun ("Ms. Chan"), who are also the executive directors of the Company.

The Company is an investment holding company and principally engaged in operating restaurants in Hong Kong, with details set out in Note 41.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousands (HK$'000) except when otherwise indicated.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$3,680,000 as at 31 March 2020. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations including government subsidies and future operating cash flows. Taking into account of the unutilised available banking facilities, amounting to HK$8,500,000 as at 31 March 2020, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due for at least the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

HKFRS 16 *Leases*

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

Definition of a lease

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

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

As a lessee

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

As at 1 April 2019, other than reclassification of obligations under finance leases, and assets under finance leases included in property, plant and equipment, and adjustment on rental deposits, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid rents or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

HKFRS 16 *Leases* *(Continued)*

As a lessee *(Continued)*

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

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

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

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

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates at the date of initial application. The weighted average incremental borrowing rate applied is 2.93%.

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

HKFRS 16 *Leases* *(Continued)*

As a lessee *(Continued)*

	Note	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019		197,212
Lease liabilities discounted at relevant incremental borrowing rate		182,895
Add: Lease liabilities resulting from lease modifications of existing leases#		5,091
Less: Practical expedient – leases with lease term ends within 12 months of the date of initial application		(716)
Contracts committed but not yet commenced on 1 April 2019		(39,680)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		147,590
Add: Obligations under finance leases recognised at 31 March 2019	(a)	176
Lease liabilities as at 1 April 2019		147,766
Analysed as:		
Current		48,640
Non-current		99,126
		147,766

\# The Group renewed the leases of several existing restaurants by entering into new lease contracts which commence after the date of initial application. These new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

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

HKFRS 16 *Leases* *(Continued)*

As a lessee *(Continued)*

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

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		147,590
Amounts included in property, plant and equipment as at 31 March 2019		
– Assets previously under finance leases	(a)	500
Reclassified from prepaid rent	(b)	2,511
Adjustments on rental deposits at 1 April 2019	(c)	1,186
Less: Accrued lease liabilities relating to rent-free period and lease payments increase progressively over lease terms as at 1 April 2019	(d)	(3,905)
		147,882
By class:		
Leased properties		147,382
Motor vehicles		500
		147,882

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under finance leases as at 1 April 2019 amounting to HK$500,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$176,000 to lease liabilities as current liabilities at 1 April 2019.

(b) Prepaid rent for restaurants was classified as prepayments where were included in trade and other receivables as at 31 March 2019. Upon application of HKFRS 16, the prepaid rent was reclassified as right-of-use assets.

(c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under rental and utilities deposits. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$1,186,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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

HKFRS 16 *Leases* *(Continued)*

As a lessee *(Continued)*

(d) Rent–free period and lease payments increase progressively over lease terms:

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

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

	Notes	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	(a)	32,109	(500)	31,609
Right-of-use assets		–	147,882	147,882
Rental and utilities deposits	(c)	22,211	(1,186)	21,025
CURRENT ASSETS				
Trade and other receivables	(b)	10,960	(2,511)	8,449
CURRENT LIABILITIES				
Trade and other payables	(d)	19,314	(958)	18,356
Lease liabilities		–	48,640	48,640
NON-CURRENT LIABILITIES				
Lease liabilities		–	99,126	99,126
Deferred rent	(d)	2,947	(2,947)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

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

New and Amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 June 2020.

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

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

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

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

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

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

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

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

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

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment is expected to have impact on the financial positions and performance of the Group if the Group would elect to early apply the amendment for the Group's annual period beginning on 1 April 2020.

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

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

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

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

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1 April 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss ("FVTPL") that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low-value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate and a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate and a joint venture *(Continued)*

When the Group ceases to have joint control over an associate or a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments* ("HKFRS 9"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Leases

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

Allocation of consideration to components of a contract

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

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

Short-term leases

The Company applies the short-term lease recognition exemption to leases of car park spaces that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

Lease liabilities (Continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (prior to 1 April 2019)

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

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

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

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

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution retirement benefit plan, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and long-term employee benefits

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

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)
When share options are exercised, the amount previously recognised in share options reserve will be transferred to retained profits. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation
Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment
Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Leasehold improvement in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

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

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

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

Inventories

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

Provisions

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets
Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)
A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains or losses, net" line item.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, rental and utilities deposits, other deposits, amounts due from a joint venture, an associate and a shareholder, loan to an associate and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognise lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

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

(i) Significant increase in credit risk

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instrument

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a shareholder and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of property, plant and equipment and right-of-use assets related to loss-making restaurants

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing whether an event has occurred or any indicators that may indicate that the carrying amount of the relevant assets may not be recoverable and for assets with impairment indication, or appropriate key assumptions to be applied in estimating the recoverable amounts including operating costs, budgeted sales, growth rates, gross margins, and discount rate. Changing the assumptions and estimates, including operating costs, budgeted sales, growth rates, gross margins or discount rate adopted in the value in use calculation, could materially affect the recoverable amount.

As at 31 March 2020, the carrying amounts of the leasehold improvements, furniture and equipment and right-of-use assets related to those loss-making restaurants are HK$1,249,000, HK$827,000 and HK$4,720,000 (2019: nil, HK$132,000 and nil), respectively, after taking into account the impairment losses of HK$356,000, HK$57,000 and HK$687,000 (2019: HK$273,000, nil and nil) in respect of leasehold improvements, furniture and equipment and right-of-use assets that have been recognised respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in Note 17.

Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions and will take into account the lease terms including renewal options in the lease contracts of the Group's restaurants. The management will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants. Actual economic useful lives may differ from estimated economic useful lives. As at 31 March 2020, the carrying amount of property, plant and equipment are approximately HK$47,437,000 (2019: HK$32,109,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows, a material impairment loss may arise. As at 31 March 2020, the carrying amount of goodwill was HK$3,051,000 (2019: HK$3,051,000). Details of the recoverable amount calculation are disclosed in Note 20.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value measurement of financial instruments

Financial asset at FVTPL, amounting to HK$1,620,000 as at 31 March 2020 (2019: HK$1,569,000), is measured at fair value determined based on adjusted cash value provided by counterparty which represents the premium paid to the policies adjusted by net yield with reference to the expected return rate. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair value of these instruments. See Notes 22 and 37(b) for further disclosure.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable from restaurant operations, net of discounts, during the years ended 31 March 2020 and 2019.

The principal activities of the Group are operating restaurants serving different kinds of cuisine in Hong Kong during the years ended 31 March 2020 and 2019.

Disaggregation of revenue from contracts with customers

	2020 **HK$'000**	2019 HK$'000
Type of cuisines		
Vietnamese	**56,519**	66,551
Japanese	**169,578**	125,966
Western	**69,715**	37,547
Chinese	**63,790**	64,264
Dessert	**7,353**	8,556
Kiosk	**3,556**	4,828
	370,511	307,712

Performance obligations for contracts with customers

The performance obligation is the promise to provide catering services. Revenue from catering services is recognised at a point in time when the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Payment of the transaction price is due immediately at the point the services are rendered to the customers. For payments settled by credit cards by customers, the settlement period is normally within 2 days from the trade date, and for sales of food and beverages through food delivery agents, the Group allows a credit period of 30 days.

With the provision of these services are at a period of one year or less, as permitted under HKFRS 15, the transaction price allocation to the unsatisfied contracts is not disclosed.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information reported to Mr. Wong and Ms. Chan (collectively as the "Controlling Shareholders"), being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, focuses on types of goods or services delivered or provided. The CODM has determined that the Group has only one reportable segment which includes all the restaurants serving different kinds of cuisine in Hong Kong, each of which is considered a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment as they are all full-service restaurants which target the mid-to-high-end customers in Hong Kong.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	2020 HK$'000	2019 HK$'000
Revenue from external sales	**370,511**	307,712
Segment profit	**50,578**	46,610
Unallocated other gain or losses, net	**51**	265
Unallocated expenses	**(13,776)**	(13,317)
Impairment loss under ECL model	**(1,923)**	(442)
Share of loss of a joint venture	**–**	(1,395)
Share of loss of an associate	**–**	(47)
Profit before tax	**34,930**	31,674

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit earned by the reportable segment excluding unallocated other gains and losses, net (i.e. gain on disposal of property, plant and equipment, and fair value gain on financial asset at FVTPL), impairment loss under ECL model and share of losses of a joint venture and an associate and without allocation of central administration costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented. No geographical information is presented as the Group's operations and non-current assets are located in Hong Kong.

