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## **Top Standard Corporation**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8510)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2020**

The board of directors (the “**Directors**” and the “**Board**”, respectively) of Top Standard Corporation (the “**Company**”) announces the audited annual results of the Company and its subsidiaries for the nine months ended 31 December 2020.

This announcement, containing the full text of the 2020 annual report of the Company (the “**Annual Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to the information to accompany the preliminary announcement of annual results. Printed version of the Annual Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course in the manner as required by the GEM Listing Rules.

By order of the Board  
**Top Standard Corporation**  
**Chuk Stanley**  
*Chairman and Executive Director*

Hong Kong, 30 March 2021

*As at the date of this announcement, the executive Directors are Mr. Chuk Stanley and Mr. Ying Kan Man, and the independent non executive Directors are Mr. Wong Ching Wan, Mr. Tang Chiu Ming, Jeremy and Mr. Yip Ki Chi, Luke.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at [topstandard.com.hk](http://topstandard.com.hk).*

# 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 Stock Exchange. 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.

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*This report, for which the directors (the “Directors”) of Top Standard Corporation (the “Company”, together with its subsidiaries, the “Group” or “we”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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.*

# CONTENTS

Corporate Information	3
Chairman’s Statement	4
Management Discussion and Analysis	5
Directors and Senior Management	13
Report of Directors	16
Corporate Governance Report	28
Independent Auditor’s Report	47
Consolidated Statement of Profit or Loss and Other Comprehensive Income	50
Consolidated Statement of Financial Position	51
Consolidated Statement of Changes in Equity	53
Consolidated Statement of Cash Flows	54
Notes to the Consolidated Financial Statements	56
Financial Summary	124

# CORPORATE INFORMATION

## REGISTERED OFFICE

4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F  
VPOINT, 18 Tang Lung Street  
Causeway Bay  
Hong Kong

## COMPANY'S WEBSITE

topstandard.com.hk

## COMPANY SECRETARY

Mr. Chu Pui Ki, Dickson  
(Member of the Hong Kong Institute of Certified Public Accountants)

## COMPLIANCE OFFICER

Mr. Chuk Stanley

## AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)

Mr. Chuk Stanley  
Mr. Chu Pui Ki, Dickson

## AUDITOR

D & PARTNERS CPA LIMITED  
(Certified Public Accountant)  
2201, 22nd Floor, West Exchange Tower  
322 Des Voeux Road Central  
Sheung Wan  
Hong Kong

## EXECUTIVE DIRECTORS

Mr. Chuk Stanley (Chairman and Chief Executive Officer)  
Mr. Ying Kan Man (Note 1)  
Mr. Chuk Kin Yuen (Note 2)  
Mr. Lam Ka Wong Johnson (Note 3)  
Dr. Chen Liang (Note 4)

Note 1: Appointed on 12 September 2020

Note 2: Resigned on 25 August 2020

Note 3: Resigned on 12 September 2020

Note 4: Retired on 11 September 2020

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Ching Wan  
Mr. Tang Chiu Ming, Jeremy (Note 1)  
Mr. Yip Ki Chi, Luke (Note 1)  
Mr. Yew Tak Yun, Paul (Note 3)  
Mr. Chan Kwok Ki, Stephen (Note 3)

## AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Wong Ching Wan (Chairman)  
Mr. Tang Chiu Ming, Jeremy (Note 1)  
Mr. Yip Ki Chi, Luke (Note 1)  
Mr. Yew Tak Yun, Paul (Note 3)  
Mr. Chan Kwok Ki, Stephen (Note 3)

## REMUNERATION COMMITTEE

Mr. Tang Chiu Ming, Jeremy (Chairman) (Note 1)  
Mr. Chuk Stanley  
Mr. Wong Ching Wan  
Mr. Yip Ki Chi, Luke (Note 1)  
Mr. Chan Kwok Ki, Stephen (Chairman) (Note 3)  
Mr. Yew Tak Yun, Paul (Note 3)

## NOMINATION COMMITTEE

Mr. Chuk Stanley (Chairman)  
Mr. Wong Ching Wan  
Mr. Tang Chiu Ming, Jeremy (Note 1)  
Mr. Yip Ki Chi, Luke (Note 1)  
Mr. Yew Tak Yun, Paul (Note 3)  
Mr. Chan Kwok Ki, Stephen (Note 3)

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited  
4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
2103B, 21st Floor  
148 Electric Road  
North Point  
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
HSBC Main Building  
1 Queen's Road Central  
Central, Hong Kong

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to announce the Group's annual results for the nine months ended 31 December 2020.

## FINANCIAL RESULTS

For the nine months ended 31 December 2020, the total revenue of the Group was approximately HK\$21.9 million (Year ended 31 March 2020: approximately HK\$36.5 million). The decrease in revenue was mainly due to the continuous impact driven by the outbreak of the novel coronavirus ("COVID-19") since throughout the year 2020.

The total comprehensive income for the nine months ended 31 December 2020 was approximately HK\$14.2 million (For the year ended 31 March 2020: Total comprehensive expense of approximately HK\$94.0 million). The change from loss to profit position was mainly attributable to the disposal of discontinued operations in mid of 2020.

## BUSINESS REVIEW AND PROSPECTS

The catering industry in Hong Kong is facing a tough challenge amidst the continuous weakened market sentiment outbreak of COVID-19 in 2020. The management expects that the overall economic environment in Hong Kong in near term would still be unstable and would be challenging to the Group.

The management has put much efforts on tightening the control over the procurement of the raw materials and other costs incurred in our operations. The effectiveness of the measures has been reflected in the decreasing trend over various costs. The management also actively negotiates with the suppliers, landlords and other business partners to sort out feasible measures to overcome this tough time.

On the other hand, the Group is now establishing distributorship and conducting researches on the implementation of online sales platform for the sales of food and beverage products. The Group will continuously explore other new business possibilities in order to maintain its market position and diversify and stabilize its source of income.

The Group will continue to take actions to control costs and exploring new business opportunities to maintain our profitability and competitiveness in the market.

## APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our valued customers, business partners, and shareholders for their persistent support, while also expressing my appreciation to the management team and employees for their valuable contribution to the development of the Group.

**Chuk Stanley**

*Chairman*

Hong Kong, 30 March 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a Hong Kong based restaurant group that offers Sichuanese and Cantonese, fusion vegetarian and Japanese cuisines under the “San Xi Lou (三希樓)”, “Pure Veggie House (心齋)”, “Man Jiang Hong (滿江紅)” and “Ronin (浪人)” brands, respectively. The Group’s revenue for the nine months ended 31 December 2020 was primarily derived from catering income through its restaurants. In order to minimize the unsatisfactory performance on the operation and financial performance of the restaurants under the “Pure Veggie House”, “Man Jiang Hong” and “Ronin” brands, the Company disposed four restaurants in June and July 2020 such that the Group can focus its available financial resources on the development of its other existing restaurants and businesses.

For the nine months ended 31 December 2020, the Group recorded a change in revenue of approximately HK\$21.9 million as compared that of approximately HK\$36.5 million for the year ended 31 March 2020. Such change was mainly due to the recent outbreak of COVID-19. To avoid the spread of the COVID-19, the Hong Kong government has executed several policies which have led to the decline of both local customers and tourists, seriously the consumers’ spending sentiment over the entire catering industry.

On 13 February 2018 (the “**Listing Date**”), the Shares were successfully listed on GEM by way of Share Offer. After deducting all the relevant commissions and expenses borne by the Company, there were approximately HK\$42.3 million of net proceeds from the Share Offer. The Group has fully utilised net proceeds in accordance with the business strategies as set out in the Company’s prospectus (the “**Prospectus**”) dated 31 January 2018 and our announcement regarding the change of use of proceeds dated 9 October 2018.

## FINANCIAL REVIEW

### Revenue

The Group’s revenue changed to approximately HK\$21.9 million for the nine months ended 31 December 2020 from approximately HK\$36.5 million for the year ended 31 March 2020. Such decrease in the Group’s revenue was mainly attributable to the change in revenue due to the impact from the preventive measures implemented by the Government towards the outbreak of COVID-19 throughout the year 2020 and the effect of change in financial year end date.

### Raw materials and consumables used

The raw materials and consumables used changed to approximately HK\$6.8 million for the nine months ended 31 December 2020 from approximately HK\$12.7 million for the year ended 31 March 2020. The Directors believed that such decrease, mainly due to decreased consumption of raw materials as a result of the decrease in the revenue due to the impact from COVID-19 which caused less raw materials and consumables were used as well as the effect of change of financial year end date.

### Staff costs

The Group’s staff costs was approximately HK\$12.9 million for the year ended 31 March 2020 and that amounted to approximately HK\$9.1 million for the nine months ended 31 December 2020. Such decrease in the Group’s staff costs was mainly attributable to the decrease in number of staff, adjustment on the salary level of staff and the effect of the change in financial year end date.

### Depreciation

The Group did not have depreciation incurred during the nine months ended 31 December 2020 as compared to approximately HK\$8.5 million for the year ended 31 March 2020. The reason for no depreciation was incurred in the continuing operations was primarily due to the right-of-use assets and property and equipment were fully impaired during the year ended 31 March 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Impairment loss

The Group did not have impairment loss on right-of-use assets and property and equipment incurred during the nine months ended 31 December 2020 as compared to approximately HK\$21.2 million for the year ended 31 March 2020. The reason for no impairment loss was incurred in the continuing operations was primarily due to the right-of-use assets and property and equipment were fully impaired during the year ended 31 March 2020.

## Rental and related expenses

Rental and related expenses was approximately HK\$2.0 million for the nine months ended 31 December 2020 as compared of approximately HK\$2.7 million for the year ended 31 March 2020. Such change in the Group's rental and related expenses was mainly due to the effect of the change in financial year end date.

## Utilities expenses

Utilities expenses changed from approximately HK\$4.0 million for the year ended 31 March 2020 to approximately HK\$2.1 million for the nine months ended 31 December 2020. Such change in the Group's utilities expenses was mainly due to the impact from decrease in operating hours under COVID-19, the increase in intensity of utilities usage control on restaurants and the effect of change of financial year end date.

## Other expenses

Other expenses changed from approximately HK\$3.7 million for the year ended 31 March 2020 to approximately HK\$6.3 million for the nine months ended 31 December 2020. Such change in the Group's other expenses was mainly due to the incurrence of legal and professional fee.

## Finance costs

Finance costs changed from approximately HK\$2.1 million for the year ended 31 March 2020 to approximately HK\$1.4 million for the nine months ended 31 December 2020. Such change in the Group's finance costs was mainly due to the bonds payable was repaid fully the period.

## Profit/(loss) and total comprehensive income/(expense)

The profit and total comprehensive income for the nine months ended 31 December 2020 were approximately HK\$14.3 million and HK\$14.2 million respectively. (Year ended 31 March 2020: Loss and total comprehensive expense of approximately HK\$94.2 and HK\$94.0 million respectively). The change from loss to profit position was mainly attributable to the combination of the factors discussed above and the disposal of discontinued operations in mid of 2020.

## Basic earnings/(loss) per share

The Group has basic earnings per share of approximately 1.53 HK cents for the nine months ended 31 December 2020 and has a basic loss per share for the year ended 31 March 2020 of approximately 11.77 HK cents. Such change was in line with the change from loss and total comprehensive expenses to profit and total comprehensive income for the nine months ended 31 December 2020.

## USE OF PROCEEDS

The Shares have been successfully listed on GEM on the Listing Date. The actual net proceeds from the Share Offer, after deducting commissions and expenses borne by the Company in connection with the Share Offer, were approximately HK\$42.3 million (the "Actual Net Proceeds"), which were lower than the estimated figure as stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period from the Listing Date to 31 March 2020 (the "Period") but with monetary adjustments to each business strategic plan on a pro-rata basis.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 9 October 2018, the Board had resolved that (i) a part of the Net Proceeds that was originally intended for the establishment of a central kitchen will be applied towards paying the set-up costs of MJH TST, and (ii) the Net Proceeds that was originally intended for the establishment of a new restaurant under the “Pure Veggie House (心齋)” brand in Kowloon will be applied towards PVH Taipei. Details of the change in use of proceed can be referred to the announcement dated 9 October 2018.

With reference the announcement dated 10 August 2020, based on the interests of the Company and its Shareholders as a whole and in light of current market conditions and the Group’s business needs, the Board has reallocated the unutilised Net Proceeds of approximately HK\$7.7 million to general working capital so as to meet its operational needs (especially the impact of COVID-19 which resulted in the Group incurring higher operating expenses). The remaining unutilised Net Proceeds of approximately HK\$7.7 million has been fully utilised up to 31 December 2020.

The table below sets out the adjusted allocation and the actual usage of the Actual Net Proceeds as at 31 December 2020.

	Adjusted allocation of the Actual Net Proceeds HK\$ (million)	Actual usage of the Actual Net Proceeds as at 31 December 2020 HK\$ (million)
<b>Business strategies as set out in the Prospectus and announcement regarding change in use of proceeds</b>		
Renovating our premises and upgrading our equipment	10.7	10.7
Establishing MJH TST	10.0	10.0
Establishing PVH Taipei	7.9	7.9
Repayment of utilised banking facility	3.6	3.6
Strengthen our marketing effects	1.0	1.0
Upgrading our information system	0.2	0.2
General working capital	8.9	8.9
	42.3	42.3



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had total assets of approximately HK\$12.7 million (31 March 2020: approximately HK\$9.0 million), which is financed by total liabilities and shareholders' deficit (comprising share capital and reserves) of approximately HK\$29.2 million (31 March 2020: approximately HK\$74.0 million) and approximately HK\$16.5 million (31 March 2020: approximately HK\$65.0 million), respectively. The current ratio of the Group as at 31 December 2020 was approximately 0.4 times (31 March 2020: approximately 0.1 times)

As at 31 December 2020, the Group had bank balances and cash of approximately HK\$9.0 million (31 March 2020: approximately HK\$1.2 million). The total interest-bearing loan of the Group as at 31 December 2020 was approximately HK\$12,000 (31 March 2020: approximately HK\$2.6 million). The gearing ratio (calculated based on interest bearing loan and the lease liabilities divided by total equity) of the Group as at 31 December 2020 was approximately nil (31 March 2020: Nil).

## FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong and Taiwan with majority of the transactions being settled in Hong Kong dollars and New Taiwan dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The transactions and monetary assets denominated in Renminbi are minimal for the year ended 31 March 2020 and the nine months ended 31 December 2020, the Group considers there were no significant foreign exchange risks in respect of Renminbi for both year/period.

## CAPITAL STRUCTURE

The Shares were successfully listed on GEM on the Listing Date. The share capital of the Group comprises only ordinary shares.

An aggregate of 160,000,000 placing shares have been successfully placed on 4 September 2020 at the placing price of HK\$0.112 per placing share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing amounted to approximately HK\$17.2 million.

An aggregate of 192,000,000 subscription shares have been successfully subscribed on 10 November 2020 at the subscription price of HK\$0.077 per subscription share pursuant to the terms and conditions of the subscription agreement. The net proceeds from the subscription amounted to approximately HK\$14.5 million.

For details of the placing and subscription of shares, please refer to the announcement dated 4 September 2020 and 10 November 2020 respectively.

As at 31 December 2020, the Company's issued share capital was HK\$11,520,000 divided into 1,152,000,000 Shares of HK\$0.01 each.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BORROWINGS

As at 31 December 2020, the Group has interest-bearing borrowings amounting to approximately HK\$12,000 (31 March 2020: approximately HK\$2.6 million). The bank loans are at floating rate which carry interest at Best Lending Rate plus or minus a spread or Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.5%. The effective interest rate on the Group’s bank loans was 6.50% per annum as at 31 March 2020. Bank overdrafts carry interest at market rates at 15.07% per annum as at 31 December 2020 (30 March 2020: 15.25%). No financial instrument was being used for interest rate hedging purpose.

The Group had no amounts due to a director as at 31 December 2020 and had HK\$0.3 million unsecured and interest-free amounts due to director as at 31 March 2020.

Save as disclosed in this report, the Group did not have other bank borrowings as at 31 December 2020 (31 March 2020: nil).

## PLEDGE OF ASSETS

As at 31 March 2020 and 31 December 2020, the Group did not have any pledge of assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

- (i) On 26 June 2020, the Group and the Purchaser A entered into a sale and purchase agreement, pursuant to which the Purchaser A agreed to acquire Good Step Limited (a wholly owned subsidiary which operates a Japanese restaurant under the “Ronin” brand) (“**Good Step**”) shares and the benefit of and interest in Good Step from the Group, at an aggregate consideration of HK\$1 due to the unexpected political activities in Hong Kong since June 2019 and the recent outbreak of the COVID-19. The relevant sale shares in respect of the Good Step represents its total issued share capital. The net liabilities of Good Step was approximately HK\$2.1 million as at 31 March 2020. Upon Completion, the Company ceased to hold any interest in the Good Step, and Good Step ceased to be a subsidiary of the Company and the financial results of Good Step no longer be consolidated into the Financial Information of the Company.
- (ii) On 3 July 2020, the Group and the Purchaser B entered into a sale and purchase agreement, pursuant to which the Purchaser B agreed to acquire Dalaran Group Limited (a wholly owned subsidiary which operates Pure Veggie House Taipei) (“**Dalaran**”) shares and the benefit of and interest in Dalaran from the Group, at an aggregate consideration of HK\$1 due to the unexpected political activities in Hong Kong since June 2019 and the recent outbreak of the COVID-19. The relevant sale shares in respect of the Dalaran represents its total issued share capital. The net liabilities of Dalaran was approximately HK\$7.1 million as at 30 June 2020. Upon Completion, the Company ceased to hold any interest in the Dalaran, and Dalaran ceased to be a subsidiary of the Company and the financial results of Dalaran will no longer be consolidated into the Financial Information of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) On 6 July 2020, the Group and the Purchaser C entered into a sale and purchase agreement, pursuant to which the Purchaser C agreed to acquire Higher Top Limited (a wholly owned subsidiary which operates Man Jiang Hong) ("**Higher Top**") shares and the benefit of and interest in Higher Top from the Group, at an aggregate consideration of HK\$1 due to the unexpected political activities in Hong Kong since June 2019 and the recent outbreak of the COVID-19. The relevant sale shares in respect of the Higher Top represents its total issued share capital. The net liabilities of Higher Top was approximately HK\$4.7 million as at 30 June 2020. Upon Completion, the Company ceased to hold any interest in the Higher Top, and Higher Top ceased to be a subsidiary of the Company and the financial results of Higher Top no longer be consolidated into the consolidated financial statements of the Company.
- (iv) On 7 July 2020, the Group and the Purchaser D entered into a sale and purchase agreement, pursuant to which the Purchaser D agreed to acquire Great Planner Limited (a wholly owned subsidiary which operates San Xi Lou) ("**Great Planner**") shares and the benefit of and interest in Great Planner from the Group, at an aggregate consideration of HK\$1 due to the unexpected political activities in Hong Kong since June 2019 and the recent outbreak of the COVID-19. The relevant sale shares in respect of the Great Planner represents its total issued share capital. The net liabilities of Great Planner was approximately HK\$18.3 million as at 30 June 2020. Upon Completion, the Company will cease to hold any interest in the Great Planner, and Great Planner ceased to be a subsidiary of the Company and the financial results of Great Planner no longer be consolidated into the consolidated financial statements of the Company.

