

HONGKONG CATERERS LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2019



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周堅如會計師行
KENNETH CHAU & CO.
CERTIFIED PUBLIC ACCOUNTANTS

9TH FLOOR, TUNG HIP COMMERCIAL BUILDING,
244 DES VOEUX ROAD CENTRAL, HONG KONG.

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HONGKONG CATERERS LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2019

<u>CONTENT</u>	<u>PAGE</u>
DIRECTORS' REPORT	1-2
INDEPENDENT AUDITORS' REPORT	3-5
STATEMENT OF FINANCIAL POSITION	6-7
STATEMENT OF COMPREHENSIVE INCOME	8-9
STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12-31
BUSINESS REVIEW	32-33



HONGKONG CATERERS LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report and the audited Financial Statements for the year ended 31st March, 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business of providing catering management services to Maxim's Caterers Limited, dealing and investing in listed investments and holding certain long-term unlisted investments in associated companies.

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31st March, 2019 are set out in the Statement of Comprehensive Income on pages 8 to 9.

The Directors had declared interim dividends as set out in Note 25(a) which were paid by the Company during the year.

The Directors recommend that the proposed final dividends as set out in Note 25(b) be declared.

DONATIONS

Donations during the year amounted to HK\$1,000,000.00 (2018: \$1,000,000).

BUSINESS REVIEW

The business review of the Company for the year ended 31st March, 2019 is provided on pages 32 to 33.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

WU Jim Tak (Chairman and Managing Director)
MA Lan Fong (Passed away on 16th January, 2019)
WU Wei Kuo, Michael
WU Wai Tsuen, Wilson
LAI Nai Chiu, Joseph

In accordance with Article 76 of the Company's articles of association, at the Ordinary General Meeting in the year 1957 and at the Ordinary General Meeting in every second subsequent year, all the Directors for the time being shall retire from office. According to Article 77, a retiring Director shall be eligible for re-election.

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HONGKONG CATERERS LIMITED

DIRECTORS' REPORT

(CONTINUED)

DIRECTORS' INTERESTS

Other than the related party transactions as disclosed in Note 28, no contracts of significance, to which the Company was a party and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

MANAGEMENT CONTRACTS

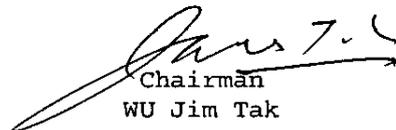
No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITORS

Messrs. Kenneth Chau & Co. retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Hong Kong, - 4 JUN 2019


Chairman
WU Jim Tak



PARTNERS:

KENNETH CHAU (周堅如) FCPA, FTIHK, CTA

YEUNG HO YIN (楊浩然) FCPA, FTIHK, CTA

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

HONGKONG CATERERS LIMITED

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the financial statements of Hongkong Caterers Limited ("the Company") set out on pages 6 to 31, which comprise the statement of financial position as at 31st March, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2019 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

HONGKONG CATERERS LIMITED

(Incorporated in Hong Kong with limited liability)

(CONTINUED)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditors' report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS TO THE FINANCIAL STATEMENTS

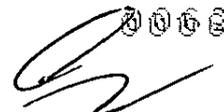
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

A handwritten signature in black ink is written over a circular stamp. The stamp contains the number '0062' in a bold, sans-serif font.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

HONGKONG CATERERS LIMITED

(Incorporated in Hong Kong with limited liability)

(CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
4. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Date: - 4 JUN 2019



KENNETH CHAI & CO.,
Certified Public Accountants,
Hong Kong.

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HONGKONG CATERERS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2019

(Expressed in Hong Kong dollars)

	NOTE	<u>2019</u> HK\$	<u>2018</u> HK\$
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	3	-	-
INTERESTS IN ASSOCIATED COMPANIES	4	3,332,935,312.50	2,925,376,813
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5	219,403,330.09	228,118,397
LONG-TERM INVESTMENT IN GOLD	7	18,081,000.00	18,630,000
INVESTMENT AND MONEY FUND	8	392,615,957.63	323,341,022
DEFERRED TAX ASSETS	24	<u>64,924,746.00</u>	<u>53,494,383</u>
		<u>4,027,960,346.22</u>	<u>3,548,960,615</u>
CURRENT ASSETS			
Financial Assets at Fair Value through Profit or Loss	9	26,855,031.75	28,906,884
Trade and Other Receivables	10	9,492,334.00	10,407,008
Deposits and Prepayments		14,155,976.69	11,581,527
Amounts due by Associated Companies	11	380,182,130.92	341,923,396
Dividend Receivable		190,000,000.00	180,000,000
Derivative Financial Instruments	29	103,370,861.85	100,987,930
Time Deposits with Banks	12	238,841,352.49	218,623,848
Cash at Banks		<u>32,537,934.69</u>	<u>15,873,943</u>
		<u>995,435,622.39</u>	<u>908,304,536</u>
LESS:			
CURRENT LIABILITIES			
Trade and Other Payables		17,590,000.00	338,000
Unclaimed Dividends Payable		116,270,000.00	109,770,000
Proposed Directors' Bonuses Payable		7,452,000.00	6,684,000
Provision for Taxation	23	<u>17,394,088.00</u>	<u>18,981,336</u>
		<u>158,706,088.00</u>	<u>135,773,336</u>
NET CURRENT ASSETS		<u>836,729,534.39</u>	<u>772,531,200</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,864,689,880.61</u>	<u>4,321,491,815</u>
LESS: NON-CURRENT LIABILITIES			
Provision for Long-term Incentive Scheme	13	(262,801,413.63)	(194,504,753)
Reserve for Employees' Gratuity Payments	14	<u>(130,681,882.86)</u>	<u>(129,703,608)</u>
		<u>(393,483,296.49)</u>	<u>(324,208,361)</u>
NET ASSETS		<u>4,471,206,584.12</u>	<u>3,997,283,454</u>

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HONGKONG CATERERS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2019

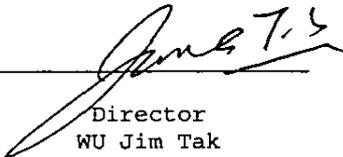
(Expressed in Hong Kong dollars)

(CONTINUED)

	NOTE	<u>2019</u> HK\$	<u>2018</u> HK\$
CAPITAL AND RESERVES:			
SHARE CAPITAL	15	300,000.00	300,000
CAPITAL RESERVE	16	18,323,280.51	18,323,281
GENERAL RESERVE	17	3,000,000.00	3,000,000
OTHER RESERVE	18	11,065,500.00	32,892,000
FINANCIAL ASSETS REVALUATION RESERVE	19	21,085,206.72	28,577,405
PROPOSED FINAL DIVIDENDS	25 (b)	240,000,000.00	240,000,000
RETAINED PROFITS		<u>4,177,432,596.89</u>	<u>3,674,190,768</u>
SHAREHOLDERS' FUNDS		<u>4,471,206,584.12</u>	<u>3,997,283,454</u>

The annexed notes on pages 6 to 31 form an integral part of these financial statements.