The Group's customer base is diversified and no individual customer had contributed more than 10% of the Group's revenue during the years ended 31 March 2020 and 2019.

7a. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income on:		
– bank deposits	**217**	4
– rental deposits	**468**	–
Management fee income from a joint venture	**143**	134
Government subsidies (note)	**4,920**	–
Others	**916**	125
	6,664	263

Note: The Food and Environmental Hygiene Department is operating the Food Licence Holders Subsidy Scheme (the "Scheme") under the Anti-epidemic Fund and the Scheme is now open to applications from eligible food licence holders for a grant of one-off subsidy. A one-off subsidy of HK$200,000 will be provided to eligible licence holders of the premises in operation including general restaurants, marine restaurants and factory canteens and a subsidy of HK$80,000 will be provided to eligible licence holders of the premises in operation including light refreshment restaurants, fresh provision shops, food factories, bakeries and siu mei and lo mei shops. For the year ended 31 March 2020, the Group has received government subsidies of HK$4,920,000 given that the conditions attached to the Scheme are compiled at the date of receipt and recognised as other income.

7b. OTHER GAINS OR LOSSES, NET

	2020 HK$'000	2019 HK$'000
Gain on disposal of property, plant and equipment	**–**	217
Fair value gain on financial asset at FVTPL	**51**	48
Impairment loss on property, plant and equipment (Note 17)	**(140)**	(273)
Impairment loss on right-of-use assets (Note 17)	**(687)**	–
	(776)	(8)

8. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL

	2020 HK$'000	2019 HK$'000
Impairment losses recognised on:		
– amount due from a joint venture	**(1,079)**	(289)
– loan to an associate	**(844)**	(153)
	(1,923)	(442)

Details of impairment assessment are set out in Note 37.

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interests on:		
– bank borrowing	**79**	113
– lease liabilities/obligations under finance leases	**5,134**	10
	5,213	123

10. PROFIT BEFORE TAX

	2020 HK$'000	2019 HK$'000
Profit before tax has been arrived at after charging:		
Directors' remuneration (note a)	**4,536**	4,536
Other staff costs		
– salaries and other benefits	**92,978**	76,739
– performance-based bonus (note b)	**8,191**	8,737
– retirement benefits scheme contribution excluding directors	**4,305**	3,437
– provision for long service payments	**17**	76
– share-based payment expenses	**300**	232
Total directors and other staff costs	**110,327**	93,757
Auditor's remuneration	**1,550**	1,680
Amortisation of intangible assets	**203**	96

Notes:

(a) Directors' remuneration includes HK$1,040,000 depreciation expense of right-of-use assets for directors' quarter during the year.

(b) Performance-based bonus of the restaurants and administrative employees were determined based on the revenue generated by the respective restaurants for restaurants staff and financial performance of the Group for administrative employees, respectively.

11. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
The charge comprises Hong Kong Profits Tax		
– Current tax	**5,072**	4,694
– Under(over)provision in prior year	**36**	(48)
Deferred tax credit (Note 31)	**(250)**	(224)
	4,858	4,422

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

Accordingly, Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. For the remaining subsidiaries of the Group in Hong Kong, they are subject to 16.5% of the estimated assessable profits under Hong Kong Profits Tax.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
Profit before tax	**34,930**	31,674
Tax at the Hong Kong Profits Tax rate of 16.5%	**5,763**	5,226
Tax effect of share of losses of an associate and a joint venture	**–**	238
Tax effect of expenses not deductible for tax purpose	**171**	119
Tax effect of income not taxable for tax purpose	**(856)**	(8)
Utilisation of temporary difference not recognised	**(3)**	(30)
Tax effect of utilisation of tax losses previously not recognised	**–**	(765)
Tax effect of tax losses not recognised	**72**	–
One-off tax reduction of Hong Kong Profits Tax by Inland Revenue Department (Note)	**(160)**	(145)
Income tax at concessionary rate	**(165)**	(165)
Under(over)provision in prior year	**36**	(48)
Income tax expense for the year	**4,858**	4,422

Note: The Hong Kong Profits Tax for the years ended 31 March 2020 and 2019 are waived subject to a ceiling of HK$20,000 per entity.

12. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Particulars of the emoluments of directors, the chief executive and the five highest paid employees are as follows:

(a) Directors' and Chief Executive's emoluments

Details of the emoluments paid or payable to the directors and the chief executive of the Company during the years ended 31 March 2020 and 2019 are as follows:

	Executive directors		Independent non-executive directors			
	Mr. Wong HK$'000	Ms. Chan HK$'000 (note a)	Mr. Tsang Siu Chun HK$'000	Mr. Wang Chin Mong HK$'000	Ms. Chan Yuen Ting HK$'000	Total HK$'000
Year ended 31 March 2020						
Directors						
Fees	**–**	**–**	**100**	**100**	**100**	**300**
Other emoluments						
– Salaries and other benefits (note b)	**2,400**	**1,800**	**–**	**–**	**–**	**4,200**
– Retirement benefits scheme contribution	**18**	**18**	**–**	**–**	**–**	**36**
	2,418	**1,818**	**100**	**100**	**100**	**4,536**

	Executive directors		Independent non-executive directors			
	Mr. Wong HK$'000	Ms. Chan HK$'000 (note a)	Mr. Tsang Siu Chun HK$'000	Mr. Wang Chin Mong HK$'000	Ms. Chan Yuen Ting HK$'000	Total HK$'000
Year ended 31 March 2019						
Directors						
Fees	–	–	100	100	100	300
Other emoluments						
– Salaries and other benefits	2,400	1,800	–	–	–	4,200
– Retirement benefits scheme contribution	18	18	–	–	–	36
	2,418	1,818	100	100	100	4,536

Notes:

(a) Ms. Chan serves as the chief executive of the Company for the years ended 31 March 2020 and 2019.

(b) Director's remuneration includes HK$1,040,000 depreciation expense of right-of-use assets for director's quarter during the year.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two (2019: two) directors whose details of emoluments are set out in (a) above. The remunerations of the remaining three (2019: three) employees were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**1,908**	2,090
Performance-based bonus*	**267**	1,077
Retirement benefits scheme contribution	**43**	54
Share-based payment expenses	**62**	56
	2,280	3,277

* Performance-based bonus of the restaurants and administrative employees were determined based on the revenue generated by the respective restaurants for restaurants staff and financial performance of the Group for administrative employees, respectively.

The number of the highest paid employees, who are neither a director nor chief executive of the Company, whose emoluments fell within the following band is as follows:

	No. of employees 2020	2019
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
	3	3

No emolument was paid by the Group to the directors or any of the highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2020 and 2019. The executive directors of the Company has waived or agreed to waive one (2019: one) month's remuneration during the year ended 31 March 2020.

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 42.

13. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim – HK1.5 cents (2019: 2019 Interim – HK1.5 cents) per share	**5,696**	5,903
2019 Final – HK1.5 cents (2018: 2018 Final – HK2.2 cents) per share	**5,696**	8,658
	11,392	14,561

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2020 of HK1.5 cents (2019: HK1.5 cents) per ordinary share, in an aggregate amount of HK$5,696,000 (2019: HK$5,696,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2020 HK$'000	2019 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**30,072**	27,252
	Number of shares	
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**379,732,000**	394,648,603

For the year ended 31 March 2019, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has adjusted for the effect of the ordinary shares of the Company repurchased from the market in March 2019 and subsequently cancelled in April 2019.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares of the Company for the years ended 31 March 2020 and 2019.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 April 2018	37,704	8,901	1,683	1,438	49,726
Addition	6,449	5,760	–	3,681	15,890
Acquisition of business (Note 45)	1,554	998	–	–	2,552
Transfer	1,438	–	–	(1,438)	–
Disposal	(3,474)	(578)	(802)	–	(4,854)
At 31 March 2019	43,671	15,081	881	3,681	63,314
Adjustments upon application of HKFRS 16	–	–	(881)	–	(881)
At 1 April 2019 (restated)	43,671	15,081	–	3,681	62,433
Addition	13,960	11,286	411	2,881	28,538
Transfer from right-of-use assets	–	–	881	–	881
Transfer	3,681	–	–	(3,681)	–
At 31 March 2020	61,312	26,367	1,292	2,881	91,852
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2018	20,465	4,112	619	–	25,196
Charge for the year	6,418	2,121	283	–	8,822
Disposal	(2,382)	(183)	(521)	–	(3,086)
Impairment loss recognised in profit or loss (Note 17)	273	–	–	–	273
At 31 March 2019	24,774	6,050	381	–	31,205
Adjustments upon application of HKFRS 16	–	–	(381)	–	(381)
At 1 April 2019 (restated)	24,774	6,050	–	–	30,824
Charge for the year	9,128	3,732	107	–	12,967
Transfer from right-of-use assets	–	–	484	–	484
Impairment loss recognised in profit or loss (Note 17)	83	57	–	–	140
At 31 March 2020	33,985	9,839	591	–	44,415
CARRYING VALUES					
At 31 March 2020	27,327	16,528	701	2,881	47,437
At 31 March 2019	18,897	9,031	500	3,681	32,109

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

The above items of property, plant and equipment, other than construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20% or over the lease terms, where appropriate
Furniture and equipment	20%
Motor vehicles	20%

As at 31 March 2019, motor vehicles with carrying amount of HK$500,000, were held under finance leases.