Save as disclosed in this report, the Group did not have any material acquisition nor disposal of subsidiaries, associates or joint ventures during the nine months ended 31 December 2020 and the year ended 31 March 2020.

### CONTINGENT LIABILITIES

The Group has been served a number of litigations and claims by various parties. These claims and litigations are in relation to arrears rent and salaries of the Group and has been recognised in the other payables and accrual and salaries payables. Additional interest and penalty might be incurred due to the delay in settlement of such payables and the Group has several litigations related to arrears salaries and rent. The Group had obtained legal advice, and considers no additional interest and penalty is required apart from the amounts stated in the other payables and accruals, salaries payables and provisions. Details of the litigation and claims could be referred to Note 40 to the consolidated financial statements

### CAPITAL COMMITMENTS

As at 31 March 2020 and 31 December 2020, the Group did not have any significant capital commitments.

### DIVIDEND

The Board does not recommend the payment of final dividend for the nine months ended 31 December 2020.

### SIGNIFICANT INVESTMENTS HELD BY THE GROUP AND PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, the Group did not hold any significant investments as at 31 March 2020 and 31 December 2020 or have other plans for material investments and capital assets as at the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND UNCERTAINTIES

The followings are the principal risks and uncertainties faced by the Group, which may materially and adversely affect its business, financial condition or results of operations:

1. During the nine months ended 31 December 2020, the Group's revenue was mainly generated in Hong Kong. If Hong Kong experience any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.
2. Rental expenses, cost of raw materials and consumables and staff cost contributed the majority of the Group's operating cost. The following factors are uncertain and may affect the cost control measures of the Group:
  - (i) The Group's business depends on reliable suppliers of large quantities of food ingredients such as seafood, vegetables and meat. The price of food ingredients may continue to rise or fluctuate.
  - (ii) As at 31 December 2020, the Group leased all the properties for its restaurants operating in Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

The Group would also be affected by interest rate risk, credit risk, currency risk and liquidity risk. The financial risk management policies and practices of the Group are stated in note 32 to the consolidated financial statements in this annual report.

## PROSPECT

The outbreak of COVID-19 in Hong Kong and various countries around the globe has affected many businesses to different extent. Food and beverage is one of the industries that encountered the most difficult impact.

To cope with this, the management has put much efforts on tightening the control over the procurement of the raw materials and other costs incurred in our operations. The effects from the measures begin to be reflected in the decreasing trend over various costs. The management also actively negotiates with the suppliers, landlords and other business partners to sort out feasible measures to overcome this tough time. The turning from loss to profit position reflects that the measures are effective and the Group would continue to improve the performance and financial position of our operations.

The Group estimates that the degree of COVID-19 impact would be dependent on the outcome of various preventive measures and the duration of the epidemic. The Group is closely monitoring the market development and continuously evaluating the financial impact of the COVID-19 situation on the Group's operational and financial performance. Given the unpredictability of future development of COVID-19, the impacts to the Group could not be reasonably and accurately estimated at this stage. However, the Group will continue to take actions to control costs and drive efficiency to maintain our profitability and competitiveness in the market.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the nine months ended 31 December 2020, the Group has disposed four under-performed restaurants and can focus its available financial resources on the development of its other existing restaurants and businesses. The Group has also put much effort on tightening costs and adjusted the number of staff and operating costs to a more optimal level in order to improve the sustainability of our restaurants. With the placing of new shares and subscription of new shares completed in September and November 2020 respectively, the Group has also improved its financial position by settled certain bank and other borrowings and provide working capital to the Group for further development. With the abovementioned favourable factors, the Board is of the view that it is optimistic to improve the Group's performance and financial position steadily in the coming future.

On the other hand, the Group is now establishing distributorship and conducting researches on the implementation of online sales platform for the sales of food and beverage products. The Group will continuously explore other new business possibilities in order to maintain its market position and diversify and stabilize its source of income.

In view of our measures taken to sustain our operation of restaurants and at the same time to explore new opportunities in both traditional restaurant operations and also the new online platform sales of food and beverage, the Group is optimistic to our future development and to recover from the impact brought by COVID-19.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Chuk Stanley** (formerly known as Mr. Chuk Stanley Cah Fai), aged 42, is the chairman of the Board, an executive Director and the chief executive officer of the Group. He was appointed as a Director on 11 February 2016. He was re-designated as the executive Director and appointed as the chief executive officer of the Company and the chairman of the Board on 21 August 2017. He joined the Group as a director of Great Planner Limited, one of the operating subsidiaries of the Group, on 15 February 2008. He is primarily responsible for overseeing and planning of our business strategies and responsible for the overall management of the Group. He is the chairman of nomination committee and a member of remuneration committee. Mr. Chuk Stanley is also a director of all the subsidiaries of the Company.

Mr. Chuk Stanley has nearly ten years of experience in the restaurant and catering business in Hong Kong. Prior to joining the Group, he worked as a building manager at Chuk's Development Company Limited from January 2000 to June 2004 in Canada. From June 2005 to July 2006, Mr. Chuk Stanley served as a property manager at Hing Fai Development (H.K.) Company Limited in Hong Kong.

Mr. Chuk Stanley graduated from Langara College in Vancouver, Canada with an associate of arts degree in May 2002.

**Mr. Ying Kan Man**, aged 46, holds a Bachelor of Business Administration Degree from The Chinese University of Hong Kong. He has more than 10 years of working experience in the green building solution industry. He served as executive director from 27 April 2004 to 1 December 2011 of RCG Holdings Limited (now known as China e-Wallet Payment Group Limited (stock code: 802)), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He was the chief operating officer and executive director of Global Solution Engineering Limited from 30 August 2008 to 12 January 2010, (now known as Global Token Limited (stock code: 8192)), a company listed on the GEM of the Stock Exchange.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Ching Wan**, aged 53, was appointed as an independent non-executive Director on 24 January 2020. He is primarily responsible for supervising the Group's compliance and corporate governance matters and providing independent advice to the Board.

Mr. Wong has almost thirty years of experience in audit, internal control, financial control and capital markets. He has held various positions in different companies in China, U.S. and Hong Kong including senior position in multinational companies. He joined China Finance Investment Holdings Limited (stock code: 875) since November 2018 as the compliance officer. Mr. Wong also holds the position of non-independent CEO of One Belt One Network (HK) Limited and Universe Asia Develop Limited. From September 2017 to August 2018, Mr. Wong was the chief financial officer of O Media Limited, one of Macau's largest media companies in gaming. From May 2015 to June 2018, he was an independent non-executive director, the chairman of the audit committee and remuneration committee, and a member of nomination committee of Huge China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 428); and since March 2016, he has been an independent non-executive director, chairman of audit committee, chairman of remuneration committee and a member of nomination committee of On Real International Holdings Limited (stock code: 8245), a company listed on the GEM of Stock Exchange.

## DIRECTORS AND SENIOR MANAGEMENT

Previously, Mr. Wong was an independent non-executive director of Grand Field Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 115) between December 2008 to January 2009; the authorised representative and company secretary of China Oil Gangran Energy Group Holdings Limited, a company listed on the GEM of Stock Exchange (stock code: 8132) from December 2015 to November 2016 and continued acting as the authorised representative until January 2017; and a director of Network CN, Inc. (stock code: NWCN) in U.S.A. between September 2015 and July 2017. From August 2016 to July 2017, he was the financial controller for Anucell Technology Holding Limited.

Mr. Wong obtained a Bachelor of Business and Administration from the Chinese University of Hong Kong in May 1989 and a Bachelor of Commerce from The University of Southern Queensland in April 1992. He attended the Professional Master of Business Administration course offered by the Troy University (formerly known as Troy State University), U.S. in 2000. Mr. Wong is a member of CPA Australia since October 1997, Chartered Professional Accountants of Canada since January 1999, the Hong Kong Institute of Certified Public Accountants since March 1999 and fellow member of The Taxation Institute of Hong Kong since October 2012.

**Mr. Tang Chiu Ming, Jeremy**, aged 47, has involved in the accounting and finance industry for more than 20 years, having started his career at an international accounting firm as an auditor. Thereafter, he shifted into the commercial sector and worked for some multi-national companies as a regional accountant. In October 1999, he joined a sizeable securities company as a research analyst to develop his career in the finance industry. From September 2000 to September 2006, he focused more on the retail sales and dealing of securities and subsequently worked as a sales and marketing manager. Since September 2006 he has commenced a role as an associate director in China based securities companies, engaging in the duties of institutional sales relating to the dealing of securities for institutional clients, share placement, and underwriting of shares for new initial public offering.

Mr. Tang graduated with a bachelor of science in Economic and Accounting from Bristol University in United Kingdom in June 1995. He has been a member and a fellow member of the Association of Chartered Certified Accountant since September 1999 and November 2004 respectively, and has also been a member of the Hong Kong Institute of Certified Public Accountants since February 2002.

**Mr. Yip Ki Chi, Luke**, aged 54, is mainly responsible for supervising and providing independent judgment to our Board. He was admitted as a solicitor of the High Court of Hong Kong in April 1994 and is currently a practising solicitor in Hong Kong with over 20 years of post-qualification experience in the legal profession. From May 1992 to September 1996, he worked at Messrs. P. C. Woo & Co. as a trainee solicitor and subsequently a solicitor. He then joined Messrs. Siao, Wen & Leung in October 1996 as a solicitor. From March 1997 to September 1999, Mr. Yip was a partner and subsequently a consultant at Messrs. Wong & Yip. He has been a partner of Messrs. Cheung & Yip since February 1999. Mr. Yip has been a Notary Public and Civil Celebrant in Hong Kong since 2006. He has been a China Appointed Attesting Officer since December 2015. Mr. Yip is an independent non-executive director of Indigo Star Holdings Limited listed on the GEM of Stock Exchange (stock code: 08373) since 24 October 2017.

# DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

For detailed biographies of **Mr. Chuk Stanley**, please see “Executive Directors” above in this section.

**Mr. Chu Pui Ki, Dickson**, aged 36, was appointed as the company secretary of the Company on 22 June 2017 and the financial controller of the Group with effect from 21 August 2017. Mr. Chu is primarily responsible for overseeing the company secretarial affairs and the financial matters of the Group.

Mr. Chu has over 10 years of relevant experience in accounting and auditing and has experience in tax, internal control matters and holding the positions of company secretary and authorised representative in other companies listed on the Stock Exchange. He has been appointed as the company secretary of SG Group Holdings Limited (Stock Code: 01657) since 1 March 2019, a company formerly listed on the GEM of the Stock Exchange and transferred to the main board of the Stock Exchange on 20 March 2020, and the company secretary of Cornerstone Technologies Holdings Limited (formerly named Elegance Commercial and Financial Printing Group Limited) (Stock Code: 08391), a company listed on GEM of the Stock Exchange, since 1 July 2019.

Mr. Chu graduated from the Hong Kong Baptist University in Hong Kong with a bachelor’s degree of business administration in accounting in November 2006 and he has been a member of Hong Kong Institute of Certified Public Accountants since February 2011.



# REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the nine months ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is principally engaged in the operation of full-service restaurants under our self-owned brands in Hong Kong. Analysis of the principal activities of the Group during the nine months ended 31 December 2020 is set out in the note 37 to the consolidated financial statements.

## BUSINESS REVIEW

Details of business review are set out in the section headed "Management Discussion and Analysis" on page 5 of this annual report. An analysis using financial key performance indicators can be found in the section headed "Management Discussion and Analysis" on pages 5 to 12 of this annual report.

## SEGMENT INFORMATION

The Group previously has six operating and reportable segments, which includes (i) Sichuanese and Cantonese cuisine under the brand of "San Xi Lou" ("**San Xi Lou**"); (ii) vegetarian cuisine under the brand of "Pure Veggie House" ("**Pure Veggie House**"); (iii) vegetarian cuisine under the brand of "Pure Veggie House" in Taipei, Taiwan ("**PVH Taipei**"); (iv) Sichuanese cuisine under the brand of "Man Jiang Hong" ("**Man Jiang Hong**"); (v) Japanese cuisine located in Hong Kong ("**Ronin**"); and (vi) other. During the nine months period ended 31 December 2020, the Group's operating and reportable segments have the following changes to reflect the chief operating decision maker's current reviewing procedures:

- (a) The segment of San Xi Lou has divided into two segments, San Xi Lou CWB and San Xi Lou Central; San Xi Lou CWB is a Sichuanese and Cantonese cuisine restaurant operation located in Causeway Bay, while San Xi Lou Central is a Sichuanese and Cantonese cuisine restaurant operation located in Central; and
- (b) Five reporting segments, San Xi Lou Central, Pure Veggie House, PVH Taipei, Man Jiang Hong, Ronin and other, are discontinued.

At the end of the reporting period, the Group has only one operating and reportable segment: San Xi Lou CWB.

Details of segment information are set out in note 6 to the financial statement.

## RESULTS

The results of the Group for the nine months ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

## FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the nine months ended 31 December 2020 (31 March 2020: nil).

## FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 124 of this annual report. This summary does not form part of the audited consolidated financial statements.

# REPORT OF DIRECTORS

## USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Share Offer (after deducting underwriting fees and related expenses) amounted to approximately HK\$42.3 million, which are intended to be applied in the manner as disclosed in the Prospectus and the announcement regarding change of proceeds date 9 October 2018 and 10 August 2020. For details, please refer to the section headed “Management Discussion and Analysis – Use of proceeds” on page 6 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

### Major Customers

Due to the nature of our business, the majority of our customers consist of retail customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group for the nine months ended 31 December 2020 and we did not rely on any single customer during the year. For instance, none of our customers accounted for 5% or more of our revenue for the nine months ended 31 December 2020.

### Major Suppliers

For the nine months ended 31 December 2020, the Group’s five largest suppliers accounted for approximately 47.4% (31 March 2020: approximately 52.7%) of the Group’s total purchases and our single largest supplier accounted for approximately 16.3% (31 March 2020: approximately 13.2%) of the Group’s total purchases.

During the nine months ended 31 December 2020, none of the Directors or any of their close associates or any shareholders of the Company (the “**Shareholders**”) (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in any of the Group’s five largest suppliers.

## PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the nine months ended 31 December 2020 are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the nine months ended 31 December 2020 are set out in note 28 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the nine months ended 31 December 2020 are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity on page 53 of this annual report respectively.

## DISTRIBUTABLE RESERVES

No distributable reserves was available for distribution as at 31 December 2020 and 31 March 2020.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in note 25 to the consolidated financial statements.

# REPORT OF DIRECTORS

## DIRECTORS

The Directors during the nine months ended 31 December 2020 and up to the date of this annual report are:

### Executive Directors

Mr. Chuk Stanley (*Chairman and Chief Executive Officer*)

Mr. Ying Kan Man (Appointed on 12 September 2020)

Mr. Chuk Kin Yuen (Resigned on 25 August 2020)

Mr. Lam Ka Wong Johnson (Resigned on 12 September 2020)

Dr. Chen Liang (Retired on 11 September 2020)

### Independent Non-executive Directors

Mr. Wong Ching Wan

Mr. Tang Chiu Ming, Jeremy (Appointed on 12 September 2020)

Mr. Yip Ki Chi, Luke (Appointed on 12 September 2020)

Mr. Yew Tak Yun, Paul (Resigned on 12 September 2020)

Mr. Chan Kwok Ki, Stephen (Resigned on 12 September 2020)

In accordance with article 109 of the articles of association of the Company (the “**Articles of Association**”), one-third of the Directors shall retire from office by rotation and be eligible for re-election at each annual general meeting provided that every Director shall retire at least once every three years.

In accordance with article 113 of the Articles of Association, any Director appointed to fill a casual vacancy by the Board shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Ying Kan Man, Mr. Tang Chiu Ming, Jeremy and Mr. Yip Ki Chi, Luke shall retire at the forthcoming annual general meeting (the “**AGM**”). All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

## DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 13 to 15 of this annual report.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company, save as disclosed in the section headed “Directors and Senior Management” in this annual report, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the nine months ended 31 December 2020 and remain so as at the date of this annual report.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the nine months ended 31 December 2020 and remain so as at the date of this annual report.

# REPORT OF DIRECTORS

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from the Listing Date or the date of appointment for whom appointed subsequent to the Listing Date, and shall continue thereafter unless and until it is terminated by the Company or the Director giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date or the date of appointment for whom appointed subsequent to the Listing Date, which may be renewable subject to both parties' agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those interests set out in note 33 to the consolidated financial statements and the transactions as set out in the paragraphs under "Continuing connected transactions" below, (i) no other Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, (ii) there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries, and (iii) there was no contract of significance between the Company or one of its subsidiaries and a controlling shareholder or any of its subsidiaries, during the nine months ended 31 December 2020 and up to the date of this annual report.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the nine months ended 31 December 2020 and up to the date of this annual report.