The financial statements are authorised for issue on **- 4 JUN 2019**
(date of Board authorisation for issue).



Director
WU Jim Tak



Director
WU Wei Kuo, Michael


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HONGKONG CATERERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2019

(Expressed in Hong Kong dollars)

	NOTE	<u>2019</u> HK\$	<u>2018</u> HK\$
TURNOVER:			
CATERING MANAGEMENT FEE EARNED	20	372,608,480.00	334,340,349
LESS: CATERING MANAGERS' OPERATING EXPENSES		<u>249,690,244.75</u>	<u>216,584,497</u>
CATERING MANAGERS' OPERATING PROFIT		122,918,235.25	117,755,852
OTHER REVENUE	20	<u>24,408,064.01</u>	<u>17,411,847</u>
		<u>147,326,299.26</u>	<u>135,167,699</u>
LESS: ADMINISTRATIVE EXPENSES		9,909,000.00	8,587,000
OTHER OPERATING EXPENSES		<u>2,626,745.65</u>	<u>-</u>
		<u>12,535,745.65</u>	<u>8,587,000</u>
PROFIT FROM OPERATIONS		134,790,553.61	126,580,699
FINANCE COSTS		<u>-</u>	<u>-</u>
		134,790,553.61	126,580,699
TRANSFER TO PROVISION FOR LONG-TERM INCENTIVE SCHEME	13	(65,000,000.00)	(55,000,000)
TRANSFER TO RESERVE FOR EMPLOYEES' GRATUITY PAYMENTS	14	(10,000,000.00)	(10,000,000)
SHARE OF PROFIT OF AN ASSOCIATE, MAXIM'S CATERERS LIMITED	4,20	<u>839,229,000.00</u>	<u>742,335,000</u>
PROFIT BEFORE TAXATION	22	899,019,553.61	803,915,699
TAXATION EXPENSE	23	<u>(5,933,725.00)</u>	<u>(8,039,269)</u>
PROFIT FOR THE YEAR		893,085,828.61	795,876,430


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HONGKONG CATERERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2019

(Expressed in Hong Kong dollars)

(CONTINUED)

	NOTE	<u>2019</u> HK\$	<u>2018</u> HK\$
B/f.		<u>893,085,828.61</u>	<u>795,876,430</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR			
Share of Other Comprehensive Income of an Associate:-			
Item that will not be reclassified subsequently to profit or loss		9,383,500.00	42,892,500
Item that may be reclassified to profit or loss		(31,079,500.00)	53,410,500
Unrealised (Loss)/Profit on (Diminution)/Appreciation in Value of Financial Assets at Fair Value Through Other Comprehensive Income:-			
Item that may be reclassified to profit or loss		<u>(7,492,198.08)</u>	<u>20,578,034</u>
		<u>(29,188,198.08)</u>	<u>116,881,034</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		863,897,630.53	912,757,464
RETAINED PROFITS BROUGHT FORWARD		<u>3,674,190,768.28</u>	<u>3,229,273,338</u>
		4,538,088,398.81	4,142,030,802
TRANSFER BETWEEN RESERVES OF AN ASSOCIATE	18	(9,227,500.00)	(3,851,500)
TRANSFER FROM/(TO) OTHER RESERVE	18	31,079,500.00	(53,410,500)
TRANSFER FROM/(TO) FINANCIAL ASSETS REVALUATION RESERVE	19	<u>7,492,198.08</u>	<u>(20,578,034)</u>
		<u>4,567,432,596.89</u>	<u>4,064,190,768</u>
INTERIM DIVIDENDS PAID	25 (a)	(150,000,000.00)	(150,000,000)
PROPOSED FINAL DIVIDENDS	25 (b)	<u>(240,000,000.00)</u>	<u>(240,000,000)</u>
		<u>(390,000,000.00)</u>	<u>(390,000,000)</u>
RETAINED PROFITS CARRIED FORWARD		<u>4,177,432,596.89</u>	<u>3,674,190,768</u>
EARNINGS PER SHARE	26	<u>29,769.53</u>	<u>26,529</u>

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HONGKONG CATERERS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2019

(Expressed in Hong Kong dollars)