16. RIGHT-OF-USE ASSETS

	Motor vehicles HK$'000	Leased properties HK$'000	Total HK$'000
CARRYING VALUES			
As at 1 April 2019	500	147,382	147,882
Additions	–	85,520	85,520
Additions on reinstatement costs	–	540	540
Adjustments on lease modifications	–	2,498	2,498
Transfer to property, plant and equipment (Note 15)	(397)	–	(397)
Impairment loss (Note 17)	–	(687)	(687)
Depreciation provided for the year	(103)	(61,934)	(62,037)
	–	173,319	173,319

The above terms of right-of-use assets are depreciated on a straight-line basis at the following rates per annum:

Motor vehicles	20%
Leased properties	20% or over the lease terms, where appropriate

Expense relating to short-term leases and other leases with lease terms ending within 12 months of the date of initial application of HKFRS 16	304
Variable lease payments not included in the measurement of lease liabilities	2,205
Total cash outflow for leases (Note)	60,604

Note: Total cash outflow for leases include expense related to short-term leases and other leases with lease terms ending within 12 months of the date of initial application of HKFRS 16, variable lease payment has included in the measurement of lease liabilities, payments for right-of-use assets and repayments of lease liabilities and interest paid on lease liabilities.

16. RIGHT-OF-USE ASSETS *(Continued)*

The Group leases various motor vehicles, offices and restaurant premises for its operations. Leases and rentals are negotiated and fixed for the term of one to six years. The operating lease rentals for certain restaurants are determined at the higher of a fixed rental or a pre-determined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreement. As the future revenue of these restaurants could not be reliably determined, the relevant contingent rents have not been included in the measurement of right-of-use assets and only the minimum lease commitments have been included.

Leases of 27 shops are either with only fixed lease payments or contain variable lease payments that are based on 12% to 15% of monthly sales and minimum monthly lease payments that are fixed over the lease terms, whichever is higher. Some variable payment terms include cap clauses. The payment terms are common in shops in Hong Kong where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 March 2020:

	Number of shops	Fixed payments HK$'000	Variable payments HK$'000	Total payments HK$'000
Shops without variable lease payments	2	4,538	–	4,538
Shops with variable lease payments	25	49,865	2,205	52,070
	27	54,403	2,205	56,608

The overall financial effect of using variable payment terms is that higher rental costs are incurred by shops with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of shop sales in future years.

The lease agreements entered into between the landlord and the Group include a renewal option at the discretion of the respective group entities for further two to three years from the end of the leases without fixed rental. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Including in the amount of right-of-use assets as at 31 March 2020, HK$2,544,000 (1 April 2019: HK$656,000) is related to the rental agreement entered into with the Controlling Shareholders.

The Group regularly entered into short-term leases for car park spaces. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense of HK$143,000 recognised in current year.

16. RIGHT-OF-USE ASSETS *(Continued)*

Extension options and termination options

The Group has extension and termination options in a number of leases for the 27 shops. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors. The Group has considered to exercise all extension options and not to exercise the termination options for all of its leases.

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

Restrictions or covenants on leases

In addition, lease liabilities of HK$181,217,000 are recognised with related right-of-use assets of HK$173,319,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

2020

During the year ended 31 March 2020, certain restaurants of the Group have been experiencing recurring losses or performing below budget. The directors of the Company consider there were impairment indicators and hence conducted impairment assessment on the relevant restaurants, which constitute individual cash-generating units for the purpose of impairment assessment. The recoverable amounts of the relevant assets have been determined on the basis of value in use of the individual restaurant to which the relevant assets belong.

The value in use calculations use cash flow projections based on the latest financial budgets approved by the Group's management covering a period of the lease term at a range of pre-tax discount rates from 15.72% to 18.04%. Cash flow projections during the budget period were based on the operating costs, budgeted sales, growth rates and gross margins during the budget period and the budgeted margins have been determined based on past performance and management's expectations for the future changes in the market.

Based on the result of the assessment, the directors of the Company determine that the recoverable amount of the cash-generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of 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. Based on the value in use calculation and the allocation, an impairment of HK$83,000, HK$57,000 and HK$687,000, respectively, has been recognised in respect of the gross amount of leasehold improvements, furniture and equipment, and right-of-use assets of loss-making restaurants of HK$1,605,000, HK$884,000 and HK$5,407,000, respectively.

As at 31 March 2020, accumulated impairment loss on leasehold improvements, furniture and equipment and right-of-use assets of the Group is HK$356,000 (2019: HK$273,000), HK$57,000 (2019: nil) and HK$687,000 (2019: nil), respectively.

2019

As at 31 March 2019, the directors of the Company consider that an impairment indicator on a kiosk exists as this kiosk incurred operating loss for the year ended 31 March 2019. Accordingly, the Group carried out a review of the recoverable amount of the relevant kiosk based on a value in use calculation and determine that impairment loss of HK$273,000 is recognised in respect of the gross amount of leasehold improvements of HK$273,000 of the kiosk during the year ended 31 March 2019. No impairment loss is recognised in respect of the gross amount of furniture and equipment of HK$132,000.

18. INTEREST IN A JOINT VENTURE

Details of the Group's investment in a joint venture is as follows:

	2020 HK$'000	2019 HK$'000
Cost of investment in a joint venture	**1,203**	1,203
Deemed capital contribution	**192**	192
Share of post-acquisition loss and other comprehensive expenses	**(1,395)**	(1,395)
	–	–

Details of the Group's joint venture as at the end of reporting period are as follows:

Name of joint venture	Place of incorporation/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		As at 31 March		As at 31 March		
		2020	2019	**2020**	2019	
Long Sea Limited ("Long Sea")	Hong Kong	**50%**	50%	**50%**	50%	Restaurants operation

In August 2018, Long Sea was established by the Group, with an independent third party in which the Group hold 50% equity interest in Long Sea for a consideration of HK$1,203,000 which was settled by the contribution of the Group's property, plant and equipment with a carrying value of HK$1,149,000 and cash consideration of HK$54,000.

Deemed capital contribution represents initial recognition of the imputed interest of advance to a joint venture.

The financial year end date for Long Sea is 31 December. For the purpose of applying the equity method of accounting, the financial statements of Long Sea for the year ended 31 December 2019 have been used as the Group considers that it is no material impact on the adjustment for Long Sea to prepare a separate set of financial statements as of 31 March 2020.

The joint venture is accounted for using the equity method in the consolidated financial statements.

18. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of a joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amount shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	2020	2019
	HK$'000	HK$'000
Current assets	**17**	950
Non-current assets	**9,838**	4,150
Current liabilities	**6,186**	5,517
Non-current liabilities	**7,209**	417
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**11**	324
Current financial liabilities (excluding trade and other payables and provisions)	**3,117**	4,059
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–

	1.4.2019 to 31.3.2020	1.9.2018 to 31.3.2019
	HK$'000	HK$'000
Revenue	**11,281**	8,438
Loss for the year/period	**(2,706)**	(3,222)
Total comprehensive expense for the year/period	**(2,706)**	(3,222)

18. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of a joint venture *(Continued)*

The above loss for the year/period includes the following:

	1.4.2019 to 31.3.2020 HK$'000	1.9.2018 to 31.3.2019 HK$'000
Depreciation	**3,962**	362

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Net liabilities	**(3,540)**	(834)
Proportion of the Group's ownership interest	**50%**	50%
Carrying amount to the Group's interest*	**N/A**	N/A

* The carrying amount of the interest in a joint venture is nil after sharing of loss in prior financial year.