## EMPLOYEES AND REMUNERATION POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

As at 31 December 2020, the total number of full time and casual or part time employees of the Group was 51 (31 March 2020: 137). Total staff costs (including Directors' emoluments) were approximately HK\$9.1 million for the nine months ended 31 December 2020 (31 March 2020: approximately HK\$45.3 million). Details of the emoluments of the Directors, and five highest paid individuals during the nine months ended 31 December 2020 are set out in note 9 to the consolidated financial statements.

Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. The Group continues to offer competitive remuneration packages and bonus to eligible staff, based on the performance of the Group and the individual employee.

# REPORT OF DIRECTORS

## RETIREMENT AND EMPLOYEE BENEFITS SCHEME

The Group has also adopted other employee benefit including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance. Details of such scheme are set out in note 29 to the consolidated financial statements.

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### (i) Interests and short positions in the Shares, underlying shares and debentures of the Company

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Mr. Chuk Stanley ("Mr. Stanley Chuk")	Interest in controlled corporation (Note 1)	461,888,000	Short	40.09%

Notes:

- (1) 461,888,000 Shares were held by JSS Group Corporation ("JSS Group"), which is wholly owned by Mr. Stanley Chuk. As such, Mr. Stanley Chuk was deemed to be interested in all the shares held by JSS Group pursuant to Part XV of the SFO.

### (ii) Interests and short positions in the shares, underlying shares and debentures of associated corporations

Name	Name of Associated Corporation	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in Associated Corporation (%)
Mr. Stanley Chuk	JSS Group	Beneficial owner	1,000	Short	100%

## REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the nine months ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

### SUBSTANTIAL AND OTHER SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Lazarus Securities Pty Ltd	Beneficial owner	461,888,000	Long	40.09%
JSS Group	Beneficial owner	461,888,000	Short	40.09%
Focus Dynamics Group Berhad	Beneficial owner	192,000,000	Long	16.67%

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

# REPORT OF DIRECTORS

## EQUITY-LINKED AGREEMENTS

No equity-linked agreement that would or might result in the Company issuing shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the nine months ended 31 December 2020 or subsisted at the end of the year.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

## TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

## NON-COMPETITION UNDERTAKING

Pursuant to the deed of non-competition dated 29 January 2018 ("**Deed of Non-competition**") entered into by Mr. Stanley Chuk and JSS Group (collectively, the "**Controlling Shareholders**"), Mr. KY Chuk, J & W Group, Mr. Steve Chuk and Oxlo (collectively, the "**Covenantors**"), each of the Covenantors has irrevocably undertaken to the Company (for itself and as trustee for each of its subsidiaries from time to time) that he/it shall not, and shall procure that his/its close associates (except any members of the Group) would not, during the restricted period, directly or indirectly, either on his/its own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold any right or interest in (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business currently carried on or contemplated to be carried on by any member of the Group (the "**Restricted Business**"). For details of the Deed of Non-competition, please refer to the section headed "Relationship with the Controlling Shareholders" in the Prospectus. The Covenantors confirmed their compliance with the Deed of Non-competition during the nine months ended 31 December 2020 for disclosure in this report.

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the nine months ended 31 December 2020 based on the information and confirmation provided by or obtained from the Covenantors, and were satisfied that the Covenantors have duly complied with the Deed of Non-competition.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the nine months ended 31 December 2020, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) had engaged in or had any interest in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

# REPORT OF DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS

### Tenancy Agreement between the Group and Charm Region

On 1 January 2018, Good Step Limited (“**Good Step**”), as tenant, entered into a tenancy agreement (the “**Tenancy Agreement**”) with Charm Region Limited (“**Charm Region**”), as landlord, in respect of the premises (the “**Premises**”) for use by the Group to operate Ronin Wanchai. A summary of the terms of the Tenancy Agreement is set out below:

Landlord	:	Charm Region
Tenant	:	Good Step
Premises	:	2A, 2nd Floor, Capital Building, 175–191 Lockhart Road, Wan Chai, Hong Kong
Term of lease	:	From 1 January 2018 to 31 March 2020
Monthly rental	:	HK\$200,000 (excluding government rates, utilities, management fees and other outgoings) during the period from 1 January 2018 to 30 September 2018, and HK\$250,000 (excluding government rates, utilities, management fees and other outgoings) during the period from 1 October 2018 to 31 March 2020 with two rent-free months in October 2018 and October 2019
Renewal rights	:	Good Step shall have the right to renew the lease for three additional years from 1 April 2020 at the prevailing market rent provided that the increase in monthly rental shall be no more than 25%
Use	:	Restaurant

The annual caps under the Tenancy Agreement are HK\$0.6 million, HK\$2.45 million and HK\$2.75 million for the period from 1 January 2018 to 31 March 2018 and for the two years ended 31 March 2019 and 31 March 2020, respectively. Since the commencement of the Tenancy Agreement, the aggregate rental paid by Good Step to Charm Region for the Premises was approximately HK\$5.0 million.

Charm Region is owned as to 50% by Mr. KY Chuk and 50% by Mr. Steve Chuk. Mr. KY Chuk is a Director, and Mr. Steve Chuk is son of Mr. KY Chuk and elder brother of Mr. Stanley Chuk, who are both Directors. As such, Charm Region is a connected person of the Company under the GEM Listing Rules. Accordingly, the Tenancy Agreement falls under the definition of continuing connected transaction under Chapter 20 of the GEM Listing Rules, and also constitutes a related party transaction of the Group as disclosed on page 116 of this annual report. The Group has complied with applicable disclosure requirements under Chapter 20 of the GEM Listing Rules in respect of such continuing connected transaction.



## REPORT OF DIRECTORS

The independent non-executive Directors have reviewed these transactions and confirmed that the continuing connected transaction, has been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 20.54 of the GEM Listing Rules, the Directors engaged the auditor of the Company to perform certain work on the above continuing connected transaction(s) in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors and confirmed that, for the nine months ended 31 December 2020:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction(s) have not been approved by the Board;
- b. for transaction(s) involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transaction(s) were not, in all material respects, in accordance with the pricing policies of the Group;
- c. nothing has come to their attention that causes them to believe that the transaction(s) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of each of the continuing connected transaction(s) set out the continuing connected transaction(s), nothing has come to their attention that causes them to believe that the disclosed continuing connected transaction(s) have exceeded the annual cap as set by the Company and as disclosed in the Prospectus.

This related party transaction as disclosed in note 33 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company as defined in Chapter 20 of the GEM Listing Rules and are in compliance with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed in this annual report, during the nine months ended 31 December 2020, the Company had no connected transactions or continuing connected transactions which would fall to be disclosed in accordance with the provisions under Chapter 20 of the GEM Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

On 26 June 2020, upon the disposal of Good Step, the Company ceased to hold any interest in the Good Step, and Good Step ceased to be a subsidiary of the Company. The tenancy agreement between the Group and Charm Region no longer constitute a continuing connected transaction.

# REPORT OF DIRECTORS

## DONATIONS

During the year ended 31 March 2020 and the nine months ended 31 December 2020, the Group did not make any charitable and other donations.

## SIGNIFICANT LEGAL PROCEEDINGS

For the nine months ended 31 December 2020, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to providing an environmental friendly culture and atmosphere within the Group. The Group has undertaken environmental protection measures such as (i) reduction of use of papers; (ii) minimisation of electricity consumption outside business hours; and (iii) recycling of waste cooking oil. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection during the nine months ended 31 December 2020. A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than three months after the publication of this report.

## RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force throughout the nine months ended 31 December 2020. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

# REPORT OF DIRECTORS

## EVENTS AFTER THE REPORTING PERIOD

(i) As previously reported, the outbreak of COVID-19 in January 2020 has caused certain impact on the catering business of the Group due to the restrictions and suspension on restaurants. The Group's business operations have been disrupted by the outbreak of COVID-19 and the subsequent precautionary measures. The Group estimated that the degree of COVID-19 impact would depend on the pandemic preventive measures and the duration of the pandemic. Given the dynamic circumstance and uncertainties of COVID-19 situation, the Group will keep continuous attention on the development of COVID-19 situation and react actively to its impacts on the operation and financial position of the Group, and in the event that there are any significant financial impacts, the Company will reflect it in the Group's 2021 financial statements.

(ii) On 1 February 2021, Spark View Limited ("Spark View") obtained a distraint order against Higher Top for HK\$1,751,457 of unpaid rent and rates under the tenancy agreement dated 27 August 2018.

The details and potential impacts to the Group is disclosed in note 40 (d).

(iii) On 1 February 2021, Mr. KY Chuk claimed against the Company for arrears director fees and other benefits of HK\$629,404. Notice of hearing is scheduled on 18 August 2021 at the Labour Tribunal.

The details and potential impacts to the Group is disclosed in note 40 (e).

(iv) On 16 February 2021, Times Square Limited claimed Leading Win for HK\$2,777,566 in relation to the rental and related expenses.

The details and potential impacts to the Group is disclosed in note 40 (f).

(v) On 25 February 2021, the Mandatory Provident Fund Schemes Authority ("MPFSA") claimed against Leading Win, for outstanding MPF contributions Leading Win and surcharge of \$229,507.

The outstanding amount had been fully paid by Leading Win in March 2021 to MPFSA.

(vi) On 24 March 2021, a winding up order of Sky Honour was granted by the court.

The details and potential impacts to the Group is disclosed in note 40 (b).

(vii) On 9 March 2021 and 12 March 2021, the Company had entered into a distributor agreement and a supplemental agreement respectively, for development of new business as a food products distributor (announcement dated 26 March 2021).

Save as disclosed in this annual report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this report.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Company (the "Audit and Risk Management Committee") had, together with the management and external auditor of the Company (the "Auditor"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the nine months ended 31 December 2020.

# REPORT OF DIRECTORS

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 46 of this annual report.

The compliance officer and company secretary of the Company are Mr. Chuk Stanley and Mr. Chu Pui Ki, Dickson, respectively. Their biographical details are set out on pages 13 and 15 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the GEM Listing Rules, was held by the public at all times during the nine months ended 31 December 2020 and as at the date of this annual report.

## AUDITOR

The financial statements for the nine months ended 31 December 2020 have been audited by D & PARTNERS CPA LIMITED. D & PARTNERS CPA LIMITED will retire and, being eligible, offer themselves for re-appointment. A resolution to re-appoint D & PARTNERS CPA LIMITED as the auditor of the Company will be proposed at the forthcoming annual general meeting.

## PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [topstandard.com.hk](http://topstandard.com.hk).

On behalf of the Board

**Chuk Stanley**

*Chairman and Executive Director*

Hong Kong, 30 March 2021

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the nine months ended 31 December 2020.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code throughout the nine months ended 31 December 2020 save for code provision A.2.1. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees including the Audit and Risk Management Committee, the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”) (together, the “Board Committees”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

### Board Composition

As at the date of this annual report, the Board comprised two executive Directors and three independent non-executive Directors:

#### *Executive Directors:*

Mr. Chuk Stanley (*Chairman and Chief Executive Officer*)

Mr. Ying Kan Man (Appointed on 12 September 2020)

Mr. Chuk Kin Yuen (Resigned on 25 August 2020)

Mr. Lam Ka Wong Johnson (Resigned on 12 September 2020)

Dr. Chen Liang (Retired on 11 September 2020)

#### *Independent Non-executive Directors:*

Mr. Wong Ching Wan

Mr. Tang Chiu Ming, Jeremy (Appointed on 12 September 2020)

Mr. Yip Ki Chi, Luke (Appointed on 12 September 2020)

Mr. Yew Tak Yun, Paul (Resigned on 12 September 2020)

Mr. Chan Kwok Ki, Stephen (Resigned on 12 September 2020)

The biographies of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

# CORPORATE GOVERNANCE REPORT

During the nine months ended 31 December 2020, the Board has met at all times the requirements under Rules 5.05(1) and 5.05(2) 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.

The Company has also complied with Rule 5.05A of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

## Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statutes, laws, rules and regulations. The Company also provides regular updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company will continue to arrange training to the Directors in accordance with code provision A.6.5 of the CG Code.

# CORPORATE GOVERNANCE REPORT

According to the information provided by the Directors, a summary of training received by the Directors during the nine months ended 31 December 2020 is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes (Notes)
<b>Executive Directors</b>	
Mr. Chuk Stanley ( <i>Chairman and Chief Executive Officer</i> )	A and B
Mr. Ying Kan Man ( <i>Appointed on 12 September 2020</i> )	A and B
Mr. Chuk Kin Yuen ( <i>Resigned on 25 August 2020</i> )	N/A
Mr. Lam Ka Wong Johnson ( <i>Resigned on 12 September 2020</i> )	N/A
Dr. Chen Liang ( <i>Retired on 11 September 2020</i> )	N/A
<b>Independent Non-executive Directors</b>	
Mr. Wong Ching Wan	A and B
Mr. Tang Chiu Ming, Jeremy ( <i>Appointed on 12 September 2020</i> )	A and B
Mr. Yip Ki Chi, Luke ( <i>Appointed on 12 September 2020</i> )	A and B
Mr. Yew Tak Yun, Paul ( <i>Resigned on 12 September 2020</i> )	N/A
Mr. Chan Kwok Ki, Stephen ( <i>Resigned on 12 September 2020</i> )	N/A

Notes:

A: Attending training courses and/or seminars and/or meetings and/or forums and/or briefings

B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

## Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

Mr. Stanley Chuk is the chairman and the chief executive officer of the Company. In view of Mr. Stanley Chuk being a founder of the Group and has been operating the main operating subsidiaries of the Company, the Board believes that it is in the best interest of the Group to have Mr. Stanley Chuk taking up both roles for effective operational management and strategic business development. Further, the Board believes that both positions require in-depth knowledge and considerable experience of the Group's business and Mr. Stanley Chuk is the most suitable person to occupy both positions for the Group and facilitating the implementation and execution of the Group's business strategy as disclosed in the Prospectus. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate, and Mr. Stanley Chuk being the chairman and the chief executive officer can preserve and enhance the philosophies of the Group, preserve the leadership direction of the Group, and allow an efficient discharge of the executive functions of the chief executive as the decision maker. The Directors also believe that a balance of power and authority is adequately ensured by the operations of the Board which comprises individuals with diverse professional backgrounds and experiences including three independent non-executive Directors. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

# CORPORATE GOVERNANCE REPORT

## Appointment and Re-election of Directors

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from the Listing Date or the date of appointment for whom appointed subsequent to the Listing Date and shall continue thereafter unless and until it is terminated by the Company or the Director giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from the Listing Date or the date of appointment for whom appointed subsequent to the Listing Date, which may be renewable subject to both parties' agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

## Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or Board Committees prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.



## CORPORATE GOVERNANCE REPORT

During the nine months ended 31 December 2020, details of the attendance of the Board meetings, Audit and Risk Management Committee meetings, Remuneration Committee meetings, Nomination Committee meetings, and general meeting of the Company held are summarised as follows:

	Board meeting	Audit and Risk Management Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
<i>EXECUTIVE DIRECTORS</i>					
Mr. Chuk Stanley	16/16	N/A	3/3	3/3	1/1
Mr. Ying Kan Man (Appointed on 12 September 2020)	3/3	N/A	N/A	N/A	0/0
Mr. Chuk Kin Yuen (Resigned on 25 August 2020)	10/10	N/A	N/A	2/2	0/0
Mr. Lam Ka Wong Johnson (Resigned on 12 September 2020)	13/13	N/A	N/A	N/A	1/1
Dr. Chen Liang (Retired on 11 September 2020)	8/10	N/A	N/A	N/A	0/1
<i>INDEPENDENT NON-EXECUTIVE DIRECTORS</i>					
Mr. Wong Ching Wan	16/16	4/4	3/3	3/3	1/1
Mr. Tang Chiu Ming, Jeremy (Appointed on 12 September 2020)	3/3	2/2	0/0	0/0	0/0
Mr. Yip Ki Chi, Luke (Appointed on 12 September 2020)	3/3	2/2	0/0	0/0	0/0
Mr. Yew Tak Yun, Paul (Resigned on 12 September 2020)	13/13	2/2	3/3	3/3	1/1
Mr. Chan Kwok Ki, Stephen (Resigned on 12 September 2020)	13/13	2/2	3/3	3/3	1/1

# CORPORATE GOVERNANCE REPORT

## Required Standard of Dealings for Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings during the nine months ended 31 December 2020.

The Company has also adopted its own code of conduct regarding employees' securities transactions with reference to the required standard of dealings for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

## Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Group's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the Group.

## Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors, which includes:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

### Audit and Risk Management Committee

The Audit and Risk Management Committee comprises three members, namely Mr. Wong Ching Wan (chairman), Mr. Tang Chiu Ming, Jeremy and Mr. Yip Ki Chi, Luke, all of them are independent non-executive Directors.

The principal duties of the Audit and Risk Management Committee include the following:

1. to monitor the compliance with the laws and regulations that are applicable to the operations of the Group;
2. to review the report and findings submitted by the internal control consultant to ensure the effectiveness of our regulatory compliance procedures and system;
3. to review and monitor the financial reporting process, the risk management procedures as well as internal control system;
4. to review financial information; and
5. to consider issues relating to the external auditors and their appointment.

The written terms of reference of the Audit and Risk Management Committee are available on the websites of the Stock Exchange and the Company.

For the nine months ended 31 December 2020, there were four meetings held by the Audit and Risk Management Committee to (i) review with external auditors the external audit findings, the accounting principles and practices adopted by the Group, and the Listing Rules and statutory compliance; (ii) discuss auditing and financial reporting matters, including the review of the audited financial statements for the year ended 31 March 2020 and the unaudited financial statements for the three months ended 30 June 2020 and for the six months ended 30 September 2020, with recommendations to the Board for approval; (iii) review the independence of the auditors; (iv) review and make recommendations to the Board on the auditors' re-appointment and remuneration; (v) review the Group's risk management and internal control systems; and (vi) review and make recommendations on the change of financial year end date. All members of the Audit and Risk Management Committee attended the said meetings. Subsequent to 31 December 2020 and up to the date of this annual report, a meeting of the Audit and Risk Management Committee was held in which the Audit and Risk Management Committee, among other things, reviewed and considered the consolidated financial statements of the Group for the nine months ended 31 December 2020 and recommended the re-appointment of the auditor. Details of the attendance of the Audit and Risk Management Committee meetings are set out above.