	Share Capital HK\$	Capital Reserve HK\$	General Reserve HK\$	Other Reserve HK\$	Financial Assets Revaluation Reserve HK\$	Proposed Final Dividends HK\$	Retained Profits HK\$	Total Equity HK\$
Balance at 31st March, 2017	300,000.00	18,323,280.51	3,000,000.00	(25,204,000.00)	7,999,370.86	234,000,000.00	3,229,273,337.70	3,467,691,989.07
Payment of Proposed Final Dividends	-	-	-	-	-	(234,000,000.00)	-	(234,000,000.00)
Profit for the year	-	-	-	-	-	-	795,876,430.58	795,876,430.58
Other comprehensive income for the year:								
Share of Other comprehensive income of an Associate:-								
Item that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	42,892,500.00	42,892,500.00
Item that may be reclassified to profit or loss	-	-	-	53,410,500.00	-	-	-	53,410,500.00
Unrealised Profit on Appreciation in Value of Financial Assets at Fair Value Through Other Comprehensive Income:-								
Item that may be reclassified to profit or loss	-	-	-	-	20,578,033.94	-	-	20,578,033.94
Transfer between Reserves of an Associate	-	-	-	3,851,500.00	-	-	(3,851,500.00)	-
Acquisition of additional interest in subsidiary	-	-	-	834,000.00	-	-	-	834,000.00
Interim Dividends Paid	-	-	-	-	-	-	(150,000,000.00)	(150,000,000.00)
Proposed Final Dividend	-	-	-	-	-	240,000,000.00	(240,000,000.00)	-
Balance at 31st March, 2018	300,000.00	18,323,280.51	3,000,000.00	32,892,000.00	28,577,404.80	240,000,000.00	3,674,190,768.28	3,997,283,453.59
Payment of Proposed Final Dividends	-	-	-	-	-	(240,000,000.00)	-	(240,000,000.00)
Profit for the year	-	-	-	-	-	-	893,085,828.61	893,085,828.61
Other comprehensive income for the year:								
Share of Other comprehensive income of an Associate:-								
Item that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	9,383,500.00	9,383,500.00
Item that may be reclassified to profit or loss	-	-	-	(31,079,500.00)	-	-	-	(31,079,500.00)
Unrealised Loss on Diminution in Value of Financial Assets at Fair Value Through Other Comprehensive Income:-								
Item that may be reclassified to profit or loss	-	-	-	-	(7,492,198.08)	-	-	(7,492,198.08)
Transfer between Reserves of an Associate	-	-	-	9,227,500.00	-	-	(9,227,500.00)	-
Transfer between Reserves of an Associate from Non-controlling Interests	-	-	-	25,500.00	-	-	-	25,500.00
Interim Dividends Paid	-	-	-	-	-	-	(150,000,000.00)	(150,000,000.00)
Proposed Final Dividend	-	-	-	-	-	240,000,000.00	(240,000,000.00)	-
Balance at 31st March, 2019	300,000.00	18,323,280.51	3,000,000.00	11,065,500.00	21,085,206.72	240,000,000.00	4,177,432,596.89	4,471,206,584.12

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HONGKONG CATERERS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2019

(Expressed in Hong Kong dollars)

	NOTE	<u>2019</u> HK\$	<u>2018</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH GENERATED FROM OPERATIONS	27	136,915,348	114,822,171
Profits Tax Paid		<u>(18,951,336)</u>	<u>(15,357,761)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>117,964,012</u>	<u>99,464,410</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Financial Assets at Fair Value through Other Comprehensive Income		(123,079,529)	(82,204,981)
Acquisition of Derivative Financial Instruments		-	(100,325,512)
Sales Proceeds from Financial Assets at Fair Value Through Other Comprehensive Income		131,728,462	83,274,592
Decrease/(Increase) in Investment and Money Fund		(69,274,936)	(66,194,356)
Increase/(Decrease) (Net) in Reserve for Employees' Gratuity Payments		(9,021,725)	(47,660)
Increase/(Decrease) (Net) in Provision for Long-term Incentive Scheme		3,296,660	1,242,015
Decrease/(Increase) in Amounts due by Associated Companies		(38,258,735)	(40,848,799)
Decrease/(Increase) in Dividend Receivable		(10,000,000)	-
Dividends Received from Unlisted Investment in Maxim's Caterers Ltd., Associated Company		410,000,000	400,000,000
Dividends Received		4,111,720	5,617,293
Interest Received		<u>9,415,567</u>	<u>5,116,358</u>
NET CASH PROVIDED FROM/(USED IN) INVESTING ACTIVITIES		<u>308,917,484</u>	<u>205,628,950</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends Paid		<u>(390,000,000)</u>	<u>(384,000,000)</u>
NET CASH (USED IN)/PROVIDED FROM FINANCING ACTIVITIES		<u>(390,000,000)</u>	<u>(384,000,000)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		36,881,496	(78,906,640)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>234,497,791</u>	<u>313,404,431</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>271,379,287</u>	<u>234,497,791</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS AT END OF YEAR:			
Time Deposits with Banks			
- maturing within three months	12	238,841,352	218,623,848
Cash at Banks		<u>32,537,935</u>	<u>15,873,943</u>
		<u>271,379,287</u>	<u>234,497,791</u>

0010



HONGKONG CATERERS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars, unless otherwise stated)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation:

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities, which are carried at fair value.

(b) Property, plant and equipment:

Furniture and Fixtures are stated at cost, less depreciation and impairment loss, if appropriate.

(c) Depreciation:

Depreciation of furniture and fixtures are provided at the rate of 20% per annum by straight line method. A full year's depreciation is provided on additions, if any, during the year.

(d) Associated Company:

i) An associated company is a company where the Company holds for long term purposes between 20% and 50% of the issued equity share capital of that company, and exercises significant influence over that company's management.

ii) The Company's investment in Maxim's Caterers Limited ("Maxim's") is accounted for under equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of Maxim's. The profit or loss of the Company includes its share of profit or loss of Maxim's.

If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognising its share of further losses. After the Company's interest is reduced to zero, additional losses are provided, and a liability is recognised, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

iii) The Company's investment in Minato Enterprise Company, Limited ("Minato") is stated at cost less provision, if appropriate, for impairment in value.

The result of Minato is included in the Company's financial statements only to the extent of dividends received and receivable at or before the end of the reporting period.

The management of the Company considers that the accounts of Minato Enterprise Company, Limited are not material to the financial statements of the Company.



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Related Party:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(f) Receivables:

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(g) Payables:

Payables are initially recognized at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(h) Employee Retirement Benefits:

The Company operates a MPF Exempted Occupational Retirement Scheme. Contributions to the above defined contribution scheme are charged to the abatement of comprehensive income as incurred.

(i) Financial Instruments:

(i) Classification and measurement of financial instruments:

Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), transaction costs.

Financial assets are classified as:

- financial assets at amortised cost ("amortised cost");
- financial assets at fair value through other comprehensive income ("FVOCI"); or
- financial assets at fair value through profit or loss ("FVTPL").

The classification of financial assets is generally based on two criteria:

- the business model under which the financial asset is managed and
- its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

The hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as FVTPL: 0015

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Instruments: (Continued)

- the contractual terms of the financial assets give rise on specified dates to cash flows that meet the SPPI criterion.

Debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as FVTPL:

- it is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Company could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI, at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policy would be applied to the Company's financial assets as follows:

FVTPL

- FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.