	1.4.2019 to 31.3.2020 HK$'000	1.9.2018 to 31.3.2019 HK$'000
The unrecognised share of loss of a joint venture	**(1,353)**	(216)

	2020 HK$'000	2019 HK$'000
Cumulative unrecognised share of loss of a joint venture	**(1,569)**	(216)

19. INTEREST IN AN ASSOCIATE

Details of the Group's investment in an associate is as follows:

	2020 HK$'000	2019 HK$'000
Cost of investment in an associate	**4**	4
Deemed capital contribution	**43**	43
Share of post-acquisition loss and other comprehensive expenses	**(47)**	(47)
	–	–

Details of the Group's associate as at the end of reporting period are as follows:

Name of associate	Place of incorporation/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		As at 31 March		As at 31 March		
		2020	2019	**2020**	2019	
United Mind Limited ("UML")	Hong Kong	**40%**	40%	**40%**	40%	Restaurants operation

In January 2019, the Group has established an associate with an independent third party. During the year ended 31 March 2019, the Group has injected HK$4,000 as an investment capital.

Deemed capital contribution represents initial recognition of the imputed interest of loan advanced to an associate.

The associate is accounted for using the equity method in the consolidated financial statements.

19. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of an associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amount shown in the associate's financial statements prepared in accordance with HKFRSs.

	2020 HK$'000	2019 HK$'000
Current assets	868	173
Non-current assets	8,773	1,151
Current liabilities	2,757	1,363
Non-current liabilities	8,037	106

	1.4.2019 to 31.3.2020 HK$'000	24.1.2019 to 31.3.2019 HK$'000
Revenue	4,781	–
Loss for the year/period	(1,008)	(154)
Total comprehensive expense for the year/period	(1,008)	(154)

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2020 HK$'000	2019 HK$'000
Net liabilities	(1,153)	(145)
Proportion of the Group's ownership interest	40%	40%
Carrying amount to the Group's interest*	N/A	N/A

* The carrying amount of the interest in an associate is nil after sharing of loss in prior financial year.

19. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of an associate *(Continued)*

	1.4.2019 to 31.3.2020 HK$'000	24.1.2019 to 31.3.2019 HK$'000
The unrecognised share of loss of an associate	**(403)**	(15)

	2020 HK$'000	2019 HK$'000
Cumulative unrecognised share of loss of an associate	**(418)**	(15)

20. GOODWILL

	HK$'000
COST	
At 1 April 2018	–
Acquisition of a business (Note 45)	3,051
At 31 March 2019 and 31 March 2020	3,051

Goodwill is arising from the acquisition of Parkview, as defined in Note 45, which operates restaurants in Hong Kong servicing western cuisine and has been allocated to a group of cash-generating units (the "CGUs"). In October 2018, the Group recognised the provisional amounts of purchase considerations, fair value of identifiable assets acquired and goodwill in its consolidated financial statements for the year ended 31 March 2019. During the current year (i.e. within the measurement period), the fair value assessment in respect of the acquisition has been completed and no adjustment has to be made to those identifiable assets acquired and goodwill recognised. Particulars of impairment testing on goodwill are disclosed below.

The recoverable amount of the group of CGUs has been determined on a value in use calculation. The recoverable amount is based on certain key assumption. The value in use calculation uses cash flow projections based on latest financial budgets approved by the directors of the Company covering a period of 5 years, and at a pre-tax discount rate of 18.85% (2019: 17.40%). Cash flows beyond remaining lease terms of respective restaurants are extrapolated, using a steady growth rate of 2% (2019: 2%) per annum. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budgeted revenue and operating expenses, such estimation is based on the CGUs' past performance and managements' expectations for the market development. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of the group of CGUs to exceed its recoverable amount.

The goodwill was tested for impairment at the end of the reporting period by comparing the carrying amount of the CGU with its recoverable amount. The directors of the Company determined that there is no impairment loss for the years ended 31 March 2020 and 2019.

21. INTANGIBLE ASSETS

	License HK$'000 (note a)	Franchise HK$'000 (note b)	Trademark HK$'000 (note c)	Total HK$'000
COST				
At 1 April 2018	–	–	–	–
Addition	1,526	–	–	1,526
Acquisition of a business (Note 45)	–	–	94	94
At 31 March 2019	1,526	–	94	1,620
Addition	–	217	–	217
At 31 March 2020	1,526	217	94	1,837
AMORTISATION				
At 1 April 2018	–	–	–	–
Change for the year	96	–	–	96
At 31 March 2019	96	–	–	96
Change for the year	191	12	–	203
At 31 March 2020	287	12	–	299
CARRYING VALUES				
At 31 March 2020	1,239	205	94	1,538
At 31 March 2019	1,430	–	94	1,524

The above intangible assets other than trademark have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

License	8 years
Franchise	6 years

21. INTANGIBLE ASSETS *(Continued)*

Notes:

(a) In July 2018, the Group entered into a licensing agreement with an independent third party to license the rights to the exclusive and unlimited usage for all countries outside of Japan of a Japanese ramen brand "多賀野" or "Takano" (the "License") for 8 years with a consideration of JPY22,000,000 (equivalent to HK$1,526,000) with license period starting from October 2018.

(b) In September 2019, the Group entered into a franchising agreement with an independent third party to have the rights to the exclusive and unlimited usage of brand "Tirpse" (the "Franchise") in Hong Kong and Macau for 6 years with a consideration of JPY3,000,000 (equivalent to approximately HK$217,000) with franchise period starting from December 2019. This franchise agreement shall be extended for a further 6 years in the event that no objection is made by either party six months prior to the end of the initial franchise period.

(c) The trademark was acquired from an independent third party through acquisition of a business and has a legal life of 10 years but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so.

The trademark is considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely, and will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

As at 31 March 2020, the directors of the Company determined that there is no impairment loss on the license, franchise and trademark.

22. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 HK$'000
Financial asset mandatorily measured at FVTPL:		
Life insurance plan (note)	**1,620**	1,569

Note:

As at 31 March 2020 and 2019, the Group has a US$ denominated life insurance policy with an insurance company to insure Mr. Wong, a director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is US$1,080,000 (equivalent to HK$8,370,000). The Group is required to pay a single premium of US$173,000 (equivalent to HK$1,340,000) at inception. The Group can, at any time, withdraw cash based on the account value of the policy ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge deducted from the Account Value. This insurance company will pay the Group a guaranteed interest rate of 4.4% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of the policy.

In the opinion of the directors of the Company, the amount is not expected to be withdrawn within twelve months from the end of the reporting period. Accordingly, the balance is classified as non-current.

23. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**517**	2,938
Rental deposits	**23,885**	20,790
Utilities deposits	**3,055**	2,303
Prepaid rent and rates and property management fee	**837**	4,557
Prepayments	**2,399**	1,590
Other receivables and other deposits	**1,430**	993
Deposits for acquisitions of property, plant and equipment	**1,544**	1,972
	33,667	35,143
Less: items expected to be realised over one year shown under non-current assets:		
Rental and utilities deposits	**(19,782)**	(22,211)
Prepayments and other deposits under non-current assets		
– Deposits for acquisitions of property, plant and equipment	**(1,544)**	(1,972)
– Prepayment (note)	**(208)**	–
Total items shown under non-current assets	**(21,534)**	(24,183)
Shown under current assets	**12,133**	10,960

Note: At the end of July 2019, the Group entered into a consulting service agreement with an independent third party ("Consultant") for a service period of 2 years and prepaid the total consulting fee of HK$1,250,000. The Group expected that HK$208,000 out of the prepayment will not be utilised in coming twelve months in accordance with the consulting service agreement and thus it is classified as non-current asset.

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$1,739,000.

The revenue from sales of food and beverages from customers are on cash or credit card settlement. The Group allows a credit period of 30 days to its trade receivables arising from sales of food and beverages through food delivery service agents.

As at 31 March 2020 and 2019, the Group's receivables include receivables from financial institutions in relation to the payments settled by credit cards by customers of which the settlement period is normally within 2 days from the trade date, and receivables from the food delivery agents of which the settlement period is within 30 days from the invoice date.

All trade receivables are aged within 30 days as at the end of each reporting date with no impairment loss being recognised. All trade receivables are not past due and settled subsequent to the end of each reporting period. None of the trade receivables are past due but not impaired as at 31 March 2020 and 2019.

Details of impairment assessment on trade and other receivables are set out in Note 37.

24. INVENTORIES

	2020 HK$'000	2019 HK$'000
Food and beverages used in restaurant operations	**516**	–

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held and short term deposits within an original maturity of three months or less and carry interest at prevailing market rates ranging from nil to 0.02% per annum as at 31 March 2020 (2019: nil to 0.02% per annum).

26. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables		
– aged within 30 days (based on invoice date)	**5,093**	6,573
Accrued employee benefit expense	**6,965**	8,535
Deferred rent	**–**	3,905
Other payable for property, plant and equipment	**2,109**	124
Accruals	**4,580**	3,124
	18,747	22,261
Less: items expected to be realised over one year shown under non-current liabilities:		
– deferred rent	**–**	(2,947)
Shown under current liabilities	**18,747**	19,314

The credit period granted by suppliers on purchase of goods is 0 to 30 days. No interest is charged by the trade creditors.

27. BANK BORROWING

	2020 HK$'000	2019 HK$'000
Bank loan, secured and guaranteed	**2,048**	3,292
Carrying amount repayable (according to scheduled repayment term as set out in the loan agreement):		
– Within one year	**1,283**	1,246
– More than one year, but not exceeding two years	**765**	1,281
– More than two years, but not exceeding five years	**–**	765
	2,048	3,292
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	**2,048**	3,292

The Group's bank borrowing carries variable-rate interest at Hong Kong Dollar Best Lending Rate ("BLR") less 2.2% per annum as 31 March 2020 and 2019.

The effective interest rate (which are also equal to contractual interest rates) on the Group's borrowing is as follows:

	2020	2019
Effective interest rate (per annum):		
Variable-rate borrowings	**2.87%**	2.86%

The secured bank borrowing of HK$2,048,000 as at 31 March 2020 (2019: HK$3,292,000), represent term loan borrowed by the Group for its operation. As at 31 March 2020 and 2019, such term loan is secured by (1) the life insurance policy for Mr. Wong held by the Group as mentioned in Note 22; (2) blanket counter indemnity and counter indemnity to a bank provided by the subsidiaries of the Company; and (3) corporate guarantee of the Company.

As at the end of the reporting period, the Group has undrawn borrowing facilities under floating rate amounting to HK$8,500,000 (2019: HK$8,500,000).

28. LEASES LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	**59,560**
Within a period of more than one year but not more than two years	**41,188**
Within a period of more than two years but not more than five years	**76,438**
Within a period of more than five years	**4,031**
	181,217
Less: Amount due for settlement with 12 months shown under current liabilities	**(59,560)**
Amount due for settlement after 12 months shown under non-current liabilities	**121,657**

There is no lease obligations that are denominated in currency other than the functional currency of the Company as at 31 March 2020.

29. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease motor vehicles under finance leases. The average lease term for 2019 is 3 years. The average interest rates underlying all obligations under finance leases were 1.28% per annum as at 31 March 2019.

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Obligation under finance lease payable – within one year	179	176
Less: Future finance charges	(3)	
Present value of lease obligations	176	
Amount due for settlement within one year		176

30. AMOUNTS DUE FROM A SHAREHOLDER, AN ASSOCIATE AND A JOINT VENTURE/TO A SHAREHOLDER/LOAN TO AN ASSOCIATE

(a) Amount due from a shareholder

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

The maximum amount outstanding during the year is HK$44,000 (2019: HK$37,000).

(b) Amount due from a joint venture

The balance represents the amount due from Long Sea, which is non-trade in nature, unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amount is not expected to be repaid within twelve months from the end of the reporting period. Accordingly, the balance is classified as non-current. The Group has provided impairment allowance for credit loss of HK$1,079,000 for the year ended 31 March 2020 (2019: HK$289,000) as its recoverability is considered to be remote.

(c) Amount due from an associate

For the amount due from UML, it is non-trade in nature, unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amount is expected to be repaid within twelve months from the end of the reporting period. Accordingly, the balance is classified as current.

(d) Loan to an associate

The amount is loan to UML which is unsecured and interest-free and repayable on demand. In the opinion of the directors of the Company, the amount is not expected to be repaid within twelve months from the end of the reporting period. Accordingly, the balance is classified as non-current. The Group has provided impairment allowance for credit loss of HK$844,000 for the year ended 31 March 2020 (2019: HK$153,000) as its recoverability is considered to be remote.

(e) Amount due to a shareholder

The amount is trade in nature, unsecured, interest-free and with a credit term of 30 days. The trade balance for purchase of food ingredients as at 31 March 2020 and 2019 based on the invoice date is aged within 30 days.

Details of impairment assessment of amounts due from a joint venture, an associate and a shareholder and loan to an associate for the year ended 31 March 2020 are set out in Note 37.

31. DEFERRED TAXATION

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

	2020 **HK$'000**	2019 HK$'000
Deferred tax assets	**901**	474
Deferred tax liabilities	**(903)**	(726)
	(2)	(252)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Tax losses HK$'000	**Allowance for credit losses** HK$'000	**Depreciation allowance** HK$'000	**Total** HK$'000
At 1 April 2018	–	–	(476)	(476)
Credit (charge) to profit or loss for the year	185	73	(34)	224
At 31 March 2019	185	73	(510)	(252)
(Charge) credit to profit or loss for the year	32	317	(99)	250
At 31 March 2020	217	390	(609)	(2)

At the end of the reporting period, the Group has unused tax losses of HK$1,749,000 (2019: HK$1,119,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,314,000 (2019: HK$1,119,000) of such losses. No deferred tax asset has been recognised in respect of remaining tax losses of HK$435,000 (2019: nil) due to the unpredictability of future profit streams. Unused tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$470,000 (31 March 2019: HK$491,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. PROVISION FOR REINSTATEMENT COSTS

	Reinstatement works HK$'000
At 1 April 2018	873
Addition	389
At 31 March 2019	1,262
Addition	540
At 31 March 2020	1,802

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

33. PROVISION FOR LONG SERVICE PAYMENTS

Movements in the Group's long service payment liability during the year are as follows:

	HK$'000
At 1 April 2018	198
Addition	76
At 31 March 2019	274
Addition	17
At 31 March 2020	291

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's MPF Scheme that is attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. These amounts have not been discounted for the purpose of measuring the provision for long service payments as the effect is not significant.

34. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2018	400,000,000	40,000
Shares repurchased and cancelled (note a)	(6,472,000)	(647)
At 31 March 2019	393,528,000	39,353
Shares cancelled (note b)	(13,796,000)	(1,380)
At 31 March 2020	379,732,000	37,973

Notes:

(a) In June and July 2018, the Company repurchased and cancelled 6,472,000 shares at prices ranging from HK$0.72 to HK$0.74 per share at a total consideration of HK$4,778,000 including transaction cost of HK$38,000. The premium of HK$4,131,000 paid on the repurchase of such shares was debited to the share premium account and an amount of HK$647,000 was transferred from retained profits of the Company to the capital redemption reserve.

(b) In March 2019, the Company repurchased in total 13,796,000 shares through the Stock Exchange at prices ranging from HK$0.71 to HK$0.72 per share at a total consideration of HK$9,864,000 (including transaction cost of HK$35,000). The shares repurchased are subsequently cancelled in April 2019. The premium of HK$8,484,000 paid on the repurchase of such shares was debited to the share premium account and an amount of HK$1,380,000 was transferred from retained profits of the Company to the capital redemption reserve.

35. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (the "Mandatory Contributions"), and this is the only obligation of the Group with respect to the MPF Scheme to make the required contribution. The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65, death or total incapacity.

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

During the year ended 31 March 2020, total expense recognised in profit or loss of HK$4,341,000 (2019: HK$3,473,000), represents contributions paid and payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits, as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure from time to time. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issue and share buy-backs as well as the issue of new debts or the redemption of existing debts.

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost	**93,187**	85,093
Mandatorily measured at FVTPL	**1,620**	1,569
Financial liabilities		
Amortised cost	**9,445**	10,487

b. Financial risk management objectives and policies

The Group's major financial instruments include financial asset at FVTPL, trade and other receivables, bank balances and cash, rental and utilities deposits, other deposits, amounts due from a shareholder, an associate and a joint venture, loan to an associate, trade and other payables, amount due to a shareholder and bank borrowing. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. Details of each type of market risks are described as follows:

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowing and bank balances. The Group currently does not enter into any hedging instrument for cash flow interest rate risk. However, the Group monitors interest rate risk exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to lease liabilities. The directors of the Company will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is low.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of BLR of the relevant banks arising from the Group's Hong Kong dollars denominated borrowings.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowing at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole period. A 50 basis points increase or decrease represents management's assessment on the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowing, with all other variables held constant, the Group's post-tax profit for the year ended 31 March 2020 would decrease/increase by HK$9,000 (2019: HK$14,000).

No sensitivity analysis of bank balances of the Group is presented as the directors of the Company consider that the interest rate fluctuations on bank balances is minimal.