The Company will comply with the CG Code to hold at least four meetings of the Audit and Risk Management Committee annually for the year ending 31 December 2021 onwards.

# CORPORATE GOVERNANCE REPORT

## Nomination Committee

The Nomination Committee currently comprises four members, namely Mr. Chuk Stanley (executive Director), Mr. Wong Ching Wan (independent non-executive Director), Mr. Tang Chiu Ming, Jeremy (independent non-executive Director) and Mr. Yip Ki Chi, Luke (independent non-executive Director). Mr. Chuk Stanley is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors; and
4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman of the Board and the executive director.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

For the nine months ended 31 December 2020, there were three meetings held by the Nomination Committee to (i) review the structure, size, composition and diversity of the Board; (ii) assess the independence of independent non-executive directors with reference to the requirements under the Listing Rules; (iii) review the appointment on proposed Directors; and (iv) nominate the retiring directors for re-election at the annual general meeting held on 11 September 2020. Subsequent to 31 December 2020 and up to the date of this annual report, one meeting of the Nomination Committee was held in which the Nomination Committee, among other things, (i) reviewed and considered that the structure, size and composition of the Board are appropriate, (ii) assessed the independence of independent non-executive Directors, (iii) recommended the re-elections of Directors at the annual general meeting to be held; and (iv) reviewed and considered the appointment of new director. Details of the attendance of the Nomination Committee meetings are set out above.

# CORPORATE GOVERNANCE REPORT

## Remuneration Committee

The Remuneration Committee comprises four members, namely Mr. Chuk Stanley (executive Director), Mr. Wong Ching Wan (independent non-executive Director), Mr. Tang Chiu Ming, Jeremy (independent non-executive Director) and Mr. Yip Ki Chi, Luke (independent non-executive Director). Mr. Tang Chiu Ming, Jeremy is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and establish a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the Board's goals and objectives;
3. as the Board shall direct, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. to review and approve compensation payable to Directors (executive, non-executive or independent non-executive), executive officers and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and in line with market practice;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors (executive, non-executive or independent non-executive) for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
8. to ensure that no Director or any of his associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

For the nine months ended 31 December 2020, there were three meetings held by the Remuneration Committee to review and make recommendations to the Board on the remuneration package of the directors and senior management for the year ended 31 December 2020 and discussed and reviewed the remuneration packages for the proposed Directors of the Company. Subsequent to 31 December 2020 and up to the date of this annual report, one meeting of the Remuneration Committee was held in which the Remuneration Committee, among other things made recommendations to the Board on the remuneration packages of individual Directors and senior management for the year ending 31 December 2021. Details of the attendance of the Remuneration Committee meetings are set out above.

# CORPORATE GOVERNANCE REPORT

## Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 13 to 15 of this annual report, for the nine months ended 31 December 2020 are set out below:

Remuneration band(s)	Number of individuals
Nil to HK\$1,000,000	11

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the nine months ended 31 December 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 47 to 49 of this annual report.

## DETAILS OF THE AUDIT MODIFICATION AND MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE AUDIT MODIFICATION

As disclosed in this annual report, given the conditions as detailed in the basis for disclaimer of opinion ("Audit Modification") and note 2 to the consolidated financial statements for the nine months ended 31 December 2020 therein, the auditor considered that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern, which is dependent on the successful and favourable outcome of certain plans and measures, that are subject to multiple uncertainties, including (i) the successful of improvement on its catering business and new trading business; (ii) the ability to obtain continuous financial support; and (iii) the outcomes of claims against the Group.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by HK\$13,644,000 (year ended 31 March 2020: 51,754,000), the Group's total liabilities exceeded its total assets by HK\$15,758,000 (year ended 31 March 2020: 64,978,000) as of that date, and that the Group incurred a loss of HK\$2,717,000 (year ended 31 March 2020: 31,259,000) from continuing operations for the nine months ended 31 December 2020.

In view of such circumstances, the management of the Group had assessed the Group's current liquidity, performance and available sources of financing in considering the Group's ability to continue as a going concern. The management has also taken and will continue to implement plans and measures to mitigate the Group's liquidity pressure and improve the conditions of cash flow. After taking into account the Group's cash flow projections, the management and also the Board are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

# CORPORATE GOVERNANCE REPORT

## ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT MODIFICATION AND IMPACT OF THE AUDIT MODIFICATION ON THE COMPANY'S FINANCIAL POSITION

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the Audit Modification, the Company has taken and intends to continue to implement the measures, including but not limited to:

- (i) Management of the Company believes the catering businesses will be recovered upon the COVID-19 is being properly managed. The Group takes active initiative to re-organise its operations by reducing the heavy financial burden on unperforming subsidiaries. During the nine months period ended 31 December 2020, management disposed these subsidiaries, as disclosed in Note 30, to reduce the Group's liabilities and cash outflows. Subsequent to the reporting date, the Group acquired a new catering operation to improve the profitability and cash flows of the Group.
- (ii) In view of the impact of COVID-19 is still affecting the catering business, the Group plans to diversity its businesses by developing an online platform to sell and distribute premium grades of Japanese beef and red wines. Subsequent to the reporting date, the Group entered distributor's agreements to secure the supply of these stocks. This new business stream is expected to provide immediate cash flows for the Group.
- (iii) In order to meet the immediate financial obligations, the Company has obtained a loan facility amounting to HK\$10,000,000 from a financing company. The loan facility is designated for new catering business development and is available upon request made by the Group. Management of the Company estimates that the loan facility of HK\$10,000,000, together with the Group's cash and cash equivalents of HK\$9,024,000, the Group and the Company are able to maintain its operations and achieve the measures undertaken by the Group.
- (iv) Management of the Company is working closely with the Group's lawyers to settle the claims and counterclaims for the benefits of the Group. As at the date of this report, the progress of these cases, as disclosed in notes 39 and 40, are considered favourable to the Group.
- (v) The Group and the Company will continue to seek for alternative financing solutions and/or group reorganisation to turnround the difficulties encountered by the Group and the Company.

## REMOVAL OF THE AUDIT MODIFICATION

The management considered that the proposed actions mentioned above, if successful, could improve the Group's liquidity and therefore could help to address the Audit Qualification. However, as the management's assessment of the Group's ability to continue as a going concern for the purposes of preparing the Group's consolidated financial statements for the nine months ending 31 December 2021 has to take into consideration of the then conditions and circumstances and could only be made at the end of the relevant reporting period, the management is unable to ascertain at this moment whether the Audit Qualification can be removed in the next financial year purely based on the Company's action plan above.

# CORPORATE GOVERNANCE REPORT

## AUDIT AND RISK MANAGEMENT COMMITTEE'S VIEW ON THE AUDIT MODIFICATION

The audit and risk management committee of the Company (the "Audit and Risk Management Committee") had critically reviewed the Audit Qualification, the Cash Flow Forecast and also the management's position and action plan of the Group to address the Audit Qualification. In light of the above, the Audit Committee concurs with the management's view with respect to the Audit Qualification, the Group's ability to continue as a going concern and the actions or measures to be implemented by the Group. The Audit Committee is also of the view that the management should continue its efforts in implementing the actions and measures set out in the action plan with the intention of mitigating the Group's liquidity pressure and removing the Audit Qualification.

## INTERNAL CONTROL AND RISK MANAGEMENT

### Responsibility

Our Board of Directors has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained, while management is responsible for designing and implementing risk management and internal control systems to manage risks. Sound and effective systems of risk management and internal control are designed to identify and manage the risk of failure to achieve business objectives.

### Risk Management and Internal Controls Framework

The Audit and Risk Management Committee shall be responsible for monitoring compliance with the laws and regulations that are applicable to the operation of the Group, as well as assessing the adequacy and effectiveness of the Group's regulatory compliance procedures and system. Other than reviewing and monitoring our financial reporting process and the risk management procedures, our Audit and Risk Management Committee shall, on an annual basis:

- (a) review the reports and findings submitted by the internal control consultant to ensure the effectiveness of our regulatory compliance procedures and system;
- (b) advise the Board on the adoption of the recommendation (if any) proposed by the internal control consultant;
- (c) assess and review the adequacy of resources and training provided to our management and staff in relation to our regulatory compliance functions; and
- (d) receive the recommendations and reports of the Group's internal audit function, review and approve the organisation, responsibilities, plans, results, budget and resources of the internal audit team to ensure the quality of the Group's internal control measures are maintained.

The Audit and Risk Management Committee shall also supervise the Group's internal audit team in handling actual or potential non-compliance matters (if any).



# CORPORATE GOVERNANCE REPORT

## Risk Management

The Group has established a risk management policy and formal risk assessment system. The Group's risk management framework comprises the following key elements:

1. Identify risks;
2. Analyse risks;
3. Evaluate risks; and
4. Treat risks.

Senior management identifies the key risks that potentially impact the key business processes of their operations on an annual basis. The identified risks are analysed and evaluated using established risk assessment criteria which include appropriate qualitative and quantitative techniques, these identified risks are scored based on their likelihood of occurring and the impact on business should they occur. Such risk evaluation system helps to rank the risks and to prioritise risk management efforts to determine the appropriate risk mitigation plans (i.e. accept, reduce, transfer and avoid). Results of the annual risk assessment are reported to the Audit and Risk Management Committee, including the significant risks of the Group and the associated control activities to mitigate or transfer the identified risks. The risk assessment results indicated limited changes in the nature and extent of significant risks identified by the Group since the Listing Date. To provide assurance over the effectiveness of the risk mitigating controls, the Group has formulated a risk-based, 3-year internal audit plan which covers the identified risk mitigating controls and key business processes of the Group.

## Internal Controls

The Group has established policies and procedures including defined levels of responsibilities and reporting lines. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

To assist the Audit and Risk Management Committee in discharging its duties, the Company has engaged an internal control consultant to conduct an annual review on the adequacy and effectiveness of the Group's internal control system in respect of its compliance with licensing laws and regulations in Hong Kong for each financial year and submit a report. In particular, the internal control consultant shall set out in its report regarding the Group's compliance status with the applicable laws and regulations for the Group's licensing matters and the effectiveness of the Group's internal control system in ensuring the Group's compliance with the applicable licensing requirements for its restaurants. No material deficiency was noted by the internal control consultant regarding licensing matters of the Group during the nine months ended 31 December 2020.

## CORPORATE GOVERNANCE REPORT

The Group has established an independent internal audit function, which is headed by the company secretary and financial controller and supported by the head of the Group's accounting department. The internal audit function shall be responsible for implementing and supervising the Group's internal control system, reporting to the Directors at least annually on the effectiveness of the Group's internal control system, and devising any improvements needed to the Group's internal control system. In carrying out its duties, the Group's internal audit team shall receive reports from the Group's management team and its employees regarding any actual or potential non-compliance, report such non-compliance matters to the Group's Audit and Risk Management Committee, where appropriate, and make recommendation to the Audit and Risk Management Committee and/or the Board for rectifying such non-compliances. The Group has also engaged an external consultant to assist in its internal audit efforts in the coming financial year.

### Review of Risk Management and Internal Control Systems

In respect of the nine months ended 31 December 2020, the Board conducted a review of the effectiveness of the risk management and internal control systems and considers the systems to be effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. A review on the risk management and internal control systems will be conducted on an annual basis.

During the review, the Board also considered the resources, qualification/experience of staff of the Group's internal control, accounting and financial reporting function, and their training and budget to be adequate.

### Disclosure of Inside Information

The Group is aware of its obligation of handling and dissemination of inside information under the GEM Listing Rules and the SFO. The Group has established an inside information management policy for identifying, monitoring and reporting inside information to our shareholders, investors, analysts and media. The internal policy is updated whenever required and adopted accordingly to guide its stakeholder communications and the determination of inside information in order to ensure consistent and timely disclosure. The Group conducts its affairs in accordance with the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012.

### EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities and opinion on the Group's consolidated financial statements for the nine months ended 31 December 2020 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit and Risk Management Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

There was no disagreement between the Board and the Audit and Risk Management Committee on the selection and appointment of the external auditors for the nine months ended 31 December 2020.

# CORPORATE GOVERNANCE REPORT

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the nine months ended 31 December 2020 was approximately as follows:

Type of Services	Amount (HK\$'000)
Audit services	660
Non-audit services related to agreed-upon procedures with respect to revenue report	8
Non-audit services related to agreed-upon procedures with respect to application of Anit-epidemic Fund	8
Non-audit services related to auditor's letter on continuing connected transaction entered into by the Group	10
<b>Total</b>	<b>686</b>

## COMPANY SECRETARY

Mr. Chu Pui Ki, Dickson, the company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

During the nine months ended 31 December 2020, Mr. Chu has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

## BOARD DIVERSITY POLICY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Pursuant to code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. On 23 January 2018, the Board adopted a board diversity policy, a summary of which is set out below:

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.
2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate.
3. Appointments to the Board should be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board.
4. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

# CORPORATE GOVERNANCE REPORT

## NOMINATION POLICY

The Board adopted a nomination policy (the “**Nomination Policy**”) on 27 December 2018. A summary of the Nomination Policy, together with the selection criteria and the nomination procedures made towards achieving those objectives are disclosed below:

### Summary of the Nomination Policy

The Nomination Policy provides the key selection criteria and general principles of the Nomination Committee in making any recommendation on the appointment and re-appointment of the Directors. It aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Group’s business.

### Selection criteria

When making recommendation(s) regarding the appointment of any proposed candidate(s) for directorships to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a number of criteria including but not limited to the followings:

- (a) Character and integrity;
- (b) Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company’s business and corporate strategy;
- (c) Measurable objectives adopted for achieving diversity on the Board;
- (d) Requirements of the Board to have independent directors in accordance with the Rules (“GEM Listing Rules”) Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules.
- (e) Potential contributions he/she will bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (f) Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- (g) Other perspectives that are appropriate to the Company’s business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations. The progress made towards achieving the objectives set out in the Nomination Policy will be disclosed periodically in the corporate governance report of the Company.

# CORPORATE GOVERNANCE REPORT

## Nomination procedures

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

### **(a) Appointment of new director**

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents;
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;
- (iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable;
- (iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

### **(b) Re-election of Director at General Meeting**

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board;
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above;
- (iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations.

## Review of Nomination Policy

The Nomination Committee will conduct regular reviews on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY

Under the Dividend Policy, the declaration and payment of dividends shall be determined by the Board and subject to all the applicable requirements under, including but not limited to, the Companies Law of the Cayman Islands and the articles of association of the Company.

The Company do not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, the Group's results of operations, cashflows and financial condition, general business conditions and strategies, operating and capital requirements, future prospects, legal and tax considerations and other factors the Board deems appropriate. Our Directors will consider as to whether if there is any material adverse impact on our Group's financial and liquidity position arising out of the dividend payments. Dividends may be paid out by way of cash or by other means that our Group considers appropriate.

The Company will continually review the Dividend Policy from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at [topstandard.com.hk](http://topstandard.com.hk), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

# CORPORATE GOVERNANCE REPORT

## Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

## Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company by mail to Room 1901, 19/F, VPOINT, 18 Tang Lung Street, Causeway Bay, Hong Kong or by email via [ir@topstandard.com.hk](mailto:ir@topstandard.com.hk). Share registration matters shall be handled for the Shareholders by the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company have been amended and restated with effect from the Listing Date. There was no change on the memorandum and articles of association of the Company during the nine months ended 31 December 2020.

## CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF TOP STANDARD CORPORATION

*(incorporated in the Cayman Islands with limited liability)*

### DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Top Standard Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 50 to 123, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR DISCLAIMER OF OPINION

#### Multiple Uncertainties Relating to Going Concern

As described in note 2 to the consolidated financial statements, the Group has encountered a number of circumstances giving rise to material fundamental uncertainties. The Group is principally sustained in its daily operations by the proceeds from shares placing and subscription and the financial support from shareholders. The Group is pursuing certain finance measures set out in note 2 to the consolidated financial statements.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends, among others, on the successful and favourable outcome of these measures, which are subject to multiple uncertainties, including (a) the successful of improvement on its catering business and new trading business; (b) the ability to obtain continuous financial support; and (c) the outcomes of claims against the Group.



# INDEPENDENT AUDITOR'S REPORT

## **BASIS FOR DISCLAIMER OF OPINION (Continued)**

### **Multiple Uncertainties Relating to Going Concern (Continued)**

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. In particular, we have not been provided with sufficient appropriate documentary evidence to enable us to assess successfulness of the measures undertaken by the Group. If one or more of the measures undertaken by the Group fails, the Group would be unable to meet its financial obligations as and when they fall due and it might not be able to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets and liabilities may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2020. In addition, the Group may have to recognise further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Any adjustments that would be required may have a consequential significant effect on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the period ended 31 December 2020 and the financial position of the Group as at 31 December 2020, and the related disclosures thereof in the consolidated financial statements.

## **RESPONSIBILITIES OF THE 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 issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

# INDEPENDENT AUDITOR'S REPORT

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in the independent auditor's report is Yeung Chun Yue, David.