Amortised cost

- Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI (Debt investments)

- Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVOCI (Equity investments)

- Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

0078



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Instruments: (Continued)

(ii) Impairment of financial assets:

Losses allowances are measured on either of the following bases by "expected credit losses (ECLs) model".

- 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

(j) Long Term Investment in Gold:

Long Term Investment in Gold is valued at fair value.

(k) Impairment of Assets:

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

(l) Provisions:

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(m) Cash and Cash Equivalents:

Cash and cash equivalents comprise cash on hand and at banks and deposits with banks with maturities of three months or less.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents.

(n) Translation of Foreign Currencies:

Items in the financial statements of the Company are measured using their functional currency, being the currency of the primary economic environment in which the Company operates. The accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into Hong Kong dollars at foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue Recognition:

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Company's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Company performs; or
- does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Company's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

- (i) Catering management fee earned is recognised when services are provided according to the terms agreed with Maxim's Caterers Limited.
- (ii) Dividend income from listed securities or unlisted investment is recognised when the rights to receive dividend from the securities or investment are established.
- (iii) Interest income on deposits with banks is recognised according to credit advices from banks.

(p) Current Taxation:

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed.

(q) Deferred Taxation:

Deferred tax liabilities are the amounts of income taxes payable in future years in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future years in respect of:

- (a) deductible temporary differences;
- (b) the carryforward of unused tax losses; and
- (c) the carryforward of unused tax credits.

A deferred tax asset should be recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the unused tax losses and unused tax credits can be utilised.

To the extent that it is not probable that future taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting for interests in associated companies:

The accounting dates of Maxim's Caterers Limited and Minato Enterprise Company, Limited are on 31st December and 31st May respectively.

There were no material transactions between the Company and Maxim's Caterers Limited, Hong Kong, during the period from 1st January, 2019 to 31st March, 2019.

The management of the Company considers that the financial statements of Minato Enterprise Company, Limited, Japan, are not material to the financial statements of the Company.

3. PROPERTY, PLANT AND EQUIPMENT

<u>Cost:</u>	B/f. from <u>31/3/2018</u> HK\$	Additions <u>during year</u> HK\$	Less: Disposal <u>during the year</u> HK\$	<u>At 31/3/2019</u> <u>Total</u> HK\$
Furniture and Fixtures	<u>18,750.00</u>	<u>-</u>	<u>-</u>	<u>18,750.00</u>
<u>Aggregate Depreciation:</u>	B/f. from <u>31/3/2018</u> HK\$	Add: Depreciation <u>for year</u> HK\$	Less: Amount Utilised <u>on Disposal</u> HK\$	<u>At 31/3/2019</u> <u>Total</u> HK\$
Furniture and Fixtures	<u>18,750.00</u>	<u>-</u>	<u>-</u>	<u>18,750.00</u>
<u>Net Book Value:</u>	HK\$			HK\$
Furniture and Fixtures	<u>-</u>		<u>At 31/3/2019</u>	<u>-</u>

The comparative figures for previous year are as follows:-

<u>Cost:</u>	B/f. from <u>31/3/2017</u> HK\$	Additions <u>during year</u> HK\$	Less: Disposal <u>during the year</u> HK\$	<u>At 31/3/2018</u> <u>Total</u> HK\$
Furniture and Fixtures	<u>18,750.00</u>	<u>-</u>	<u>-</u>	<u>18,750.00</u>
<u>Aggregate Depreciation:</u>	B/f. from <u>31/3/2017</u> HK\$	Add: Depreciation <u>for year</u> HK\$	Less: Amount Utilised <u>on Disposal</u> HK\$	<u>At 31/3/2018</u> <u>Total</u> HK\$
Furniture and Fixtures	<u>18,750.00</u>	<u>-</u>	<u>-</u>	<u>18,750.00</u>
<u>Net Book Value:</u>	HK\$			HK\$
Furniture and Fixtures	<u>-</u>		<u>At 31/3/2018</u>	<u>00000</u>

4. INTERESTS IN ASSOCIATED COMPANIES

	<u>2019</u> HK\$	<u>2018</u> HK\$
<u>Maxim's Caterers Limited, Hong Kong</u>		
Share of Net Assets of Maxim's Caterers Limited:		
Balance at 1st April, 2018	<u>2,924,148,500.00</u>	<u>2,484,676,500</u>
Share of Associate's Results		
- Share of Profit after Tax [see Note 4(c)(i)]	<u>839,229,000.00</u>	<u>742,335,000</u>
- Share of Other comprehensive income [see Note 4(c)(ii)]		
Item that will not be reclassified subsequently to profit or loss	9,383,500.00	42,892,500
Item that may be reclassified to profit or loss	<u>(31,079,500.00)</u>	<u>53,410,500</u>
	<u>(21,696,000.00)</u>	<u>96,303,000</u>
- Acquisition of additional interest in a Subsidiary (Note 18)	-	834,000
- Transfer between Reserves of an Associate	25,500.00	-
- Dividend Received (2018 Interim Dividends)	<u>(220,000,000.00)</u>	<u>(220,000,000)</u>
	<u>(219,974,500.00)</u>	<u>(219,166,000)</u>
	3,521,707,000.00	3,104,148,500
- Dividend Receivable (2018 Final Dividend) [see Note 4(c)]	<u>(190,000,000.00)</u>	<u>(180,000,000)</u>
Balance at 31st March, 2019	<u>3,331,707,000.00</u>	<u>2,924,148,500</u>
<u>Minato Enterprise Company, Limited, Japan</u>		
Unlisted Investment, at cost	<u>1,228,312.50</u>	<u>1,228,313</u>
	<u>3,332,935,312.50</u>	<u>2,925,376,813</u>

(a) Particulars of the Company's unlisted investments (at cost) in associated companies at 31st March, 2019 are as follows:-

Name of Company	Principal Activities	No. of Ordinary Shares Held	Percentage Holding	<u>2019</u> HK\$	<u>Cost</u> <u>2018</u> HK\$
Incorporated in Hong Kong:					
Maxim's Caterers Limited	Caterers	3,000,000	50%	38,750,000.00	38,750,000
		Shares of HK\$10.00 each	(2018: 50%)		
Incorporated in Japan:					
Minato Enterprise Company, Limited	Property Investment	20,000	20%	1,228,312.50	1,228,313
		Shares of JPY500 each	(2018: 20%)		
				<u>39,978,312.50</u>	<u>39,978,313</u>

0020



4. INTERESTS IN ASSOCIATED COMPANIES (CONTINUED)

(b) The accounting dates of the associated companies are different from that of the Company as follows:-

	<u>Accounting Date</u>
Maxim's Caterers Limited	31st December
Minato Enterprise Company, Limited	31st May

The Company's financial statements have taken into account the results of Maxim's Caterers Limited from 1st January, 2018 to 31st December, 2018. There were no material transactions between the Company and Maxim's Caterers Limited, Hong Kong, during the period from 1st January 2019 to 31st March, 2019.