(ii) Foreign currency risk

The Group undertakes certain operating transactions in foreign currency, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets as at the end of the reporting period are as follows:

	2020 Assets HK$'000	2019 Assets HK$'000
US$	**1,620**	1,569

As the US$ will only vary between HK$7.75=US$1 and HK$7.85=US$1 under the Linked Exchange Rate System, the directors of the Company are of the opinion that the Group's exposure to US$ is minimal and accordingly, no foreign currency sensitivity analysis on US$ is presented.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables, rental and utilities deposits, other deposits, amount due from a joint venture, an associate and a shareholder, loan to an associate and bank balances.

As at 31 March 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has significant concentrations of credit risk with exposure spread over a number of counterparties and trade receivables represent mainly credit card receivables from financial institutions, and trade receivables from delivery agents and other payment channels. As the counterparties are reputable banks with high credit ratings assigned by international credit agencies and delivery agents and other payment channels with satisfactory settlement history, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group have a credit control policy in place under which credit evaluation of customers are performed on all customers requiring credit. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model on trade receivables from credit card companies and delivery agents and the remaining trade receivables of the Group individually.

Trade receivables from financial institutions in connection to settlements by credit cards by the customers are with high credit rating and have no past due history. The directors of the Company consider these assets are short-term in nature and the probability of default is negligible on the basis of the high-credit-rating issuers as at 31 March 2020; and accordingly, no loss allowance was recognised.

The management considered the probability of default of trade receivables with delivery agents is low since there is no overdue balance, and after taking into the account of the past default experience of the debtors and adjusted for general economic conditions of the industry at the reporting date. Accordingly, the directors of the Company are of the opinion that the credit risk of these trade receivables is limited.

Other receivables, rental and utilities deposits and other deposits

The directors of the Company make periodic individual assessment on the recoverability of other receivables, rental and utility deposits and other deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2020 and 2019, the Group assessed the ECL for other receivables, rental and utility deposits and other deposits were insignificant and thus no loss allowance was recognised.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Amount due from an associate, a joint venture and a shareholder and loan to an associate

The Group has concentration risk on amounts due from an associate, a joint venture and a shareholder and loan to an associate as at 31 March 2020 and 2019. The directors of the Company continuously monitor the credit quality and financial positions of the counterparties and the level of exposure to ensure that follow-up action is taken to recover the debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on balances individually. As at 31 March 2019, the directors of the Company assess that there is no significant increase in credit risk of these amounts since initial recognition and thus the ECL allowance for theses receivables is measured under 12m ECL method. Due to change of business environment, the directors of the Company believe that there is a significant increase in credit risk of these amounts and thus the Group measures impairment based on lifetime ECL as at 31 March 2020.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

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

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

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

***Credit risk and impairment assessment** (Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	**2020 Gross carrying amount HK$'000**	2019 Gross carrying amount HK$'000
Financial assets at amortised cost Trade receivables – credit cards	23	A2, A3 (note 1)	N/A	Lifetime ECL	**227**	2,516
Trade receivables – delivery agents	23	N/A	Low risk (note 1)	Lifetime ECL	**290**	422
Other receivables, rental and utility deposits and other deposits	23	N/A	Low risk (note 2)	12m ECL	**28,370**	24,086
Loan to an associate	30	N/A	Loss (note 3)	Lifetime ECL	**997**	–
			Low risk	12m ECL	**–**	997
Amount due from an associate	30	N/A	Doubtful (note 3)	Lifetime ECL	**54**	–
			Low risk	12m ECL	**–**	321
Amount due from a joint venture	30	N/A	Loss (note 4)	Lifetime ECL	**1,368**	–
			Low risk	12m ECL	**–**	1,885
Amount due from a shareholder	30	N/A	Low risk (note 2)	12m ECL	**44**	37
Bank balances	25	Aa2, Aa3	N/A (note 5)	12m ECL	**63,836**	54,427

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group assesses the ECL for credit card trade receivables from credit card companies, delivery agents and other payment channels individually.

   For credit card trade receivables, the external credit rating is assessed according to Moody's Rating Scaling. The Group has balances with two financial institutions in which the ratings are A2 and A3, respectively.

   For amounts due from delivery agents and other payment channels, the credit risks are limited as the counterparties have good business relationships with the Group with satisfactory settlement history.

   During the year ended 31 March 2020 and 2019, no impairment allowance was provided for trade receivables as the amount is insignificant.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	2020 HK$'000	2019 HK$'000
Not past due/no fixed repayment terms		
Other receivables, rental and utilities deposits and other deposits	**28,370**	24,086
Amount due from a shareholder	**44**	37

During the year ended 31 March 2020 and 2019, no impairment allowance was provided for other receivables, rental and utilities deposits, other deposits and amount due from a shareholder as the amount is insignificant.

3. As at 31 March 2019, the Group measures the loss allowance at 12m ECL as there has been no significant increase in credit risk since initial recognition. Impairment of HK$153,000 on loan to an associate advanced during the year ended 31 March 2019 with gross amount of HK$997,000 with a loss rate of 15.34% was provided by the Group for the year ended 31 March 2019.

As at 31 March 2020, the Group measures the loss allowance at lifetime ECL due to significant increase in credit risk since initial recognition and the gross amount of loan to an associate of HK$997,000 as at 1 April 2019 has changed from not credit-impaired to credit-impaired. Additional impairment of HK$844,000 on loan to an associate with gross amount of HK$997,000 with a loss rate of 100% was provided by the Group for the year ended 31 March 2020.

The following table show reconciliation of the loss allowances that have been recognised for loan to an associate:

	12m ECL (not credit-impaired) HK$'000	Lifetime ECL (credit–Impaired) HK$'000	Total HK$'000
As at 1 April 2018	–	–	–
New financial asset originated			
– Impairment loss recognised	153	–	153
As at 31 March 2019	153	–	153
Change due to financial instrument recognised as at 1 April 2019			
– Transfer	(153)	153	–
– Impairment loss recognised	–	844	844
As at 31 March 2020	–	997	997

For the amount due from an associate, the Group measures the loss allowance at lifetime ECL. For the purpose of impairment assessment for amount due from an associate, the ECL is considered to be immaterial after considering its short repayment period. The amount of impairment is considered insignificant.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

4. As at 31 March 2019, the Group measures the loss allowance at 12m ECL as there has been no significant increase in credit risk since initial recognition. Impairment of HK$289,000 on amount due from a joint venture advanced during the year ended 31 March 2019 with gross amount of HK$1,885,000 with a loss rate of 15.34% was provided by the Group for the year ended 31 March 2019.

   As at 31 March 2020, the Group measures the loss allowance at lifetime ECL due to significant increase in credit risk since initial recognition. During the year ended 31 March 2020, HK$517,000 was repaid from the joint venture and there was a reversal of loss allowance of HK$79,000. The remaining balance of HK$1,368,000 has changed from not credit-impaired to credit-impaired. Additional impairment of HK$1,158,000 on amount due from a joint venture with gross amount of HK$1,368,000 with a loss rate of 100% was provided by the Group for the year ended 31 March 2020.

   The following table show reconciliation of the loss allowances that have been recognised for amount due to a joint venture:

	12m ECL (not credit–Impaired) HK$'000	Lifetime ECL (credit–Impaired) HK$'000	Total HK$'000
As at 1 April 2018	–	–	–
New financial asset originated			
– Impairment loss recognised	289	–	289
As at 31 March 2019	289	–	289
Change due to financial instrument recognised as at 1 April 2019			
– Impairment loss reversed	(79)	–	(79)
– Transfer	(210)	210	–
– Impairment loss recognised	–	1,158	1,158
As at 31 March 2020	–	1,368	1,368

5. The external credit rating is assessed according to Moody's Rating Scaling. The Group has balances with three banks, in which rating for one bank as Aa2 and rating for remaining two banks are Aa3.

   During the year ended 31 March 2020 and 2019, no impairment allowance was provided for bank balances as the amount is insignificant.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of committed credit facilities. The committed unutilised banking facilities made available to the Group are HK$8,500,000 (2019: HK$8,500,000).

The Group managed liquidity risk by maintaining sufficient cash and the availability of adequate banking facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$3,680,000 at 31 March 2020. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations including government subsidies and future operating cash flows. Taking into account to the available banking facilities, the directors of the Company are confident that the Group has sufficient working capital to meet in full its financial obligations as the fall due for at least the next twelve months from the end of the reporting period.