### **D & PARTNERS CPA LIMITED**

*Certified Public Accountants*

**Yeung Chun Yue, David**

Practising Certificate Number: P05595

Hong Kong

30 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months period ended 31 December 2020

	Notes	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>Continuing operation</b>			
Revenue	6	21,905	36,452
Other incomes	7	3,095	209
Other gains and losses	8	(800)	(273)
Raw materials and consumables used		(6,797)	(12,693)
Staff costs		(9,149)	(12,895)
Depreciation of property and equipment		–	(3,273)
Depreciation of right-of-use assets		–	(5,257)
Impairment loss on:			
– property and equipment		–	(8,784)
– right-of-use assets		–	(12,378)
Rental and related expenses		(1,950)	(2,655)
Utilities expenses		(2,050)	(3,970)
Other expenses		(6,284)	(3,668)
Finance costs	10	(1,382)	(2,074)
Loss before taxation		(3,412)	(31,259)
Income tax expense	11	–	–
Loss for the period/year from continuing operation	13	(3,412)	(31,259)
<b>Discontinued operations</b>			
Profit/(loss) for the period/year from discontinued operations	12	17,687	(62,936)
Profit/(loss) for the period/year		14,275	(94,195)
Other comprehensive income/(expense) for the period/year			
<b>Item that may be reclassified subsequently to profit or loss</b>			
Exchange differences arising on translation of a foreign operation		56	149
Release of translation reserve upon disposal of a subsidiary		(168)	–
<b>Total comprehensive income/(expense) for the period/year</b>		<b>14,163</b>	<b>(94,046)</b>
<b>Profit/(loss) for the period/year attributable to the owners of the Company</b>			
– from continuing operation		(3,412)	(31,259)
– from discontinued operations		17,687	(62,936)
		14,275	(94,195)
<b>Total comprehensive income/(expense) for the period/year attributable to the owners of the Company</b>			
– from continuing operation		(3,412)	(31,259)
– from discontinued operations		17,575	(62,787)
		14,163	(94,046)
Basic and diluted earnings/(loss) per share (Hong Kong cents)	15		
– from continuing and discontinued operations		1.53	(11.77)
– from continuing operation		(0.36)	(3.91)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	At 31 December 2020 HK'000	At 31 March 2020 HK'000 (Restated)	At 1 April 2019 HK'000
<b>Non-current assets</b>				
Property and equipment	16	–	24	38,139
Right-of-use assets	17	–	–	–
Deposits	20	<b>2,391</b>	5,416	6,838
Deferred tax assets	18	–	–	235
		<b>2,391</b>	5,440	45,212
<b>Current assets</b>				
Inventories	19	<b>97</b>	373	637
Trade receivables, deposits and prepayments	20	<b>1,198</b>	1,979	8,017
Amounts due from related parties	23	–	–	10
Tax recoverable		–	–	1,256
Pledged bank deposits	21	–	–	8,038
Cash and cash equivalents	21	<b>9,024</b>	1,187	1,875
		<b>10,319</b>	3,539	19,833
<b>Current liabilities</b>				
Trade and other payables and accruals	22	<b>12,491</b>	21,712	20,736
Bond payables	24	–	10,000	–
Bank borrowings	25	<b>12</b>	2,618	23,005
Lease liabilities	26	<b>10,868</b>	20,013	80
Provisions	27	<b>1,287</b>	950	–
		<b>24,658</b>	55,293	43,821
<b>Net current liabilities</b>		<b>(14,339)</b>	(51,754)	(23,988)
<b>Total assets less current liabilities</b>		<b>(11,948)</b>	(46,314)	21,224

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	At 31 December 2020 HK'000	At 31 March 2020 HK'000 (Restated)	At 1 April 2019 HK'000
<b>Non-current liabilities</b>				
Deferred tax liabilities	18	–	–	140
Bond payables	24	–	2,000	–
Lease liabilities	26	4,005	15,576	129
Provisions	27	500	775	970
Amounts due to directors	23	–	313	8,062
		<b>4,505</b>	18,664	9,301
<b>Net (liabilities)/assets</b>				
		<b>(16,453)</b>	(64,978)	11,923
<b>Capital and reserves</b>				
Share capital	28	11,520	8,000	8,000
Reserves		(27,973)	(72,978)	3,923
<b>Total (deficit)/equity</b>				
		<b>(16,453)</b>	(64,978)	11,923

The consolidated financial statements on pages 50 to 123 were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

CHUK STANLEY  
DIRECTOR

YING KAN MAN  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 31 December 2020

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Other reserve HK\$'000 (note)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019, as previously reported	8,000	60,304	-	4,686	(37)	(61,030)	11,923
Prior year adjustments (note 2)	-	-	-	-	-	(2,155)	(2,155)
At 1 April 2019, as restated	8,000	60,304	-	4,686	(37)	(63,185)	9,768
Loss for the year	-	-	-	-	-	(93,303)	(93,303)
Exchange differences arising on translation of a foreign operation	-	-	-	-	149	-	149
Other comprehensive expense for the year	-	-	-	-	149	-	149
Total comprehensive expense for the year	-	-	-	-	149	(93,303)	(93,154)
Contribution from a shareholder (note 35)	-	-	19,300	-	-	-	19,300
At 31 March 2020	8,000	60,304	19,300	4,686	112	(156,488)	(64,086)
At 1 April 2020, as previously reported	<b>8,000</b>	<b>60,304</b>	<b>19,300</b>	<b>4,686</b>	<b>112</b>	<b>(156,488)</b>	<b>(64,086)</b>
Prior year adjustments (note 2)	-	-	-	-	-	(892)	(892)
At 1 April 2020, as restated	<b>8,000</b>	<b>60,304</b>	<b>19,300</b>	<b>4,686</b>	<b>112</b>	<b>(157,380)</b>	<b>(64,978)</b>
Profit for the period	-	-	-	-	-	14,275	14,275
Exchange differences arising on translation of a foreign operation	-	-	-	-	56	-	56
Release of translation reserve upon disposal of a subsidiary	-	-	-	-	(168)	-	(168)
Other comprehensive expense for the period	-	-	-	-	(112)	-	(112)
Total comprehensive (expense)/income for the period	-	-	-	-	(112)	14,275	14,163
Contribution from shareholders (note 35)	-	-	2,769	-	-	-	2,769
Release upon disposal of subsidiaries	-	-	-	(1,000)	-	1,000	-
Release of capital reserves (note 35)	-	-	(21,503)	-	-	21,503	-
Issue of shares, net of transaction costs	<b>3,520</b>	<b>28,073</b>	-	-	-	-	<b>31,593</b>
At 31 December 2020	<b>11,520</b>	<b>88,377</b>	<b>566</b>	<b>3,686</b>	-	<b>(120,602)</b>	<b>(16,453)</b>

Note: Other reserve represents the difference between the share capital of group entities and that of the Company issued pursuant to the group reorganisation and shareholder's contribution upon the group reorganisation.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months period ended 31 December 2020

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	14,275	(94,094)
Adjustments for:		
Depreciation of property and equipment	2	9,061
Depreciation of right-of-use assets	–	17,074
Finance costs	1,382	3,871
Gain on disposal of subsidiaries	(18,832)	–
Interest income	(92)	(403)
Impairment loss on property and equipment	–	26,694
Impairment loss on right-of-use assets	–	27,409
Impairment loss of trade receivables under expected credit loss model	695	2
Loss on disposal of property and equipment	–	3,763
Exchange differences	(68)	35
Operating cash flows before movements in working capital	(2,638)	(6,588)
Decrease in inventories	64	264
(Increase)/decrease in trade receivables, deposits and prepayments	(1,842)	6,681
Decrease in amounts due from related parties	–	10
(Decrease)/increase in trade and other payables and accruals and provisions	(3,536)	3,199
Cash (used in) generated from operations	(7,952)	3,566
Hong Kong Profits Tax refunded	–	1,250
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(7,952)</b>	<b>4,816</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	–	62
Net cash outflow on disposal of the subsidiaries	(825)	(216)
Purchases of property and equipment	–	(1,398)
Withdrawal of pledged bank deposits	–	8,038
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(825)</b>	<b>6,486</b>
<b>FINANCING ACTIVITIES</b>		
Proceed from issuance of shares	31,593	–
Advance from directors	2,769	11,551
Repayment of lease liabilities	(2,898)	(12,230)
New borrowings raised	–	2,500
Repayment of bank borrowings	(434)	(23,005)
(Repayment)/proceeds on issue of bonds	(12,000)	12,000
Interest paid	(2,311)	(2,931)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>16,719</b>	<b>(12,115)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months period ended 31 December 2020

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,942</b>	(813)
Cash and cash equivalents at 1 April 2020 and 1 April 2019	<b>1,069</b>	1,875
Effect of foreign exchange rate changes	<b>1</b>	7
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2020 AND 31 MARCH 2020</b>		
represented by bank balances and cash	<b>9,012</b>	1,069
Analysis of cash and cash equivalents		
Bank balances and cash	<b>9,024</b>	1,187
Bank overdrafts	<b>(12)</b>	(118)
	<b>9,012</b>	1,069
Analysis of profit (loss) before taxation		
Loss before taxation from continuing operation	<b>(3,412)</b>	(31,259)
Loss before taxation from discontinued operations	<b>(1,145)</b>	(62,835)
Gain on disposal of discontinued operations	<b>18,832</b>	–
	<b>14,275</b>	(94,094)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 1. GENERAL

Top Standard Corporation (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 of the laws of the Cayman Islands on 11 February 2016. The Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 February 2018.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The immediate and ultimate holding company is JSS Group Corporation ("JSS Group"). JSS Group is a limited liability company incorporated in the British Virgin Islands (the "BVI") and wholly-owned by Mr. Chuk Stanley ("Mr. Stanley Chuk"), who is an executive director of the Company.

The Company is an investment holding company. The activities of its subsidiaries are set out in note 37.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### Basis of Preparation

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

The consolidated financial statements have been prepared on the historical cost basis 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.

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 these 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Basis of Preparation (Continued)

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 assets or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liabilities.

### Change of financial year end date

Pursuant to a resolution of Board dated 15 December 2020, the Company's financial year end has been changed from 31 March to 31 December commencing from the financial year of 2020 in order to provide up-to-date and accurate information to its shareholders and potential investors on the Company's ability to continue as a going concern. Accordingly, the accompanying consolidated financial statements for the current financial period cover a period of nine months from 1 April 2020 to 31 December 2020. The comparative figures presented for the consolidated financial statements for the financial year from 1 April 2019 to 31 March 2020 which may not be comparable with the amounts shown for the current period.

### Going Concern assumption

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Company in light of the fact that:

- (i) The Group's current liabilities exceeded its current assets by HK\$14,339,000 (year ended 31 March 2020: HK\$51,754,000) as at 31 December 2020, the Group's total liabilities exceeded its total assets by HK\$16,453,000 (year ended 31 March 2020: HK\$64,978,000) as of that date, and that the Group incurred a loss of HK\$3,412,000 (year ended 31 March 2020: HK\$31,259,000) from continuing operations for the nine months period ended 31 December 2020.
- (ii) Since the outbreak of the COVID-19 in January 2020, the Group's operations are significantly affected by the prevention and control policies imposed by the local government. During these nine months, the Group's restaurants were recorded continued operating losses and negative cash flows. As such, the Group is unable to settle its staff salaries, rental expenses and other accruals incurred in the course of its daily operations.
- (iii) At as 31 December 2020, the Group has cash and cash equivalents of HK\$9,024,000 (year ended 31 March 2020: HK\$1,187,000) which is insufficient to settle all the current liabilities, which includes lease liabilities of HK\$10,868,000 (year ended 31 March 2020: HK\$20,013,000), salary payables of HK\$2,898,000 (year ended 31 March 2020: HK\$6,327,000), other accruals and other payables of HK\$7,263,000 (year ended 31 March 2020: HK\$10,643,000) and other provisions of HK\$1,287,000 (year ended 31 March 2020: HK\$950,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Going Concern assumption (Continued)

- (iv) As disclosed in Notes 38, 39 & 40 to the consolidated financial statements, the Group served a number of claims by various parties as a result of arrears rent and salaries. These claims are legal proceedings and the outcomes might have a significant impact on the continuity of the Group and the Company.

In view of such circumstances, which indicate the existence of uncertainties that may cast doubt about the Group's and the Company's ability to continue as a going concern and therefore, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Company, and the available sources of financing in assessing whether the Group and the Company will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's and the Company's financial position which include, but are not limited to, the following:

- (a) Management of the Company believes the catering businesses will be recovered upon the COVID-19 is being properly managed. The Group takes active initiative to re-organise its operations by reducing the heavy financial burden on unperforming subsidiaries. During the nine months period ended 31 December 2020, management disposed these subsidiaries, as disclosed in Note 30, to reduce the Group's liabilities and cash outflows. Subsequent to the reporting date, the Group entered into a distributor agreement and a supplementary agreement to the distributor agreement ("Agreements"), with a food products supplier to establish a distributorship relationship and the Group as a distributor to purchase food products from the supplier and resell in Hong Kong, the PRC and Macau to improve the profitability and cash flows of the Group.
- (b) In view of the impact of COVID-19 is still affecting the catering business, the Group plans to diversify its businesses by developing an online platform to sell and distribute premium grades of Japanese beef and red wines. Subsequent to the reporting date, the Group entered distributor's agreements to secure the supply of these stocks. This new business stream is expected to provide immediate cash flows for the Group.
- (c) In order to meet the immediate financial obligations, the Company has obtained a loan facility amounting to HK\$10,000,000 from a financing company. The loan facility is designated for new catering business development and is available upon request made by the Group. Management of the Company estimates that the loan facility of HK\$10,000,000, together with the Group's cash and cash equivalents of HK\$9,024,000, the Group and the Company are able to maintain its operations and achieve the measures undertaken by the Group.
- (d) Management of the Company is working closely with the Group's lawyers to settle the claims for the benefits of the Group. As at the date of this report, provision has been recorded in relation to the claims, and details of the claims are disclosed in notes 38, 39 & 40.
- (e) The Group and the Company will continue to seek for alternative financing solutions and/or group re-organisation to turnround the difficulties encountered by the Group and the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Basis of Preparation (Continued)

The directors of the Company, based on a cash flow forecast of the Group covering a period up to 31 December 2021 which has taken into account the abovementioned plans and measures, consider that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated financial statements. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the period ended 31 December 2020 on a going concern basis of accounting.

However, the appropriateness of the going concern basis of accounting is dependent on the assumption that (i) the management of the Group will be able to achieve its plans and measures as described above; (ii) the Group is able to obtain continuous external financial support; (iii) the Group will be able to improve its business operations; and (iv) the Group is able to generate sufficient cash flow and implement exercises to control costs. Should the going concern basis of accounting become inappropriate, adjustments might have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2020, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

### Correction of Prior Year Adjustments

In preparing the consolidated financial statements for the year ended 31 March 2020, management of the Company made the best estimate on the financial impacts that might be arisen in result of the Group's arrears of rent, salaries and other payables and accruals based on the information being available at that moment. Upon further information is obtained during this reporting period, the management of the Company considered that the financial impacts on these matters are significant and material, and therefore, prior year adjustments are proposed to reflect the financial impacts, presentation and disclosure of these transactions and balances in previously issued consolidated financial statements. The corrections made are related to the understatements of liabilities, penalties and other surcharges in relation to the arrears of rent, salaries and other payables and accruals.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Correction of Prior Year Adjustments (Continued)

The financial impacts of the restatements on the consolidated financial statements for the year ended 31 March 2020 are as follows:

#### (a) Effect of prior year adjustments on the Group's consolidated statement of profit or loss or comprehensive income for the year ended 31 March 2020

	As previously reported	Impact of prior year adjustments		As restated
	HK\$'000	Note (a) HK\$'000	Note (b) HK\$'000	31 March 2020 HK\$'000
Revenue	96,646	–	–	96,646
Other incomes	1,296	–	–	1,296
Other gains and losses	(3,833)	(868)	–	(4,701)
Raw materials and consumables used	(34,050)	–	–	(34,050)
Staff Costs	(45,326)	–	–	(45,326)
Depreciation – property and equipment	(9,061)	–	–	(9,061)
Depreciation – right-of-use assets	(17,074)	–	–	(17,074)
Impairment loss on property and equipment	(26,694)	–	–	(26,694)
Impairment loss on right-of-use assets	(27,409)	–	–	(27,409)
Rental and related expenses	(5,732)	–	–	(5,732)
Utilities expenses	(8,428)	–	(13)	(8,441)
Other expenses	(9,677)	–	–	(9,677)
Finance costs	(3,860)	–	(11)	(3,871)
Loss before tax	(93,202)	(868)	(24)	(94,094)
Income tax expense	(101)	–	–	(101)
Loss for the year	(93,303)	(868)	(24)	(94,195)
Other comprehensive income for the year:				
<b>Item that may be reclassified subsequently to profit or loss</b>				
Exchange differences arising on translation of a foreign operation	149	–	–	149
<b>Total comprehensive expense for the year</b>	(93,154)	(868)	(24)	(94,046)

	As previously reported	As restated
Basic and diluted loss per share (Hong Kong Cents)	(11.66)	(11.77)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Correction of Prior Year Adjustments (Continued)

#### (b) Effect of prior year adjustments on the Group's consolidated statement of financial position as at 31 March 2020

	As previously reported HK\$'000	Impact of prior year adjustments Note (a) HK\$'000	Note (b) HK\$'000	As restated 31 March 2020 HK\$'000
<b>Non-current assets</b>				
Property and equipment	24	–	–	24
Right-to-use assets	–	–	–	–
Deposits	5,416	–	–	5,416
Deferred tax assets	–	–	–	–
	5,440	–	–	5,440
<b>Current assets</b>				
Inventories	373	–	–	373
Trade receivables, deposits and prepayments	1,979	–	–	1,979
Amounts due from related parties	–	–	–	–
Tax recoverable	–	–	–	–
Pledged bank deposits	–	–	–	–
Cash and cash equivalents	1,187	–	–	1,187
	3,539	–	–	3,539
<b>Current liabilities</b>				
Trade and other payables and accruals	21,650	38	24	21,712
Bonds payable	10,000	–	–	10,000
Bank borrowings	2,618	–	–	2,618
Lease liabilities	20,013	–	–	20,013
Provision	120	830	–	950
	54,401	868	24	55,293
<b>Net current liabilities</b>	(50,862)	(868)	(24)	(51,754)
<b>Total assets less current liabilities</b>	(45,422)	(868)	(24)	(46,314)
<b>Non-current liabilities</b>				
Deferred tax liabilities	–	–	–	–
Bond payable	2,000	–	–	2,000
Lease liabilities	15,576	–	–	15,576
Provision	775	–	–	775
Amounts due to directors	313	–	–	313
	18,664	–	–	18,664
<b>Net liabilities</b>	(64,086)	(868)	(24)	(64,978)
<b>Capital and reserves</b>				
Share capital	8,000	–	–	8,000
Reserves	(72,086)	(868)	(24)	(72,978)
<b>Total deficit</b>	(64,086)	(868)	(24)	(64,978)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Correction of Prior Year Adjustments (Continued)

#### (b) Effect of prior year adjustments on the Group's consolidated statement of financial position as at 31 March 2020 (Continued)

Note (a) Adjustment to recognise the under-estimated surcharge and penalty arisen from default contribution of the Group's employees' MPF Contribution on or before the contribution day, and the default payment of salaries to the Group's employees.