The management of the Company considers that the financial statements of Minato Enterprise Company, Limited, Japan, are not material to the financial statements of the Company.

(c) The summarised financial information of Maxim's Caterers Limited for the year ended 31st December, 2018 is set out below:

MAXIM'S CATERERS LIMITED, HONG KONG

<u>Consolidated Balance Sheet:</u>	<u>Year ended</u> <u>31/12/2018</u> HK\$'000	<u>Year ended</u> <u>31/12/2017</u> HK\$'000 (Restated)
Non-Current Assets	8,850,804	8,532,180
Current Assets	3,750,885	2,934,358
Current Liabilities	(3,891,387)	(3,533,121)
Non-Current Liabilities	(1,544,815)	(1,617,774)
Non-controlling Interests	<u>(122,073)</u>	<u>(107,346)</u>
Net Assets	<u>7,043,414</u>	<u>6,208,297</u>
Company's share of net assets of the associate	<u>3,521,707</u>	<u>3,104,149</u>
	<u>Year ended</u> <u>31/12/2018</u> HK\$'000	<u>Year ended</u> <u>31/12/2017</u> HK\$'000
<u>Consolidated Statement of Comprehensive Income:</u>		
Turnover	<u>20,265,190</u>	<u>17,446,414</u>
Profit for the year		
- Shareholders of Maxim's Caterers Limited (i)	<u>1,678,458</u>	1,484,670
- Non-controlling interests	<u>22,644</u>	<u>20,713</u>
	<u>1,701,102</u>	<u>1,505,383</u>
Other comprehensive (loss)/income		
- Shareholders of Maxim's Caterers Limited (ii)	(43,392)	192,606
- Non-controlling interests	<u>(7,248)</u>	<u>8,387</u>
	<u>(50,640)</u>	<u>200,993</u>
Total comprehensive income for the year	<u>1,650,462</u>	<u>1,706,376</u>
Company's share of profit of the associate (i)	<u>839,229</u>	<u>742,335</u>
Company's share of other comprehensive (loss)/income of the associate (ii)	<u>(21,696)</u>	<u>96,303</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2019</u> HK\$	<u>2018</u> HK\$
Long-term Investments at fair value:-		
Unit Trust Investment	37,447,525.71	39,734,954
Overseas Equity Funds Investments	115,822,024.52	147,973,747
Overseas Alternative Funds Investments	4,156,572.07	4,117,414
Overseas Listed Share Investments	53,810,928.45	29,047,139
Hong Kong Listed Share Investments	8,166,279.34	7,245,142
	<u>219,403,330.09</u>	<u>228,118,397</u>

The fair value measurement of the Company's Financial Assets at Fair Value Through Other Comprehensive Income is based on Level 1 as per Note 6.

6. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value in the statement of financial position are categorised in its entirety into the following three levels of the fair value hierarchy based on the basis of the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities;

Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and

Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data.

7. LONG-TERM INVESTMENT IN GOLD

	<u>2019</u> HK\$	<u>2018</u> HK\$
Long-Term Investment in Gold, at cost	24,774,000.00	24,774,000
<u>Less:</u> Impairment Loss on Diminution in Value	<u>(6,693,000.00)</u>	<u>(6,144,000)</u>
At Fair Value	<u>18,081,000.00</u>	<u>18,630,000</u>

The accounting policy relating to "Long-Term Investment in Gold" is stated in Note 1(j).



0079

8. INVESTMENT AND MONEY FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
(a) In respect of Reserve for Employees' Gratuity Payments:		
Cash at Banks	105,185.07	105,167
Time Deposits with Banks	<u>129,709,358.93</u>	<u>128,731,102</u>
	<u>129,814,544.00</u>	<u>128,836,269</u>
(b) In respect of Provision for Long-Term Incentive Scheme:		
Cash at Bank	5,342.87	5,339
Time Deposits with Banks	<u>262,796,070.76</u>	<u>194,499,414</u>
	<u>262,801,413.63</u>	<u>194,504,753</u>
	<u><u>392,615,957.63</u></u>	<u><u>323,341,022</u></u>

- Notes: (a) The above Investment and Money Fund has been set aside since the year ended 31st March, 1988 for the purposes of Reserve for Employees' Gratuity Payments.
- (b) Since the year ended 31st March, 2011, further fund has been set aside for the purpose of Provision for Long Term Incentive Scheme.
- (c) The incomes from Investment and Money Fund are included in the Provision for Long Term Incentive Scheme (Note 13) and Reserve for Employees' Gratuity Payments (Note 14) respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u> HK\$	<u>2018</u> HK\$
Listed equity securities, at fair value		
- in Hong Kong	26,855,031.75	28,906,884
- outside Hong Kong	<u>-</u>	<u>-</u>
	<u>26,855,031.75</u>	<u>28,906,884</u>

10. TRADE AND OTHER RECEIVABLES

Trade and Other Receivables of the Company at 31st March, 2019 are as follows:-

	<u>2019</u> HK\$	<u>2018</u> HK\$
Other Receivables	<u>9,492,334.00</u>	<u>10,407,008</u>



0020

11. AMOUNTS DUE BY ASSOCIATED COMPANIES

	<u>2019</u> HK\$	<u>2018</u> HK\$
Maxim's Caterers Limited, Hong Kong:		
Management Fee Receivable	375,108,480.00	336,840,349
Disbursements	-	-
	<u>375,108,480.00</u>	<u>336,840,349</u>
Minato Enterprise Company, Limited, Japan	5,073,650.92	5,083,047
	<u>380,182,130.92</u>	<u>341,923,396</u>