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

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

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2020							
Non-derivative financial liabilities							
Trade and other payables	–	7,202	–	–	–	7,202	7,202
Amount due to a shareholder	–	195	–	–	–	195	195
Bank borrowing	2.87	2,048	–	–	–	2,048	2,048
Lease liabilities	2.93	64,181	44,256	79,864	4,106	192,407	181,217
		73,626	44,256	79,864	4,106	201,852	190,662

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2019							
Non-derivative financial liabilities							
Trade and other payables	–	6,697	–	–	–	6,697	6,697
Amount due to a shareholder	–	498	–	–	–	498	498
Bank borrowing	2.86	3,292	–	–	–	3,292	3,292
		10,487	–	–	–	10,487	10,487
Obligations under finance leases	1.28	179	–	–	–	179	176
		10,666	–	–	–	10,666	10,663

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowing with a repayment on demand clause are included in the "repayable on demand or less than 1 year" time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amount of the bank borrowing amounted to HK$2,048,000 (2019: HK$3,292,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors of the Company believe that the bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

The following table details the Group's aggregate principal and interest cash flows for bank borrowing with a repayment on demand clause. To the extent that interest flows are variable rates, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

	Weighted average effective interest rate %	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Bank borrowings with a repayment on demand clause						
As at 31 March 2020	**2.87**	**1,323**	**772**	**–**	**2,095**	**2,048**
As at 31 March 2019	2.86	1,323	1,323	772	3,418	3,292

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and key input(s) used).

Financial asset	Fair value as at 2020 HK$'000	Fair value as at 2019 HK$'000	Fair value hierarchy	Valuation technique and key input
Financial asset at FVTPL	**1,620**	1,569	Level 3	With reference to the adjusted cash value provided by counterparty which represents the premium paid to the polices adjusted by net yield with reference to the expected return rate of 4.4% (2019: 4.4%)

Note: The significant unobservable input is expected return rate and assuming other inputs were held constant, if the expected return rate increases, the fair value of the policies increase and vice versa. In the opinion of the directors of the Company, the change of expected return rate of the policies is insignificant based on historical record and no sensitivity is prepared.

There were no transfers between level 1, level 2 and level 3 for both years.

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
At 1 April 2018	1,521
Net gains in profit or loss	48
At 31 March 2019	1,569
Net gains in profit or loss	51
At 31 March 2020	1,620

Of the total gains or losses for the year included in profit or loss, HK$51,000 (2019: HK$48,000) relates to financial assets designated as at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets designated as at FVTPL are included in "other gains or losses, net".

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

38. OPERATING LEASE COMMITMENTS

	2019 HK$'000
The Group as lessee	
Minimum lease payments under operating leases in respect of restaurant premises, office premises and directors' quarters during the year:	
– minimum lease payments	45,754
– contingent rents	1,881
	47,635

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	56,459
In the two to fifth years inclusive	132,751
Over fifth year	8,002
	197,212

The above operating lease payments represent rental payable by the Group for office premises and restaurant premises for the year ended 31 March 2019.

Leases and rentals are negotiated and fixed for the term of one to six years. The operating lease rentals for certain restaurants are determined at the higher of a fixed rental or a pre-determined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements. As the future revenue of these restaurants could not be reliably determined, the relevant contingent rents have not been included above and only the minimum lease commitments have been included in the table above.

The lease agreements entered into between the landlord and the Group include a renewal option at the discretion of the respective group entities for further two to three years from the end of the leases without fixed rentals.

Including in the commitments for future lease payments under non-cancellable operating leases, HK$656,000 which fall due within one year is related to the rental agreement entered into with the Controlling Shareholders.

39. CAPITAL COMMITMENTS

	2020 **HK$'000**	2019 HK$'000
Contracted for but not provided:		
Acquisition of property, plant and equipment	**535**	1,772

40. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following transactions with related parties during the years:

Name of related party	Nature of transactions	2020 HK$'000	2019 HK$'000
Chiu Kee (note a)	Purchases of food ingredients	**4,753**	5,601
Controlling shareholders	Payments of lease liabilites (note b)	**588**	–
	Expenses relating to short-term leases (note b)	**90**	–
	Operating lease expenses (note b)	**–**	859
	Payments for right-of-use assets-prepaid rentals (note b)	**3,692**	–
Long Sea	Management fee income	**143**	134
UML	Sale of property, plant and equipment	**–**	338

Notes:

(a) This related party is owned by a former non-controlling shareholder of subsidiaries who became a shareholder of the Company since 23 June 2017 following the group reorganisation with details as set out in the Company's prospectus dated 29 December 2017 for the purpose of listing of its shares on the Stock Exchange.

(b) The Group entered into several lease agreements for the use of office premises, warehouses, directors' quarter and central kitchen for one year for the years ended 31 March 2020 and 2019. As at 1 April 2019, the Group recognised right-of-use assets of HK$368,000 and lease liabilities of HK$368,000 for aforementioned premises. During the current year, the Group entered into a lease modification for its office premise with lease term of one year, the Group recognised right-of-use assets of HK$220,000 and lease liabilities of HK$220,000 and made payments for right-of-use assets of HK$3,692,000 for those premises with new lease term of one year. In addition, the Group has entered into short-term lease agreements for leases of car park spaces for one year during the year.

Compensation of key management personnel

The remuneration of senior management personnel including executive directors' remuneration during the year is as follows:

	2020 HK$'000	2019 HK$'000
Short-term benefits	**7,277**	7,697
Post-employment benefits	**115**	108
	7,392	7,805

41. PARTICULARS OF SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of subsidiaries #	Place of incorporation and operation	Issued and fully paid-up share capital	Attributable equity interest held by the Company As at 31 March 2020	Attributable equity interest held by the Company As at 31 March 2019	Principal activities
BWHK Limited	BVI/Hong Kong ("HK")	US$1	**100%**	100%	Investment holding
Better World Holdings Limited	HK	HK$100	**100%**	100%	Investment holding
Rise Charm Limited	HK	HK$100	**100%**	100%	Restaurant operations
Better World Development Limited	HK	HK$100	**100%**	100%	Restaurant operations
Nice Grain Limited	HK	HK$3,000,000	**100%**	100%	Restaurant operations
Taste New Limited	HK	HK$1,000,000	**100%**	100%	Restaurant operations
Taste Gourmet Limited	HK	HK$200	**100%**	100%	Restaurant operations
Business Development Limited	HK	HK$100	**100%**	100%	Restaurant operations
Better World Management Limited	HK	HK$1	**100%**	100%	Provision of management services
MP Limited	HK	HK$1	**100%**	100%	Restaurant operations
Taste Gourmet China Investment Limited	HK	HK$1	**100%**	–	Inactive

BWHK Limited is a directly held subsidiary of the Company. All other subsidiaries are indirectly held by the Company.

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

None of the subsidiaries had issued any debt securities at the end of the year.

42. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to an extraordinary general meeting of the shareholders of the Company held on 20 December 2017 for the primary purpose of motivating employees (whether full time or part-time), proposed employees, directors or proposed directors, or business associates of the Group ("Eligible Person(s)"), for their past or future contributions to the Group and to attract and retain or otherwise maintain on-going relationships with Eligible Persons so as to encourage them to work towards enhancing the value of the Group.

On 29 June 2018, a total number of 2,810,000 options was granted to certain eligible employees under the Share Option Scheme at an exercise price of HK$0.92 per share. The exercise price is the same as the offer price of the shares of the Company at its initial public offering on 17 January 2018 which is higher than: (i) the closing price of HK$0.74 per share as stated in the daily quotation sheet issued by the Stock Exchange on 29 June 2018, being the date of the grant; (ii) the average closing price of HK$0.74 per share as stated in the daily quotation sheet issued by the Stock Exchange for five business days immediately preceding the date of the grant; and (iii) HK$0.10, being the nominal value of the each share. The share options granted will be vested as to 30%, 30% and 40% from the first, second and third anniversary from the date of grant and is all exercisable till 28 June 2028. 834,000 (2019: nil) share options were exercisable at 31 Mach 2020.

On 9 August 2019, a total number of 1,920,000 options was granted to certain eligible employees under the Share Option Scheme at an exercise price of HK$0.85 per share. The exercise price is higher than: (i) the closing price of HK$0.76 per share as stated in the daily quotation sheet issued by the Stock Exchange on 9 August 2019, being the date of the grant; (ii) the average closing price of HK$0.794 per share as stated in the daily quotation sheet issued by the Stock Exchange for five business days immediately preceding the date of the grant; and (iii) HK$0.10, being the nominal value of the each share. The share options granted will be vested as to 30%, 30% and 40% from the first, second and third anniversary from the date of grant and is all exercisable till 8 August 2029. No share options were exercisable at the end of the reporting period.