For the outstanding contribution and late payment are subjected to surcharge equal to 5% of the outstanding payment while the defaulted employer is subject to a financial penalty of HK\$5,000 or 10% of the amount due, whichever is greater. In preparing the consolidated financial statements for the year ended 31 March 2020, management of the Company made an estimation on these surcharge and penalty by reference to previously cases concluded by the Mandatory Provident Fund Schemes Authority.

For the default payment of salaries, the late payment are subjected to interest charge of 8% per annum on unpaid salaries while the defaulted employer is subjected to a financial penalty of HK\$350,000 and imprisonment for 3 years.

During the nine months period ended 31 December 2020, the Group received prosecutions from Mandatory Provident Fund Schemes Authority and summons from the Court and confirmed the surcharge and penalty for such non-compliance. The other gains and losses, other payables and accruals and provision reported previously were understated by HK\$868,000, HK\$38,000 and HK\$830,000 respectively.

Note (b) Adjustment to recognise the under-estimated interests, surcharge and penalty arisen from default in paying rent and utilities thereon. In accordance with the tenancy agreements entered with landlords, certain interests, surcharge and penalty will be imposed. In preparing the consolidated financial statements for the year ended 31 March 2020, management of the Company made an estimation on these interests, surcharge and penalty by reference to the terms of these tenancy agreements.

During the nine months period ended 31 December 2020, the Group received claims from its landlords and confirmed the amounts of additional liabilities for such default in payment of rent and utilises thereon. The finance costs, utilities expenses and accruals reported previously were understated by HK\$11,000, HK\$13,000 and HK\$24,000 respectively.

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

### Amendments to HKFRSS that are mandatorily effective for the current period

In the current period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSS issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSS in the current period had no material impact on the Group's financial positions and performance for the current period and prior year and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### Amendments to HKFRSs that are mandatorily effective for the current period (Continued)

#### 3.1 *Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the consolidated financial statements.

#### 3.2 *Impacts on application of Amendments to HKFRS 3 Definition of a Business*

The Group has applied the amendments for the first time in the current period. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### Amendments to HKFRSs that are mandatorily effective for the current period (Continued)

#### 3.3 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current period. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession 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.

A lessee 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 Leases if the changes were not a lease modification. 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 had no impact to the opening retained profits at 1 April 2020.

### 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 and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	References to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted 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.

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 component 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 owners of the Company and to the non-controlling interest even if this results in non-controlling interests having a deficit balance.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

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 and 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.

Revenue from restaurant operation is recognised at the point in time when the catering services to the customers are completed.

Revenue from the sale of food is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the food.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

#### *Definition of a lease*

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

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.

#### *The Group as a lessee*

##### *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 and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets 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 assets includes:

- the amount of the initial measurement of the lease liabilities;
- 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 loss, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("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 liabilities 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.

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

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 liabilities are 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 expected payment under a guaranteed residual value, in which cases the related lease liabilities are 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

##### *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 liabilities 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 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.

##### *Covid-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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.

A lessee 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 are not a lease modification. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 exchanges 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

### 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. 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.

### 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 benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan and the Taiwan defined contribution scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term and other 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 and annual 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 except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit (loss) before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years 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 each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business consolidation) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 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 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 assets be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when 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 each reporting period.

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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 requirements of HKAS 12 Income Taxes 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 results in net deductible temporary differences.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment 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 a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property 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 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.

### Impairment loss on property and equipment and right-of-use assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

In addition, corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment loss on property and equipment and right-of-use assets other than financial assets (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 CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. 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 the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 CGU or a group of CGUs) 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. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all 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 each 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 obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### Reinstatement provisions

Provision 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 paid or received 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.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment of financial assets*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits and prepayments, amounts due from related parties, pledged bank deposits and bank balances). 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 ECL ("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 recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### Impairment of financial assets (Continued)

(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;
- an actual or expected significant deterioration in the operating results of the debtor;
- 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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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 of default 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.

(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 receivables, when the amounts are over two 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

(v) Measurement and recognition of expected credit loss ("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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Amounts due from related parties is assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 and other receivables where the corresponding adjustment is recognised through a loss allowance account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### *Financial liabilities and equity*

##### *Classification as debt or equity*

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

##### Equity instruments

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

##### Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables, amounts due to directors, bond payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or 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 underlying 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates 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 each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

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

### Impairment of property and equipment and right-of-use assets

Property 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: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates, the growth rate or the budgeted gross margins in the cash flow projections, could materially affect the net present value used in the impairment test. Details of impairment assessment are set out in note 16.

### Provision of ECL for trade and other receivables

The Group uses provision matrix to calculate ECL for the trade and other receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in note 20.

## 6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through restaurants. The following is revenue and segment information analysis:

### (i) Disaggregation of revenue from contracts with customers

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>Continuing operation</b>		
Catering service income (including services provided and food served)	21,905	36,452
Timing of revenue recognition		
A point in time	21,905	36,452

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### (ii) Performance obligations for contracts with customers

Revenue from catering service income and trading of food materials are recognised when control of the goods and services have been transferred to the customers, being at the point the goods are delivered and the related services are rendered to the customers. Payment of the transaction price is due immediately to 60 days at the point the Group provides the services and serves the foods to the customers.

### (iii) Segment informations

The consolidated financial statements reported to the management of the Group, being the chief operating decision maker ("CODM"), for the purpose of assessment of segment performance and resources allocation focusing on different restaurants of the Group. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group previously has six operating and reportable segments, which includes (i) Sichuanese and Cantonese cuisine under the brand of "San Xi Lou" ("San Xi Lou"); (ii) vegetarian cuisine under the brand of "Pure Veggie House" ("Pure Veggie House"); (iii) vegetarian cuisine under the brand of "Pure Veggie House" in Taipei, Taiwan ("PVH Taipei"); (iv) Sichuanese cuisine under the brand of "Man Jiang Hong" ("Man Jiang Hong"); (v) Japanese cuisine located in Hong Kong ("Ronin"); and (vi) other. During the nine months period ended 31 December 2020, the Group's operating and reportable segments have the following changes to reflect the CODM's current reviewing procedures:

- (a) The segment of San Xi Lou has divided into two segments, San Xi Lou CWB and San Xi Lou Central; San Xi Lou CWB is a Sichuanese and Cantonese cuisine restaurant operation located in Causeway Bay, while San Xi Lou Central is a Sichuanese and Cantonese cuisine restaurant operation located in Central; and
- (b) Five reporting segments, San Xi Lou Central, Pure Veggie House, PVH Taipei, Man Jiang Hong, Ronin and other, are discontinued.

At the end of the reporting period, the Group has only one operating and reportable segment: San Xi Lou CWB.

The comparative information is restated to reflect these changes.

The CODM reviews the Group's result by the brand of each restaurant in order to assess performance and allocation of resources. Other than segment results, no segment assets and liabilities are available for the assessment of performance and allocation of resources for the year as the opinion of directors, the cost to develop it would be excessive. The CODM reviews the segment results of the Group as a whole to make decisions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results

	Continuing operation		Discontinued operations					Sub-total	Total
	San Xi Lou CWB HK'000	Pure Veggie House HK'000	PVH Taipei HK'000	San Xi Lou Central HK'000	Ronin HK'000	Man Jiang Hong HK'000	Others HK'000		
<b>Nine months period ended 31 December 2020</b>									
Revenue	21,905	903	905	3,981	1,411	-	-	7,200	29,105
Segment result	442	(115)	(263)	382	(284)	-	-	(280)	162
Other incomes									3,831
Other gains or losses									(274)
Finance costs									(1,682)
Unallocated other expenses									12,238
Profit before tax									14,275

	Continuing operation		Discontinued operations					Sub-total	Total
	San Xi Lou CWB HK'000	Pure Veggie House HK'000	Man Jiang Hong HK'000	PVH Taipei HK'000	San Xi Lou Central HK'000	Ronin HK'000	Others HK'000		
<b>Revenue</b>	36,452	7,647	7,042	8,589	23,651	12,345	920	60,194	96,646
Segment result	(25,440)	(6,501)	(17,209)	(13,667)	(6,601)	(4,782)	101	(48,659)	(74,099)
Other incomes									1,296
Other gains or losses									(1,032)
Finance costs									(3,871)
Unallocated other expenses									(16,388)
Loss before tax									(94,094)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment (loss)/profit represents the (loss)/profit incurred by each segment without allocation of other income, certain unallocated other gains and losses, finance costs, other expenses (including head office staff costs, rental and other corporate expenses during the period/year) and taxation.

### Geographical information

The following table presents revenue from external customers for the period ended 31 December 2020 and year ended 31 March 2020, by geographical area.

#### *Revenue from external customers*

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>Continuing operation</b>		
Hong Kong	<b>21,905</b>	36,452

The revenue information above is based on the location of goods delivered and services provided for the period and the year.

There is no single customers who contributes over 10% of the total revenue of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 7. OTHER INCOMES

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>Continuing operation</b>		
Interest income	92	117
Government grants	2,650	–
Sundry income	353	92
	<b>3,095</b>	<b>209</b>

Government grants from employment support scheme of HK\$2,650,000 are recognised during the period ended 31 December 2020 to subsidise eligible employer for paying wages of employees in the subsidy period. The Group is required to undertaken and warrant that the Group will not implement redundancies during the subsidy period and spend all the wage subsidies on paying wages to its employees.

## 8. OTHER GAINS AND LOSSES

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>Continuing operation</b>		
Impairment loss of trade and other receivables under ECL model	(695)	(1)
Surcharge and penalty	(105)	(273)
Other gains	–	1
	<b>(800)</b>	<b>(273)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors of Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the period/year as follows:

	Director's fee HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
<b>Nine months period ended 31 December 2020</b>				
<b>Executive directors</b>				
Mr. Stanley Chuk (note i)	424	–	15	439
Mr. KY Chuk (note ii)	155	–	–	155
Mr. Johnson Lam (note iii)	326	–	8	334
Mr. Ying Kan Man (note iv)	75	–	4	79
Dr. Chen Liang (note v)	–	–	–	–
<b>Independent non-executive directors</b>				
Mr. Yew Tak Yun, Paul (note vii)	35	–	–	35
Mr. Chan Kwok Ki, Stephen (note viii)	35	–	–	35
Mr. Wong Ching Wan	75	–	–	75
Mr. Tang Chiu Ming, Jeremy (note ix)	36	–	–	36
Mr. Yip Ki Chi, Luke (note x)	36	–	–	36
<b>Total</b>	<b>1,197</b>	<b>–</b>	<b>27</b>	<b>1,224</b>
<b>Year ended 31 March 2020</b>				
<b>Executive directors</b>				
Mr. Stanley Chuk (note i)	436	–	15	451
Mr. KY Chuk (note ii)	220	–	–	220
Mr. Johnson Lam (note iii)	360	–	16	376
<b>Independent non-executive directors</b>				
Ms. Chian Yat Ping (note vi)	84	–	–	84
Mr. Yew Tak Yun, Paul (note vii)	95	–	–	95
Mr. Chan Kwok Ki, Stephen (note viii)	95	–	–	95
Mr. Wong Ching Wan	11	–	–	11
<b>Total</b>	<b>1,301</b>	<b>–</b>	<b>31</b>	<b>1,332</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

Notes:

- i. Mr. Stanley Chuk is also the chairman and chief executive officer of the Company.
- ii. Mr. KY Chuk resigned on 25 August 2020 as executive director of the Company.
- iii. Mr. Johnson Lam resigned on 12 September 2020 as executive director of the Company.
- iv. Mr. Ying Kan Man was appointed on 12 September 2020 as executive director of the Company.
- v. Dr. Chen Liang was appointed on 8 April 2020 and resigned on 11 September 2020 as executive director of the Company.
- vi. Ms. Chian Yat Ping resigned on 24 January 2020 as independent non-executive director of the Company.
- vii. Mr. Yew Tak Yun, Paul resigned on 12 September 2020 as independent non-executive director of the Company.
- viii. Mr. Chan Kwok Ki, Stephen resigned on 12 September 2020 as independent non-executive director of the Company.
- ix. Mr. Tang Chiu Ming, Jeremy was appointed on 12 September 2020 as independent non-executive director of the Company.
- x. Mr. Yip Ki Chi, Luke was appointed on 12 September 2020 as independent non-executive director of the Company.
- xi. The emoluments of executive directors stated above were for their services in connection with management of the affairs of the Company and subsidiaries. The emoluments of independent non-executive directors state above were for their services in connection with their roles as directors of the Company.
- xii. During the period ended 31 December 2020, Mr. KY Chuk and Mr. Johnson Lam had waived HK\$263,000 and HK\$292,000 director's fee owed to them by the Group respectively (for the year ended 31 March 2020: nil).

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (for the year ended 31 March 2020: one) were director of Company whose emolument is included in the disclosures above. The emoluments of the remaining three (for the year ended 31 March 2020: four) individuals are as follows:

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Salaries and other benefits	1,121	2,320
Retirement benefits scheme contributions	34	68
	<b>1,155</b>	<b>2,388</b>

Their emoluments are within the following band:

	Nine months period ended 31 December 2020 Number of employees	Year ended 31 March 2020 Number of employees
HK\$ Nil to HK\$1,000,000	3	4

During the period ended 31 December 2020 and the year ended 31 March 2020, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 10. FINANCE COSTS

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>Continuing operation</b>		
The finance costs represent interest on:		
– Bond payables	562	929
– Bank borrowings	3	2
– Lease liabilities	817	1,143
	<b>1,382</b>	<b>2,074</b>

## 11. INCOME TAX EXPENSE

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
<b>Continuing operation</b>		
Hong Kong Profits Tax:		
Current tax	–	–
	–	–
Deferred taxation charge (note 18)	–	–
	–	–

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%.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 11. INCOME TAX EXPENSE (Continued)

The income tax expense for the period/year can be reconciled to the loss before taxation as follows:

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
Loss before taxation from continuing operation	<b>(3,412)</b>	(31,259)
Tax at the domestic income tax rate	<b>(563)</b>	(5,158)
Tax effect of expense not deductible for tax purpose	<b>1,178</b>	4,531
Tax effect of income not taxable for the tax purpose	<b>(901)</b>	(32)
Tax effect of tax losses/deductible temporary differences not recognised	<b>286</b>	659
Income tax expense from continuing operation	–	–

Details of deferred tax are set out in note 18.

## 12. DISCONTINUED OPERATIONS

During the period ended 31 December 2020, the Group had discontinued certain restaurant operations by disposal. The Group entered into certain agreements with a number of independent third parties for the disposal of these subsidiaries which carried out part of the Group's restaurant operations.

The profit/(loss) for the period from the discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present part of the restaurant operations as discontinued operations.

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Loss of the discontinued operations for the period/year	<b>(1,145)</b>	(62,936)
Gain on disposal of part of the discontinued operations (note 30)	<b>18,832</b>	–
	<b>17,687</b>	(62,936)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 12. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations for the nine months period ended 31 December 2020, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Revenue	7,200	60,194
Other incomes	736	1,087
Other gains and losses	1,022	(4,428)
Raw materials and consumables used	(2,265)	(21,357)
Staff costs	(4,930)	(32,431)
Depreciation of property and equipment	(2)	(5,788)
Depreciation of right-of-use assets	–	(11,817)
Impairment loss on:		
–property and equipment	–	(17,910)
–right-of-use assets	–	(15,031)
Rental and related expenses	(1,167)	(3,077)
Utilities expenses	(488)	(4,471)
Other expenses	(951)	(6,009)
Finance costs	(300)	(1,797)
Loss before taxation	(1,145)	(62,835)
Income tax expense	–	(101)
Loss for the period/year	(1,145)	(62,936)
Other comprehensive income/(expense) for the period/year:		
Item that maybe reclassified subsequently to profit or loss		
Exchange differences arising on translation of a foreign operation	56	149
Release of translation reserve upon disposal of a subsidiary	(168)	–
Total comprehensive income/(expense) for the period/year	(1,257)	(62,787)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 12. DISCONTINUED OPERATIONS (Continued)

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Profit/(loss) for the period/year from discontinued operations has been arrived after charging:		
Depreciation of property and equipment	2	5,788
Depreciation of right-of-use assets	–	11,817
Impairment loss on:		
– property and equipment	–	17,910
– right-of-use assets	–	15,031
Auditor's remuneration	27	172
Staff costs (including directors' emoluments)		
Salaries and other benefits	4,695	30,908
Retirement benefits scheme contributions	235	1,523
	4,930	32,431
Impairment loss of trade and other receivables under expected credit loss model	–	1
Short-term lease payment in respect of		
– land and buildings	263	780
– catering equipment	403	102
	666	882

The carrying amounts of the assets and liabilities of the disposed subsidiaries at the date of disposal are disclosed in note 30.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 13. PROFIT/(LOSS) FOR THE PERIOD/YEAR

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
<b>Continuing operation</b>		
Loss before taxation has been arrived at after charging:		
Depreciation of property and equipment	–	3,273
Depreciation of right-of-use assets	–	5,257
Impairment loss on:		
– property and equipment	–	8,784
– right-of-use assets	–	12,378
Auditor's remuneration	659	348
Staff costs (including directors' emoluments)		
Salaries and other benefits	8,769	12,297
Retirement benefits scheme contributions	380	598
	9,149	12,895
Impairment loss of trade and other receivables under expected credit loss model	695	1
Short-term lease payment in respect of		
– land and buildings	–	–
– catering equipment	40	54
	40	54

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the period ended 31 December 2020 and the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period.

## 15. EARNINGS/(LOSS) PER SHARE

### For continuing operation

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

Earnings/(loss) figures are calculated as follows:

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
Profit/(loss) for the period/year attributable to owners of the Company	14,275	(94,195)
Less:		
Profit/(loss) for the period/year from discontinued operations	17,687	(62,936)
Loss for the purpose of basic and diluted loss per share from continuing operation	(3,412)	(31,259)

### Number of shares

	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	935,796	800,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 15. EARNINGS/(LOSS) PER SHARE (Continued)

### Number of shares (Continued)

The weighted average number of ordinary shares for the purpose of basic earning/(loss) per share has been adjusted for the shares placing completed on 4 September 2020 and the share subscription completed on 10 November 2020. There are no potential dilutive shares in issue during both period/year.