12. TIME DEPOSITS WITH BANKS

The time deposits were short term deposits with banks and were denominated in the following currencies:

	<u>2019</u> HK\$	<u>2018</u> HK\$
Time Deposits maturing after three months:		
HKD Deposits	-	-
Time Deposits maturing within three months:		
HKD Deposits	238,841,352.49	218,623,848
RMB Deposits	-	-
	<u>238,841,352.49</u>	<u>218,623,848</u>
	<u>238,841,352.49</u>	<u>218,623,848</u>

13. PROVISION FOR LONG-TERM INCENTIVE SCHEME

	<u>2019</u> HK\$	<u>2018</u> HK\$
Credit Balance at 31st March, 2018, b/f.	194,504,753.16	138,262,738
Transfer from Statement of Comprehensive Income	65,000,000.00	55,000,000
Addition during the year (Income from Investment and Money Fund)	3,296,660.47	1,242,015
	262,801,413.63	194,504,753
Less: Incentive Scheme Payments during year	-	-
Credit Balance at 31st March, 2019, c/f.	<u>262,801,413.63</u>	<u>194,504,753</u>

 000814

14. RESERVE FOR EMPLOYEES' GRATUITY PAYMENTS

	<u>2019</u> HK\$	<u>2018</u> HK\$
Credit Balance at 31st March, 2018, b/f.	129,703,607.68	119,751,267
Transfer from Statement of Comprehensive Income	10,000,000.00	10,000,000
Bank Charge (Expenses from Investment and Money Fund)	-	(93)
Addition during the year (Income from Investment and Money Fund)	<u>2,178,275.18</u>	<u>1,152,434</u>
	141,881,882.86	130,903,608
<u>Less: Gratuity Payments during year:</u> <u>Directors (Note 21)</u>	<u>(11,200,000.00)</u>	<u>(1,200,000)</u>
Credit Balance at 31st March, 2019, c/f.	<u>130,681,882.86</u>	<u>129,703,608</u>

15. SHARE CAPITAL

	<u>2019</u> HK\$	<u>2018</u> HK\$
Issued and Fully Paid: 30,000 shares (with no par value)	<u>300,000.00</u>	<u>300,000</u>

16. CAPITAL RESERVE

	<u>2019</u> HK\$	<u>2018</u> HK\$
Credit Balance at 31st March, 2018, b/f.	18,323,280.51	18,323,281
Addition/Deduction during the year	<u>-</u>	<u>-</u>
Credit Balance at 31st March, 2019, c/f.	<u>18,323,280.51</u>	<u>18,323,281</u>

17. GENERAL RESERVE

	<u>2019</u> HK\$	<u>2018</u> HK\$
Credit Balance at 31st March, 2018, b/f.	3,000,000.00	3,000,000
Addition/Deduction during the year	<u>-</u>	<u>-</u>
Credit Balance at 31st March, 2019, c/f.	<u>3,000,000.00</u>	<u>3,000,000</u>

18. OTHER RESERVE

	<u>2019</u> HK\$	<u>2018</u> HK\$
Credit/(Debit) Balance at 31st March, 2018, b/f.	32,892,000.00	(25,204,000)
<u>Add/(Less):</u> Share of Other comprehensive income of an Associate:		
Item that may be reclassified to profit or loss	(31,079,500.00)	53,410,500
Transfer between Reserves of an Associate	9,227,500.00	3,851,500
Transfer between Reserves of an Associate from Non-controlling Interests	25,500.00	-
Acquisition of additional interest in subsidiary	<u>-</u>	<u>834,000</u>
Credit Balance at 31st March, 2019, c/f.	<u>11,065,500.00</u>	<u>32,892,000</u>

19. FINANCIAL ASSETS REVALUATION RESERVE

	<u>2019</u> HK\$	<u>2018</u> HK\$
Long-Term Unit Trust Investment Revaluation Reserve:		
Credit/(Debit) Balance at 31st March, 2018, b/f.	228,780.60	(80,823)
Change in Fair Value of Long-Term Unit Trust Investment	<u>(2,287,427.89)</u>	<u>309,604</u>
(Debit)/Credit Balance at 31st March, 2019, c/f.	<u>(2,058,647.29)</u>	<u>228,781</u>
Long-Term Bonds Investment Revaluation Reserve:		
Debit Balance at 31st March, 2018, b/f.	-	(2,576,862)
Change in Fair Value upon Disposal	<u>-</u>	<u>2,576,862</u>
Debit Balance at 31st March, 2019, c/f.	<u>-</u>	<u>-</u>
Long-Term Overseas Equity Funds Investment Revaluation Reserve:		
Credit Balance at 31st March, 2018, b/f.	25,086,624.41	9,000,575
Change in Fair Value upon Disposal	(9,816,657.76)	53,850
Change in Fair Value of Long-Term Overseas Equity Funds Investments	<u>4,732,449.23</u>	<u>16,032,199</u>
Credit Balance at 31st March, 2019, c/f.	<u>20,002,415.88</u>	<u>25,086,624</u>
Long-Term Overseas Alternative Funds Investment Revaluation Reserve:		
Credit Balance at 31st March, 2018, b/f.	529,851.76	277,912
Change in Fair Value upon Disposal	-	(14,344)
Change in Fair Value of Long-Term Overseas Alternative Funds Investments	<u>39,157.69</u>	<u>266,284</u>
Credit Balance at 31st March, 2019, c/f.	<u>569,009.45</u>	<u>529,852</u>
Long-Term Overseas Listed Share Investment Revaluation Reserve:		
Credit Balance at 31st March, 2018, b/f.	1,463,639.30	974,097
Change in Fair Value upon Disposal	(539,152.69)	(771,272)
Change in Fair Value of Long-Term Overseas Listed Share Investments	<u>869,123.78</u>	<u>1,260,814</u>
Credit Balance at 31st March, 2019, c/f.	<u>1,793,610.39</u>	<u>1,463,639</u>
Long Term Hong Kong Listed Share Investment Revaluation Reserve:		
Credit Balance at 31st March, 2018, b/f.	1,268,508.73	404,473
Change in Fair Value upon Disposal	(736,491.68)	(187,563)
Change in Fair Value of Long-Term Hong Kong Listed Share Investments	<u>246,801.24</u>	<u>1,051,599</u>
Credit Balance at 31st March, 2019, c/f.	<u>778,818.29</u>	<u>1,268,509</u>
Total Credit Balance at 31st March, 2019, c/f.	<u>21,085,206.72</u>	<u>28,577,405</u>