The table below discloses movement of the Company's share options held by the Group's employees:

	Issued on 29 June 2018	Issued on 9 August 2019	Total
Outstanding as at 1 April 2018	–	–	–
Granted during the year	2,810,000	–	2,810,000
Outstanding as at 31 March 2019	2,810,000	–	2,810,000
Granted during the year	–	1,920,000	1,920,000
Forfeited during the year	(30,000)	–	(30,000)
Outstanding as at 31 March 2020	2,780,000	1,920,000	4,700,000

42. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share Option Scheme *(Continued)*

The closing price of the Company's shares immediately before 9 August 2019 and 29 June 2018, the date of grant, was HK$0.76 and HK$0.74, respectively. The fair value of the options determined at the dates of grant (i.e. 9 August 2019 and 29 June 2018) using the Binomial model was approximately HK$296,000 and HK$527,000, respectively, of which total of HK$300,000 (2019: HK$232,000) was charged to the profit or loss for the year ended 31 March 2020.

The share options outstanding at 31 March 2020 had a weighted average remaining contractual life of 8.71 years (31 March 2019: 9.25 years).

The following assumptions were used to calculate the fair value of the share options granted:

	Grant date of 9 August 2019	Grant date of 29 June 2018
Weighted average share price	HK$0.85	HK$0.92
Grant date share price	HK$0.76	HK$0.74
Exercise price	HK$0.85	HK$0.92
Expected life	10 years	10 years
Expected volatility	29.89%	32.85%
Dividend yield	3.95%	2.97%
Risk-free interest rate	1.12%	2.17%

The Binomial model has been used to estimate the fair value of the options. The estimated risk-free interest rate is based on the yield of Hong Kong Government Bonds with a maturity life closed to the option life of the share options. Volatility was estimated at grant date based on average of daily historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are determined by the directors of the Company with best estimate. The value of an option varies with different variables of certain subjective assumptions.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 0.6% of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit or loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable HK$'000	Obligations under finance leases/ lease liabilities HK$'000	Bank borrowing HK$'000	Total HK$'000
At 1 April 2018	–	557	4,504	5,061
Financing cash flows	(14,561)	(391)	(1,325)	(16,277)
Finance costs recognised	–	10	113	123
Dividends declared	14,561	–	–	14,561
At 31 March 2019	–	176	3,292	3,468
Adjustment upon application of HKFRS 16	–	147,590	–	147,590
At 1 April 2019 (restated)	–	147,766	3,292	151,058
Financing cash flows	(11,392)	(54,403)	(1,323)	(67,118)
Finance costs recognised	–	5,134	79	5,213
New leases entered	–	81,276	–	81,276
Lease modified	–	1,444	–	1,444
Dividends declared	11,392	–	–	11,392
At 31 March 2020	–	181,217	2,048	183,265

44. MAJOR NON-CASH TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, the Group entered into the following major non-cash transactions:

(a) During the year ended 31 March 2019, the Group entered into a subscription agreement with an independent third party to subscribe for a 50% equity interest in Long Sea amounting to HK$1,203,000 which was settled by the contribution of certain property, plant and equipment of the Group of HK$1,149,000 with the remainder in cash of HK$54,000.

(b) During the year ended 31 March 2019, property, plant and equipment of the Group was disposed to UML, at a consideration of HK$338,000 and has been settled through amount due from an associate.

45. ACQUISITION OF BUSINESS

During the year ended 31 March 2019, the following business acquisitions took place:

(i) On 1 April 2018, the Group entered into a sales and purchase agreement with an independent third party to acquire a restaurant operation business, namely Sweetology, through acquisition of property, plant and equipment, intangible asset and other receivables amounting to HK$103,000, HK$94,000 and HK$3,000, respectively, for a cash consideration of HK$200,000. The transaction was completed on 1 April 2018.

(ii) On 31 October 2018, the Group entered into a sales and purchase agreement with an independent third party to acquire a chain of restaurant operation business, namely Parkview ("Parkview"), through acquisition of property, plant and equipment amounting to HK$2,449,000, for a cash consideration of HK$5,500,000. The transaction was completed on 31 October 2018.

All the above acquisitions have been accounted for using the acquisition method of accounting.

	Sweetology HK$'000	Parkview HK$'000	Total HK$'000
Fair value of assets recognised at the date of acquisition:			
Property, plant and equipment	103	2,449	2,552
Intangible asset	94	–	94
Other receivable	3	–	3
Total fair value of identifiable net assets acquired	200	2,449	2,649

The fair value of assets were valued by Asset Appraisal Limited, an independent qualified professional valuer not connected to the Group.

45. ACQUISITION OF BUSINESS *(Continued)*

Goodwill arising from acquisition

	Sweetology HK$'000	Parkview HK$'000	Total HK$'000
Consideration transferred	200	5,500	5,700
Less: net assets acquired	(200)	(2,449)	(2,649)
Goodwill arising on acquisition (note)	–	3,051	3,051

Note: The amount of goodwill acquired is finalised in the current year which is within the measurement period and no adjustment has been made on the goodwill recognised.

Goodwill arose in the acquisition of Parkview because of the expected synergies, revenue growth, future market development and the assembled workforce of Parkview. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

The acquisition-related costs incurred are insignificant.

Net cash outflow on acquisition of business

	Sweetology HK$'000	Parkview HK$'000	Total HK$'000
Consideration paid during the year ended 31 March 2019	–	5,500	5,500

During the year ended 31 March 2019, Sweetology and Parkview contributed a total of HK$35,678,000 and HK$6,572,000 to the Group's revenue and profit for the year, respectively.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Right-of-use asset	**1,560**	–
Investment in a subsidiary	**832**	300
Amounts due from subsidiaries (note)	**39,496**	80,561
Intangible asset	**1,239**	1,430
	43,127	82,291
CURRENT ASSETS		
Deposits and prepayments (note)	**176**	294
Amount due from a shareholder (note)	**32**	22
Amounts due from subsidiaries (note)	**4,972**	5,000
Bank balances (note)	**19,403**	2,578
	24,583	7,894
CURRENT LIABILITIES		
Accrued expenses	**696**	410
Amounts due to subsidiaries	**–**	16,359
Tax payable	**2**	2
	698	16,771
NET CURRENT ASSETS (LIABILITIES)	**23,885**	(8,877)
NET ASSETS	**67,012**	73,414
CAPITAL AND RESERVES		
Share capital	**37,973**	39,353
Reserves	**29,039**	34,061
TOTAL EQUITY	**67,012**	73,414

Note: ECL for deposits, amounts due from subsidiaries and a shareholder and bank balances are assessed on a 12m ECL basis as there had been no significant increase in credit risk since initial recognition and impairment allowance is considered to be insignificant. No provision for impairment loss has been recognised during the years ended 31 March 2020 and 2019.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

The movements in reserves of the Company:

	Share premium HK$'000	Other reserve HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Treasury share reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	43,908	300	–	–	–	(17,389)	26,819
Profit and total comprehensive income for the year	–	–	–	–	–	35,566	35,566
Shares repurchased and cancelled (Note 34)	(4,131)	–	–	647	–	(647)	(4,131)
Shares repurchased	–	–	–	–	(9,864)	–	(9,864)
Recognition of equity settled share-based payment (Note 42)	–	–	232	–	–	–	232
Dividends recognised as distribution (Note 13)	(14,561)	–	–	–	–	–	(14,561)
At 31 March 2019	25,216	300	232	647	(9,864)	17,530	34,061
Profit and total comprehensive income for the year	–	–	–	–	–	4,690	4,690
Shares cancelled (Note 34)	(8,484)	–	–	1,380	9,864	(1,380)	1,380
Recognition of equity settled share-based payment (Note 42)	–	–	300	–	–	–	300
Lapse of share options (Note 42)	–	–	(4)	–	–	4	–
Dividends recognised as distribution (Note 13)	(11,392)	–	–	–	–	–	(11,392)
At 31 March 2020	5,340	300	528	2,027	–	20,844	29,039

47. EVENT AFTER THE END OF THE REPORTING PERIOD

The outbreak of Coronavirus Disease ("COVID-19") and the subsequent quarantine and distancing measures imposed by the The Government of the Hong Kong Special Administrative Region (the "Government") have had a negative impact on the operations of the Group. Although the financial performance of the restaurants might not be fully returned to the level before the COVID-19 in the upcoming financial year, the operating performance of the restaurants in April and May 2020 is gradually improving. In addition, the Government announced the second phase of the Anti-epidemic Fund in April 2020, that the funding will be released in the second half of 2020 and the Group expects that the financial position will be further improved.