### From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000 (Restated)
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share		
Profit/(loss) for the period/year attributable to owners of the Company	<b>14,275</b>	(94,195)

The denominators used are the same as those detailed above for basic and diluted earnings/(loss) per share.

### From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK\$1.89 cents per share (year ended 31 March 2020: HK\$7.87 cents loss per share), based on the profit for the period from the discontinued operations of approximately HK\$17.7 million (year ended 31 March 2020: loss of approximately HK\$62.9 million) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 16. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Catering and other equipment HK\$'000	Total HK\$'000
COST				
At 1 April 2019	49,139	7,704	4,376	61,219
Exchange adjustments	98	–	3	101
Additions	832	67	561	1,460
Disposals	(11,861)	(1,184)	(125)	(13,170)
At 31 March 2020	38,208	6,587	4,815	49,610
Disposal of subsidiaries (note 30)	(24,998)	(3,388)	(3,038)	(31,424)
At 31 December 2020	13,210	3,199	1,777	18,186
DEPRECIATION AND IMPAIRMENT				
At 1 April 2019	17,350	3,829	2,065	23,244
Exchange adjustments	(6)	–	–*	(6)
Provided for the year	7,365	1,010	686	9,061
Impairment loss	21,879	2,644	2,171	26,694
Eliminated on disposals	(8,380)	(920)	(107)	(9,407)
At 31 March 2020	38,208	6,563	4,815	49,586
Provided for the period	–	2	–	2
Eliminated on disposal of subsidiaries (note 30)	(24,998)	(3,366)	(3,038)	(31,402)
At 31 December 2020	13,210	3,199	1,777	18,186
CARRYING VALUES				
At 31 December 2020	–	–	–	–
At 31 March 2020	–	24	–	24

\* Less than HK\$1,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 16. PROPERTY AND EQUIPMENT (Continued)

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of lease terms and useful life
Furniture and fixtures	20%–25%
Catering and other equipment	20%–25%
Motor vehicle	25%

As certain restaurants in Hong Kong and Taiwan did not perform as expected, the management of the Group concluded there was an indication for impairment and conducted impairment assessment on recoverable amounts of property and equipment and right-of-use assets of relevant restaurants. The Group estimates the recoverable amount of these restaurants, each represents an individual CGU, to which the asset belongs when it is not possible to estimate the recoverable amount individually.

The recoverable amount of CGUs has been determined based on a value in use calculation.

Furthermore, since the Group estimates certain restaurants with impairment indicators would not generate a net cash inflow in the future, an impairment loss of HK\$26,694,000 and HK\$27,409,000 has been fully recognised against the carrying amount of property and equipment and right-of-use assets during the year ended 31 March 2020, respectively.

The remaining lease term of the restaurant is to end within three years from the end of the reporting period.

## 17. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000	Catering and other equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
As at 31 December 2020 and 31 March 2020				
Carrying amount	–	–	–	–
For the year ended 31 March 2020				
Provided for the year	(16,989)	(15)	(70)	(17,074)
Impairment loss	(27,347)	(39)	(23)	(27,409)
Eliminated on disposals	(399)	–	–	(399)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 17. RIGHT-OF-USE ASSETS (Continued)

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	680	780
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	26	156
Total cash outflow of leases	2,898	12,230
Lease modification to right-of-use assets	–	(252)

For both period and year, the Group leases various properties for restaurant, catering and other equipment and motor vehicle for its operations. Lease contracts are entered into the following ranges of fixed terms of 6 months to 5 years, but may have extension and termination options as described below.

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.

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 is depreciated from commencement date to the end of the useful life. The remaining right-of use assets are depreciated on a straight-line basis over the terms of the leases.

### Extension and termination options

The Group has extension and termination options in a number of leases for various properties for restaurant. 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 assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise and termination options in which the Group is not reasonably certain not to exercise are summarised below:

	As at 31 December 2020 HKD'000	Potential future lease payments not included in lease liabilities (undiscounted) HKD'000	As at 31 March 2020 HKD'000	Potential future lease payments not included in lease liabilities (undiscounted) HKD'000
Restaurants, staff quarters and catering equipments	14,873	–	35,589	15,126

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 17. RIGHT-OF-USE ASSETS (Continued)

### Extension and termination options (Continued)

The following table summarised the additional lease liabilities recognised during the period ended 31 December 2020 and year ended 31 March 2020 as a result of (i) exercising extension option that the Group was not reasonably certain to exercise and (ii) not exercising termination option that the Group was not reasonably certain not to exercise:

	Extension option exercisable during the period ended 31 December 2020 No. of leases	Extension option exercised No. of leases	Termination option exercisable during the period ended 31 December 2020 No. of leases	Termination option not exercised No. of leases
Restaurants, staff quarters and catering equipments	-	-	-	-
Additional lease liabilities recognised during the period ended 31 December 2020 (HK\$'000)			-	-

	Extension option exercisable during the year ended 31 March 2020 No. of leases	Extension option exercised No. of leases	Termination option exercisable during the year ended 31 March 2020 No. of leases	Termination option not exercised No. of leases
Restaurants, staff quarters and catering equipments	4	-	9	1
Additional lease liabilities recognised during the year ended 31 March 2020 (HK\$'000)			-	(322)

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 period ended 31 December 2020 and year ended 31 March 2020, there is no such triggering event.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 17. RIGHT-OF-USE ASSETS (Continued)

### Extension and termination options (Continued)

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on a certain percentage of sales and minimum annual lease payment that are fixed over the lease term. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher revenue.

The Group has extension options for certain leases in Hong Kong. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group.

## 18. DEFERRED TAXATION

The following is the deferred tax assets (liabilities) recognised and movements thereon during the period/year:

	Accelerated accounting depreciation HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 31 March 2019	235	(140)	95
Charge to profit or loss	(235)	140	(95)
At 31 March 2020 and 31 December 2020	–	–	–

The Group has unused estimated tax losses of approximately HK\$9,164,000 (31 March 2020: HK\$51,370,000) and deductible temporary differences of HK\$4,055,000 (31 March 2020: HK\$16,818,000) available for offset against future profits as at 31 December 2020. No deductible temporary difference as at 31 December 2020 (31 March 2020: HK\$Nil) has been recognised as deferred tax assets. No deferred tax asset has been recognised in respect of the entire unused tax losses and deductible temporary differences of HK\$4,055,000 (31 March 2020: HK\$16,818,000) as at 31 December 2020 due to the unpredictability of future profit. Unused tax losses may be carried forward indefinitely.

## 19. INVENTORIES

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Food and beverage and other consumables for restaurant operations	97	373

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 20. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Trade receivables	98	241
Rental deposits	2,061	5,288
Other deposits	330	1,473
Prepayments and other receivables	–	393
Government subsidy receivable	1,100	–
<b>Total</b>	<b>3,589</b>	7,395
Analysed for reporting purposes as:		
Non-current assets	2,391	5,416
Current assets	1,198	1,979
	<b>3,589</b>	7,395

There was no credit period granted to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash and credit card settlement. The settlement terms of credit card companies are usually 7 days after the service rendered date.

However, the Group allows a credit period of 30 days to its VIP members which include certain corporate customers for consumption in the Group's restaurants. The credit period provided to customers can vary based on a number of factors including nature of operations, the Group's relationship with the customer and the customer's credit profile. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non interest-bearing. They are stated after netting the loss allowance.

No interest is charged on the trade receivables on the outstanding balance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 20. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

During the period ended 31 December 2020, HK\$695,000 impairment loss under ECL model from continuing operation (31 March 2020: HK\$1,000) was recognised in the profit or loss.

At 31 December 2020, none of the rental deposits (31 March 2020: HK\$600,000) was made to Charm Region Limited, a company wholly owned by Mr. KY Chuk and Mr. Steve Chuk, for the lease of a restaurant as at 31 March 2020.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date, which approximated the respective revenue recognition date, at the end of the reporting periods.

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
0 to 30 days	98	196
31 to 60 days	–	1
61 to 90 days	–	–
Over 90 days	–	44
	<b>98</b>	<b>241</b>

As at 31 December 2020, included in the Group's trade receivables balance, no debtors (31 March 2020: HK\$45,000) are past due as at the reporting date. None of the balances (31 March 2020: HK\$45,000) has been past due 30 days or more and is not considered as in default as these balances are mainly due from customers of good credit quality. The Group does not hold any collateral over the balances.

Details of impairment assessment of trade and other receivables for the period ended 31 December 2020 and year ended 31 March 2020 are set out in note 32.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 21. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

As at 31 December 2020, bank balances and cash carry interest at prevailing market rate of 0.01% (31 March 2020: 0.01%) per annum.

Details of impairment assessment of bank balances are set out in note 32.

The Group's bank balances and cash that were denominated in New Taiwan dollars ("NT\$") of the relevant group entity was re-translated in HK\$ and stated for reporting purposes as:

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
- NT\$	-	36

## 22. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000 (Restated)
Trade payables	2,330	4,742
Salaries payables	2,898	6,327
Accruals and other payables	7,263	10,643
	<b>12,491</b>	21,712

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 22. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
0-30 days	368	1,094
31-60 days	537	782
61-90 days	253	1,172
Over 90 days	1,172	1,694
	<b>2,330</b>	<b>4,742</b>

## 23. AMOUNTS DUE TO DIRECTORS

Details of amounts due to directors as at 31 December 2020 and 31 March 2020 are stated as follows:

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Mr. KY Chuk	-	290
Mr. Johnson Lam	-	23
	<b>-</b>	<b>313</b>

The amounts due to directors were non-trade, unsecured and interest free as at 31 March 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 24. BOND PAYABLES

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Bond payables	–	12,000
Analysed as		
Current	–	10,000
Non-current	–	2,000

The Group issued two unsecured and unguaranteed bonds for HK\$2,000,000 and HK\$10,000,000 at 10% per annum with a original maturity date on 31 May 2021 and 27 June 2020 respectively during the year ended 31 March 2020.

During the period ended 31 December 2020, the bond payables have been fully settled.

## 25. BANK BORROWINGS

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Bank overdrafts	12	118
Bank loans	–	2,500
	<b>12</b>	<b>2,618</b>

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Carrying amount (shown under current liabilities) that contains a repayment on demand clause based on scheduled repayment terms:		
– Within one year	12	2,618



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 25. BANK BORROWINGS (Continued)

The bank loans are at floating rate which carry interest at HK\$ Best Lending Rate plus or minus a spread or Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5%. The effective interest rate on the Group's bank loans was 6.50% per annum as at 31 March 2020.

Bank overdrafts carry interest at market rates at 15.07% per annum as at 31 December 2020 (31 March 2020: 15.25%).

None of the bank borrowings are secured and guaranteed by directors as at 31 December 2020 (31 March 2020: HK\$2,500,000 bank borrowings are unsecured and guaranteed by related parties).

## 26. LEASE LIABILITIES

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Lease liabilities payable:		
Within one year	10,868	20,013
Within a period of more than one year but not more than two years	4,005	9,808
Within a period of more than two years but not more than five years	–	5,768
	<b>14,873</b>	35,589
Less: Amount due to settlement with 12 months shown under current liabilities	<b>(10,868)</b>	(20,013)
Amount due to settlement after 12 months shown under non-current liabilities	<b>4,005</b>	15,576

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 27. PROVISIONS

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000 (Restated)
Analysis for reporting purpose as:		
Current liabilities	1,287	950
Non-current liabilities	500	775
	<b>1,787</b>	1,725

	Corporate guarantee provision HK\$'000	Surcharge and penalty provisions HK\$'000	Reinstatement provisions HK\$'000	Total HK\$'000
At 1 April 2019	–	–	970	970
Provision recognised	–	830	–	830
Provision utilised	–	–	(75)	(75)
At 31 March 2020	–	830	895	1,725
Provision recognised	3,803	197	–	4,000
Provision released	–	(133)	(50)	(183)
Provision utilised	(2,858)	(63)	(105)	(3,026)
Disposal of subsidiaries	–	(489)	(240)	(729)
At 31 December 2020	945	342	500	1,787

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 27. PROVISIONS (Continued)

The corporate guarantee provision related to the corporate guarantee for the disposed subsidiaries of the Company.

- i) The Company, as a guarantor, had provided corporate guarantee to the landlord for the lease entered between its previous subsidiary, Higher Top Limited ("Higher Top") and the landlord on 27 August 2018. A provision of HK\$1,820,000 was recognised for this guarantee during the period ended 31 December 2020. As at 31 December 2020, the net outstanding amount payable by Higher Top to the landlord is \$945,000.
- ii) The Company, as one of the guarantor, had provided corporate guarantee to the Hongkong And Shanghai Banking Corporation ("HSBC") for the banking facility granted to its previous subsidiary, Great Planner Limited ("Great Planner") on 3 July 2019. During the period ended 31 December 2020, the Company had repaid HK\$1,983,000 pursuant to the guarantee clause as stated on the supplemental banking facility letter dated 9 March 2020. As at 31 December 2020, the bank borrowings from HSBC was fully settled.

The surcharge and penalty provisions mainly related to surcharge and penalty on overdue salaries and retirement benefits contribution of the Group's employees.

The provision for reinstatement works related to the estimated cost of reinstating the rented premises to be carried out at the end of respective lease periods. These amounts have not been discounted for the purpose of measuring the provision for reinstatement works as the effect is not significant.

## 28. SHARE CAPITAL

The share capital as at 31 December 2020 and 31 March 2020 represented the share capital of the Company with the details as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020 and 31 December 2020	3,000,000,000	20,000
Issued and fully paid:		
At 1 April 2019 and 31 March 2020	800,000,000	8,000
Issue of shares	352,000,000	3,520
At 31 December 2020	1,152,000,000	11,520

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 28. SHARE CAPITAL (Continued)

All issued shares of the Company rank pari passu in all respects with each other.

On 16 August 2020, the Company entered into a placing agreement with a placing agent and a supplemental agreement on 17 August 2020 in respect of the placing of up to 160,000,000 new shares at an issue price of HK\$0.112 per share. On 4 September 2020, the placing was completed and 160,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK\$0.112 per share resulting in raising proceeds, with net proceeds of approximately HK\$17.0 million.

On 13 October 2020, the Company entered into a subscription agreement with a subscriber in respect of the subscription of up to 192,000,000 new shares at an issue price of HK\$0.077 per share. On 10 November 2020, the subscription was completed and 192,000,000 new shares have been issued and allotted to the subscriber at HK\$0.077 per share resulting in raising proceeds, with net proceeds of approximately HK\$14.6 million. The proceeds were used to provide additional working capital for the Company.

These new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 11 September 2020 and rank pari passu with other shares in issue in all respects.

## 29. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the 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 employer and its employees are both required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK\$1,500 per employee per month.

The Taiwan defined contribution scheme was established under trust with the assets of the funds held separately from those of the Group by independent trustees. Under the Taiwan defined contribution scheme, the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor Pension Act of Taiwan.

The retirement benefits schemes contributions arising from the MPF Scheme and the Taiwan defined contribution scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 9 and 13.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 30. DISPOSAL OF SUBSIDIARIES

During the period ended 31 December 2020, the Group entered into certain agreements with a number of independent third parties for the disposal of certain subsidiaries for an aggregate consideration of HK\$5. These subsidiaries are engaged in restaurant operations.

The following table summarises the net assets of the disposed of during the period ended 31 December 2020 and the financial impacts are summarised as follow:

	As at 31 December 2020 HK\$'000
<b>Analysis of assets and liabilities over which control was lost:</b>	
Property and equipment	22
Inventories	212
Trade receivables, deposits, other receivables and prepayments	3,681
Bank balances and cash	825
Trade payables, other payables and accruals	(10,888)
Bank borrowings	(2,066)
Lease liabilities	(13,860)
Provision	(729)
<b>Net liabilities disposed of</b>	<b>(22,803)</b>
<b>Gain on disposal of subsidiaries:</b>	
Consideration received and receivable	—*
Net liabilities disposed of	22,803
Corporate guarantee provision (note 27)	(3,803)
Release of translation reserve upon disposal of a subsidiary	(168)
<b>Gain on disposal</b>	<b>18,832</b>
<b>Net cash outflow arising on disposal:</b>	
Consideration received	—*
Less: bank balances and cash disposed of	(825)
	(825)

\* Less than HK\$1,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 30. DISPOSAL OF SUBSIDIARIES (Continued)

In April 2019, Earn Keen Global Limited was incorporated as a wholly-owned subsidiary of the Group and was principally engaged in trading of food materials.

During the year ended 31 March 2020, the Group completed the disposal of the entire issued share capital of Earn Keen Global Limited, to an independent third party, for a consideration of HK\$74,000. The net assets of Earn Keen Global Limited at the date of disposal were as follows:

Consideration receivable	HK\$'000
Other receivable	74
HK\$'000	
<b>Analysis of assets and liabilities over which control was lost:</b>	
Right-of-use assets	399
Trade receivables, deposits, other receivables and prepayments	699
Bank balances and cash	216
Trade payables, other payables and accruals	(839)
Lease liabilities	(401)
Net assets disposed of	74
<b>Loss on disposal of a subsidiary:</b>	
Consideration receivable	74
Net assets disposed of	(74)
Gain/(loss) on disposal	-
<b>Net cash outflow arising on disposal:</b>	
Consideration received	-
Less: bank balances and cash disposed of	(216)
	(216)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 31. 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 owners through the optimisation of the debt and equity balance. In order to maintain or adjust the capital structure, the Group may raise loan from shareholders and issue new shares to reduce debts.

The capital structure of the Group consists of debt, which includes bank borrowings and bond payables as disclosed in respective notes, and equity of the Group, comprising issued share capital, share premium, other reserves and accumulated losses.

The management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. As part of this review, the management of the Group considers the cost of capital and the risks associates with the capital, and takes appropriate actions through raising debts to adjust the Group's capital structure.