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20. TURNOVER AND REVENUES

The principal activities of the Company are to carry on the business of providing catering management services to Maxim's Caterers Limited, dealing and investing in listed investments and holding certain long-term unlisted investments in associated companies. Turnover represents catering management fee earned. Revenues recognised during the year are as follows:-

	<u>2019</u> HK\$	<u>2018</u> HK\$
Turnover		
Catering Management Fee Earned	372,608,480.00	334,340,349
Other Revenue		
Dividends Received from Financial Assets at Fair Value through Profit or Loss	1,256,742.49	1,201,353
Dividends Received from Financial Assets at Fair Value Through Other Comprehensive Income	2,854,977.70	4,415,940
Profit on Exchange	-	347,747
Profit on Disposal of Financial Assets at Fair Value Through Other Comprehensive Income		
- in Hong Kong	532,262.91	883,295
- outside Hong Kong	6,893,799.72	385,584
Interest Received from Financial Assets at Fair Value Through Other Comprehensive Income	-	11,717
Interest Received on Deposits with Banks	8,951,855.80	4,630,647
Interest Received from Others	234,967.26	235,854
Interest Received from an Associated Company	228,744.00	238,140
Unrealised Profit on Appreciation in Value of Long Term Investment in Gold	-	1,110,000
Unrealised Profit on Appreciation in Value of Derivative Financial Instruments	2,382,932.24	662,418
Unrealised Profit on Appreciation in Value of Financial Assets at Fair Value Through Profit and Loss		
- in Hong Kong	-	2,763,689
Sundry Income	1,071,781.89	525,463
	<u>24,408,064.01</u>	<u>17,411,847</u>
Share of Profit of an Associate, Maxim's Caterers Limited	839,229,000.00	742,335,000
Total Revenues	<u>1,236,245,544.01</u>	<u>1,094,087,196</u>

21. DIRECTORS' REMUNERATION

Directors' Remuneration disclosed in accordance with the provisions of Section 383(1) of the Companies Ordinance is as follows:-

	<u>2019</u> HK\$	<u>2018</u> HK\$
Under Statement of Comprehensive Income:		
Fees	2,160,000.00	1,620,000
Proposed Bonuses	7,452,000.00	6,684,000
Other Emoluments:		
Contributions to Recognised Provident Fund	1,890,000.00	1,422,000
Salaries and Allowances	169,725,000.00	146,155,000
Consultancy Fee Paid to a Director	2,400,000.00	2,400,000
	<u>183,627,000.00</u>	<u>158,281,000</u>
Under Reserve for Employees' Gratuity Payments:		
Gratuity Payments - Directors (Note 14)	11,200,000.00	0000
	<u>11,200,000.00</u>	<u>1,200,000</u>
	<u>194,827,000.00</u>	<u>159,481,000</u>

22. PROFIT BEFORE TAXATION

Profit before Taxation has been arrived at after crediting and charging the following items:

	<u>2019</u> HK\$	<u>2018</u> HK\$
(a) Crediting:		
Management Fee Earned from Maxim's Caterers Limited	372,608,480.00	334,340,349
Under Other Revenue:		
Dividends Received from Financial Assets at Fair Value through Profit or Loss	1,256,742.49	1,201,353
Dividends Received from Financial Assets at Fair Value Through Other Comprehensive Income	2,854,977.70	4,415,940
Profit on Exchange	-	347,747
Profit on Disposal of Financial Assets at Fair Value Through Other Comprehensive Income		
- in Hong Kong	532,262.91	883,295
- outside Hong Kong	6,893,799.72	385,584
Unrealised Profit on Appreciation in Value of Long Term Investment in Gold	-	1,110,000
Unrealised Profit on Appreciation in Value of Derivative Financial Instruments	2,382,932.24	662,418
Unrealised Profit on Appreciation in Value of Financial Assets at Fair Value Through Profit or Loss		
- in Hong Kong	-	2,763,689
Share of Profit of an Associate, Maxim's Caterers Limited	<u>839,229,000.00</u>	<u>742,335,000</u>
(b) Charging:		
Under Catering Managers' Operating Expenses:		
Contributions to Recognised Provident Fund - Staff	2,267,850.00	2,168,700
Office Rent	600,000.00	540,000
Staff Messing Expenses	250,203.50	165,205
Staff Salaries, Bonuses and Allowances	66,609,711.75	58,460,130
Under Administrative Expenses:		
Auditors' Remuneration	297,000.00	283,000
Under Other Operating Expenses:		
Impairment Loss on Diminution in Value of Financial Assets at Fair Value Through Profit or Loss:		
- in Hong Kong	2,051,852.50	-
Impairment Loss on Diminution in Value of Long Term Investment in Gold	549,000.00	-
Loss on Exchange	25,893.15	-
Transfer to Provision for Long-Term Incentive Scheme	65,000,000.00	55,000,000
Transfer to Reserve for Employees' Gratuity Payments	<u>10,000,000.00</u>	<u>10,000,000</u>

0025

23. TAXATION

	<u>2019</u> HK\$	<u>2018</u> HK\$
(a) <u>Current Taxation:</u>		
Estimated liability to Profits Tax for the year of assessment 2018/19 at the rate of 16.5% (2017/18: 16.5%) on taxable profit for the year	<u>(17,394,088.00)</u>	<u>(18,981,336)</u>
<u>Add:</u> Over-provision for Taxation for 2017/18:		
Provision for Taxation at 31st March, 2018, b/f.	18,981,336.00	15,377,761
<u>Less:</u> Profits Tax Paid for 2017/18	<u>(18,951,336.00)</u>	<u>(15,357,761)</u>
	<u>30,000.00</u>	<u>20,000</u>
	(17,364,088.00)	(18,961,336)
<u>Deferred Taxation:</u>		
Deferred Tax Credit recognised during the year (per Note 24)	<u>11,430,363.00</u>	<u>10,922,067</u>
Tax Expense for the year	<u>(5,933,725.00)</u>	<u>(8,039,269)</u>