## 32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Financial assets At amortised cost	12,613	8,582
Financial liabilities – At amortised cost	9,605	30,316
Lease liabilities	14,873	35,589

### Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, deposits and prepayments, bank balances and cash, trade and other payables, leases liabilities, bank borrowings, amounts due to directors and bond payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Currency risk

The Group's exposure to foreign currency risk is arising mainly from the bank balances of the Taiwan operating subsidiary which is denominated in foreign currency of the relevant group entities. Except for the bank balances denominated in foreign currency of the relevant group entities, the group entities did not have any other monetary assets or liabilities denominated in foreign currency as at the end of the reporting period.

The carrying amounts of the bank balances denominated in foreign currency, representing NT\$, as at 31 December 2020 is HK\$Nil (31 March 2020: HK\$36,000).

The Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile by way of arrangement of foreign currency forward contracts and will consider hedging significant foreign currency exposure should the need arise.

#### Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in the relevant foreign currency (NT\$) against functional currency, HK\$ or NT\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year end for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss for the year and a negative number below indicates an increase in loss for the year where the relevant foreign currency fluctuate 5% against HK\$.

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
HK\$ impact		
– HK\$ strengthens against NT\$ by 5%	–	(2)
– HK\$ weakens against NT\$ by 5%	–	2

#### Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and bank borrowings (see note 21 and 25). The Group is also exposed to fair value interest rate risk in relation to fixed-rate bond payables and lease liabilities (see note 24 and 25). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and HK\$ Best Lending Rate and HIBOR arising from the Group's variable-rate bank borrowings.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Interest rate risk (Continued)*

##### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of each reporting period were outstanding for the whole year and 50 basis points increase or decrease are used. The pledged bank deposits and bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's loss for the period ended 31 December 2020 would increase/decrease by HK\$60 (31 March 2020: loss for the year increase/decrease HK\$13,000).

#### *Credit risk and impairment assessment*

The Group's credit risk is principally attributable to trade and other receivables, deposits and bank balances.

The maximum exposure to credit risk of the Group 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 trades with a large number of individual customer and trading terms are mainly on cash and credit card settlement. In view of the Group's operations, the Group does not have significant credit risk exposure to any single individual customer.

The credit risk for bank balances is considered as not material as such amounts are placed in banks with good reputation. Included in the balance of cash and cash equivalents, a sum of HK\$8,969,000 (31 March 2020: HK\$Nil) are held under an escrow account of a financial service provider. The credit risk associated with these balances are considered as not material as such amount is placed in an separate account of bank with good reputation.

The Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables; and recognises 12-month ECL on other receivables. To measure the ECL of trade receivables, they are assessed collectively using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate. To measure the ECL of other receivables, they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of trade and other receivables.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month 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	Amounts is written off	Amounts is written off

As at 31 December 2020 and 31 March 2020, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL and determined that the trade receivables is not credit impairment. For other financial assets, the Group measures the loss allowance at 12-month ECL.

#### **Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has 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. Specially, 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 rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 31 December 2020</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	N/A	–	9,593	–	–	9,593	9,593
Bank borrowings	15.07	12	–	–	–	12	12
Lease liabilities	6.25	–	6,318	5,001	4,090	15,409	14,873
		12	15,911	5,001	4,090	25,014	24,478

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 31 March 2020</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	N/A	–	15,385	–	–	15,385	15,385
Amounts due to directors	N/A	–	–	–	313	313	313
Bond payables	10.00	–	11,200	–	2,200	13,400	12,000
Bank borrowings	6.90	2,693	–	–	–	2,693	2,618
Lease liabilities	5.50	–	8,691	11,321	17,259	37,271	35,589
		2,693	35,276	11,321	19,772	69,062	65,905

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the “Repayable on demand” time band in the above maturity analysis. As at 31 December 2020, the aggregate carrying amount of these bank borrowings was approximately HK\$12,000 (31 March 2020: HK\$2,618,000). Taking into account the Group’s financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the management of the Group reviews the expected cash flow information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted Average effective interest rate %	Within 3 months HK\$’000	3 months to 1 year HK\$’000	1-5 years HK\$’000	More than 5 years HK\$’000	Total undiscounted cash flows HK\$’000	Total carrying amount HK\$’000
Bank borrowings:							
As at 31 December 2020	15.07	12	–	–	–	12	12
As at 31 March 2020	6.90	606	2,087	–	–	2,693	2,618

#### Fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the period/year:

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Catering income from:		
– Mr. Stanley Chuk	–	74
– Mr. KY Chuk	–	21
	–	95
Rental expenses paid/payable to Charm Region	<b>368</b>	1,900

Details of the balances with related parties are disclosed in the consolidated statement of financial position and note 23.

### Compensation of key management personnel

The remuneration of executive directors and other members of key management during the period ended 31 December 2020 and year ended 31 March 2020 were as follows:

	Nine months period ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Short-term benefits	<b>1,412</b>	1,720
Post-employment benefits	<b>40</b>	49
	<b>1,452</b>	1,769

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 34. 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.

	Amounts due to directors HK\$'000	Bond payables HK\$'000	Bank borrowings HK\$'000	Lease liabilities/ obligations under finance leases HK\$'000	Total HK\$'000
At 31 March 2019	8,062	–	23,005	209	31,276
Financing cash flows (note)	11,551	12,000	(21,042)	(14,506)	(11,997)
Finance costs recognised	–	–	655	2,276	2,931
Contribution from a director/shareholder	(19,300)	–	–	–	(19,300)
New leases entered/leases modified	–	–	–	47,610	47,610
At 31 March 2020	313	12,000	2,618	35,589	50,520
Financing cash flows (note)	(313)	(12,000)	(2,609)	(3,518)	(18,440)
Finance costs recognised	–	–	3	817	820
Disposal of subsidiaries	–	–	–	(13,860)	(13,860)
New leases entered/leases modified	–	–	–	(4,155)	(4,155)
At 31 December 2020	–	–	12	14,873	14,885

Note: The financing cash flows represented the net amount of proceeds from bank borrowings, payment of finance costs, advance from directors, repayment to related parties, bank borrowings and lease liabilities.

## 35. MAJOR NON-CASH TRANSACTION

During the period ended 31 December 2020, amounts due to shareholders of HK\$2,769,000 was waived (for the year ended 31 March 2020: HK\$19,300,000). The amounts waived were considered as capital contribution from equity participants. The balance related to ex-shareholder is subsequently reclassified to accumulated losses upon completion of shares placing and subscription.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2020 HK\$'000	As at 31 March 2020 HK\$'000
Non-current asset		
Investment in a subsidiary	—*	—*
Current assets		
Other receivables and prepayments	—	74
Bank balances and cash	8,969	2
	<b>8,969</b>	76
Current liabilities		
Other payables and accrued charges	1,343	1,907
Bond payables	—	10,000
Provision	945	—
	<b>2,288</b>	11,907
Net current assets/(liabilities)	<b>6,681</b>	(11,831)
Non-current liabilities		
Amount due to a director	—	2
Bond payables	—	2,000
	—	2,002
Net assets/(liabilities)	<b>6,681</b>	(13,833)
Capital reserves		
Share capital	11,520	8,000
Reserves (note)	(4,839)	(21,833)
Equity/(deficit) attributable to owners of the Company	<b>6,681</b>	(13,833)

\* Less than HK\$1,000

Note:

### Reserves

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019	60,304	(24,786)	35,518
Loss and comprehensive expense for the year	—	(57,351)	(57,351)
At 1 April 2020	60,304	(82,137)	(21,833)
Loss and comprehensive expense for the period	—	(11,079)	(11,079)
Issue of shares upon placing of share, net of transaction costs	28,073	—	28,073
At 31 December 2020	88,377	(93,216)	(4,839)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 37. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2020 and 31 March 2020 are as follows:

Name of subsidiary	Place of establishment	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at 31 December and 31 March		Principal activities
				2021	2020	
Everbloom Group Limited	BVI	Hong Kong	United States Dollar ("USD") <sup>1</sup>	100%	100%	Investment holdings
Good Step Limited ("Good Step")	Hong Kong	Hong Kong	HK\$2	*-	100%	Restaurant operation
Great Planner Limited	Hong Kong	Hong Kong	HK\$1,000,000	*-	100%	Restaurant operation
Ironforge Group Limited	BVI	Hong Kong	USD1	100%	100%	Investment holding
Leading Win Limited ("Leading Win")	Hong Kong	Hong Kong	HK\$500,000	100%	100%	Restaurant operation
Legion Holdings Group Limited	BVI	Hong Kong	USD1	100%	100%	Investment holding
Sky Honour Consultants Limited ("Sky Honour")	Hong Kong	Hong Kong	HK\$1,500,000	100%	100%	Restaurant operation
Skyreach Investment Holdings Limited ("Skyreach")	BVI	Hong Kong	USD1	100%	100%	Investment holding
Stormwind Limited ("Stormwind")	Hong Kong	Hong Kong	HK\$10,000	*-	100%	Provision of management services to group companies
Dalaran Group Limited	BVI	Taiwan	USD1	*-	100%	Restaurant operation
Stormheim Group Limited	BVI	Hong Kong	USD1	100%	100%	Investment holding
Higher Top Limited	Hong Kong	Hong Kong	HK\$1	*-	100%	Restaurant operation

\* The Company has disposed the subsidiaries during the period ended 31 December 2020 (note 30).

All the companies comprising the Group have adopted 31 December as their financial year end date. Skyreach is directly held by the Company and all other subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at 31 December 2020 and 31 March 2020 or at any time during both period/year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 38. CONTINGENT LIABILITIES

The Group has been served a number of litigations and claims by various parties. These claims and litigations are in relation to arrears rent and salaries of the Group and has been recognised in the other payables and accrual and salaries payables. Additional interest and penalty might be incurred due to the delay in settlement of such payables and the Group has several litigations related to arrears salaries and rent. Nevertheless, the management of the Company had obtained legal advice, and considers no additional interest and penalty is required apart from the amounts stated in the other payables and accruals, salaries payables and provisions.

## 39. EVENTS AFTER THE REPORTING PERIOD

(i) As previously reported, the outbreak of COVID-19 in January 2020 has caused certain impact on the catering business of the Group due to the restrictions and suspension on restaurants. The Group's business operations have been disrupted by the outbreak of COVID-19 and the subsequent precautionary measures. The Group estimated that the degree of COVID-19 impact would depend on the pandemic preventive measures and the duration of the pandemic. Given the dynamic circumstance and uncertainties of COVID-19 situation, the Group will keep continuous attention on the development of COVID-19 situation and react actively to its impacts on the operation and financial position of the Group, and in the event that there are any significant financial impacts, the Company will reflect it in the Group's 2021 financial statements.

(ii) On 1 February 2021, Spark View Limited ("Spark View") obtained a distraint order against Higher Top for HK\$1,751,457 of unpaid rent and rates under the tenancy agreement dated 27 August 2018.

The details and potential impacts to the Group is disclosed in note 40 (d).

(iii) On 1 February 2021, Mr. KY Chuk claimed against the Company for arrears director fees and other benefits of HK\$629,404. Notice of hearing is scheduled on 18 August 2021 at the Labour Tribunal.

The details and potential impacts to the Group is disclosed in note 40 (e).

(iv) On 16 February 2021, Times Square Limited claimed Leading Win for HK\$2,777,566 in relation to the rental and related expenses.

The details and potential impacts to the Group is disclosed in note 40 (f).

(v) On 25 February 2021, the Mandatory Provident Fund Schemes Authority ("MPFSA") claimed against Leading Win, for outstanding MPF contributions Leading Win and surcharge of HK\$229,507.

The outstanding amount had been fully paid by Leading Win in March 2021 to MPFSA.

(vi) On 24 March 2021, a winding up order of Sky Honour was granted by the court.

The details and potential impacts to the Group is disclosed in note 40 (b).

(vii) On 9 March 2021 and 12 March 2021, the Company had entered into a distributor agreement and a supplemental agreement respectively, for its business development as a food products distributor (announcement dated 26 March 2021).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 40. LITIGATION

During the period ended 31 December 2020 and the year ended 31 March 2020, the Group has been involved in several claims in relation to arrears rent and salaries, the management and the legal advisors of the Company, is of the opinion that the cases may be discontinued or become dormant because the parties involved did not proceed with the cases further.

The below table summarised the other material litigations filed against the Group during the period ended 31 December 2020 and the year ended 31 March 2020.

### Material Litigations filed against the Group

Action Number	Filing Date	Status
(a) Land Tribunal No. 373 of 2020	18 May 2020	Live
(b) High Court Winding Up proceedings No. 403 of 2020	25 November 2020	Live
(c) District Court No. 4483 of 2020	27 November 2020	Live
(d) District Court No. 4446 of 2020 and No. 248 of 2021	30 November 2020, 1 February 2021	Live
(e) Land Tribunal No. 99 of 2021	1 February 2021	Live
(f) District Court Civil Action No. 684 of 2021	16 February 2021	Live

Details of the litigations are set out as follows:

(a) *LDPE373/2020*

On 18 May 2020, action by Goldford Limited against Sky Honour for due and unpaid rent, service charges, rates and interest in the amount of HK\$1,672,172 under the tenancy agreement dated 4 July 2019 for 6/F, Wellington Place, 2-8 Wellington Street, Hong Kong ("6/F Wellington"), and mesne profits, service charges, rates, and costs until vacant possession of 6/F Wellington.

Goldford Limited recovered possession of 6/F Wellington on 10 September 2020. The case progressed to HCCW 403/2020 below.

(b) *HCCW403/2020*

On 25 November 2020, Goldford Limited petitioned for the winding up of Sky Honour for outstanding amounts of HK\$2,646,863 due to Goldford Limited.

On 24 March 2021, a winding up order of Sky Honour was granted by the court.

All its assets will be distributed to creditors, including recovery by Goldford Limited for the amounts owing under the case under LEDP373/2020. The Company had obtained legal advice, that the maximum liability of the Group is limited to the assets of Sky Honour. As at 31 December 2020, the total assets of Sky Honour is HK\$14,633.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 40. LITIGATION (Continued)

### Material Litigations filed against the Group (Continued)

(c) *DCCT4483/2020*

On 27 November 2020, Times Square Limited obtained a distraint order against Leading Win for \$549,780 unpaid rents due by Leading Win under tenancy agreement dated 20 September 2017.

The warrant was executed by bailiff on 1 March 2021. Leading Win paid HK\$549,780 and HK\$69,100 to Time Square on 5 March 2021 and 8 March 2021 respectively, and auction did not take place.

(d) *DCCT 4446/2020 and DCCT248/2021*

On 30 November 2020 and 1 February 2021, Spark View obtained distraint orders against Higher Top for HK\$312,544 and HK\$1,751,457 respectively of unpaid rents and rates under the tenancy agreement dated 27 August 2018.

The warrant was executed by bailiff on 23 March 2021, auction of the property seized at the property leased under the tenancy agreement is scheduled on 31 March 2021.

The Company had recorded provision for the lease under the corporate guarantee clause as disclosed in note 27.

(e) *LBTC99/20201*

On 1 February 2021, Mr. KY Chuk claimed against the Company for overdue of director fees and other benefits of HK\$629,404. Notice of hearing is scheduled on 18 August 2021 at the Labour Tribunal.

As Mr. KY Chuk had resigned as the Executive Director of the Company on 25 August 2020, in which he confirmed that he had no claim, demand, litigation or proceedings whatsoever whether present or future against the Company, whether for disbursement, compensation for loss of office, unpaid fees or otherwise howsoever arising in the connection with his resignation. Accordingly, the management and the legal advisor is of the opinion that the possibility that the Group be subject to further liability is remote.

(f) *DCCJ684/2021*

On 16 February 2021, Times Square Limited claimed Leading Win for HK\$2,777,566 and interest at 8% per annum from 1 February 2021 to judgment date and thereafter at judgment rate until payment, plus damages being the costs of the auction under the tenancy agreement dated 20 September 2017.

By a letter dated 19 March 2021 from the solicitors of Times Square Limited, Leading Win owed HK\$6,911,808 of outstanding rent and other charges.

By a judgment dated 22 March 2021 ("Final and Interlocutory Judgment"), the Court ordered that Leading Win do pay the amount as stated in the in the claims on 16 February 2021 above.

The adjudicated amounts granted in favour of Times Square Limited under the Final and Interlocutory Judgement should form part of the said figure of HK\$6,911,808.

Times Square Limited is likely to obtain a distraint order and/or petition for the winding up of Leading Win if it continues to default the payments to Times Square Limited, and all the assets of Leading Win will be subject to distribution to Times Square Limited and other creditors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

## 40. LITIGATION (Continued)

### Other legal matters involving the Company

During the period ended 31 December 2020, the Group had been involved in several claims which were mainly in relation to:

- (i) intended bankruptcy petitions by the Company against its related parties;
- (ii) intended claims for alleged dishonoured cheques by the Company's related parties;
- (iii) intended claims for alleged indebtedness by the Company's related parties; and

After seeking legal advice from the legal adviser, the management of the Company is in view that for that for:

- (i) it is a pre-mature stage to advise the estimated amount that the Company could receive if the bankruptcy order(s) is granted in favour of TSC;
- (ii) the related parties have no grounds for the claims and the Company is unlikely to incur loss on the intended claims for alleged dishonoured cheque;
- (iii) the related parties have no grounds for the claims and the Company is unlikely to incur loss on the intended claims for alleged indebtedness.

## 41. COMPARATIVES FIGURES

Certain comparative figures have been reclassified to confirm with the current period's presentation.

## FINANCIAL SUMMARY

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

	For the year ended 31 March				For the nine months period ended 31 December 2020
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000 (Restated)	HK\$'000
Profit/(loss) attributable to:					
Owners of the Company	7,406	(21,894)	(37,654)	(94,195)	<b>14,275</b>
Non-controlling interests	927	–	–	–	–
	HK cents	HK cents	HK cents	HK cents	<b>HK cents</b>
Profit (loss) per share					
Basic and diluted	1.5	(3.50)	(4.71)	(11.77)	<b>1.53</b>

	As at 31 March				As at 31 December 2020
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000 (Restated)	HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	40,244	89,136	65,045	8,979	<b>12,710</b>
Total liabilities	(28,742)	(39,296)	(53,122)	(73,957)	<b>(29,163)</b>
	11,502	49,840	11,923	(64,978)	<b>(16,453)</b>
Equity/(deficit) attributable to owners of the Company	11,502	49,840	11,923	(64,978)	<b>(16,453)</b>