(b) Taxation for the year can be reconciled to the profit per the statement of comprehensive income as follows:-

	<u>2019</u> HK\$	<u>2018</u> HK\$
Profit before Taxation	<u>899,019,554</u>	<u>803,915,699</u>
Tax Expense at profits tax rate of 16.5% (2018: 16.5%)	(148,338,226)	(132,646,090)
Tax effect of non-deductible expenses	(12,960,181)	(11,199,990)
Tax effect of non-taxable income	141,891,317	124,666,743
Tax effect of two-tiered profits tax rates	165,000	-
Over-provision for taxation in previous year	30,000	20,000
Deductible expenses under Reserve for employees' gratuity payments	1,848,000	198,000
Deferred Tax effect of additions to:		
- Reserve for employees' gratuity payments	161,416	1,642,136
- Provision for long-term incentive scheme	<u>11,268,949</u>	<u>9,279,932</u>
Tax Expense for the year	<u>(5,933,725)</u>	<u>(8,039,269)</u>

24. DEFERRED TAX

The components of net deferred tax assets/(liabilities) recognised in the statement of financial position and the movements during the current and prior years are as follows:-

	Reserve for Employees' Gratuity Payments HK\$	Provision for Long Term Incentive Scheme HK\$	Accelerated Accounting Depreciation HK\$	Net Deferred Tax Assets/ (Liabilities) HK\$
Balance at 31/3/2017, b/f.	19,758,959	22,813,352	5	42,572,316
Amounts credited/ (charged) to statement of comprehensive income (per Note 23)	<u>1,642,136</u>	<u>9,279,932</u>	<u>(1)</u>	<u>10,922,067</u>
Balance at 31/3/2018	21,401,095	32,093,284	4	53,494,383
Amounts credited/ (charged) to statement of comprehensive income (per Note 23)	<u>161,416</u>	<u>11,268,949</u>	<u>(2)</u>	<u>11,430,363</u>
Balance at 31/3/2019, c/f.	<u>21,562,511</u>	<u>43,362,233</u>	<u>2</u>	<u>64,924,746</u>

25. DIVIDENDS

	<u>2019</u> HK\$	<u>2018</u> HK\$
(a) Interim Dividends Paid during the year are as follows:-		
1st Interim Dividend at \$2,000.00 (2018: \$2,000) per share on 30,000 paid up shares	60,000,000.00	60,000,000
2nd Interim Dividend at \$3,000.00 (2018: \$3,000) per share on 30,000 paid up shares	<u>90,000,000.00</u>	<u>90,000,000</u>
	<u>150,000,000.00</u>	<u>150,000,000</u>
(b) Proposed Final Dividends:		
Final Dividend at \$8,000.00 (2018: \$8,000) per share on 30,000 paid up shares	<u>240,000,000.00</u>	<u>240,000,000</u>
	<u>390,000,000.00</u>	<u>390,000,000</u>

26. EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year (after taxation) of \$893,085,828.61 (2018: \$795,876,430) on 30,000 shares in issue.

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW/(OUTFLOW)
FROM OPERATING ACTIVITIES

	<u>2019</u>	<u>2018</u>
	HK\$	HK\$
PROFIT BEFORE TAXATION	899,019,554	803,915,699
Adjustments for:		
Transfer to Reserve for Employees' Gratuity Payments	10,000,000	10,000,000
Transfer to Provision for Long-Term Incentive Scheme	65,000,000	55,000,000
Share of Profit of an Associate	(839,229,000)	(742,335,000)
Impairment Loss on Diminution/ (Unrealised Profit on Appreciation) in Value of Financial Assets at Fair Value Through Profit or Loss	2,051,853	(2,763,689)
Impairment Loss on Diminution/ (Unrealised Profit on Appreciation) in Value of Long Term Investment in Gold	549,000	(1,110,000)
Unrealised Profit on Appreciation in Value of Derivative Financial Instruments	(2,382,932)	(662,418)
Profit on Disposal of Financial Assets at Fair Value Through Other Comprehensive Income	(7,426,063)	(1,268,879)
Dividends Received	(4,111,720)	(5,617,293)
Interest Received	(9,415,567)	(5,116,358)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	114,055,125	110,042,062
(Increase)/Decrease in Trade and Other Receivables	914,673	2,478,612
Decrease/(Increase) in Deposits and Prepayments	(2,574,450)	(4,926,203)
Increase/(Decrease) in Trade and Other Payables	17,252,000	13,500
Increase/(Decrease) in Unclaimed Dividends Payable	6,500,000	6,400,000
Increase/(Decrease) in Proposed Directors' Bonuses Payable	768,000	814,200
CASH GENERATED FROM OPERATIONS	<u>136,915,348</u>	<u>114,822,171</u>

28. RELATED PARTY TRANSACTIONS

Significant transactions during the year with the related companies are summarised as follows:-

	<u>2019</u>	<u>2018</u>
	HK\$	HK\$
Management Fee earned from Maxim's Caterers Limited, Hong Kong, associated company	372,608,480.00	334,340,349
Interest Received from Minato Enterprise Company, Limited, Japan, associated company	<u>228,744.00</u>	<u>238,140</u>



0033

29. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>2019</u> HK\$	<u>2018</u> HK\$
Money Market Certificate, at fair value (Under Current Assets)	<u>103,370,861.85</u>	<u>100,987,930</u>

30. PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in Hong Kong and has its principal place of business at Room 1809, 18/F., Gloucester Tower, The Landmark, Central, Hong Kong.

31. FINANCIAL RISK MANAGEMENT

The Company's activities expose itself to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. In the normal course of business, the Company manages these risks through a variety of techniques.

a) Foreign exchange risk

The Company is exposed to foreign exchange risk in net foreign currency monetary assets and liabilities.

The foreign exchange risk is considered not significant, as the Company is monitoring the foreign exchange exposure regularly.

b) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company's Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis.

c) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

d) Cash flow interest rate risk

The Company is not significantly affected by the changes in market interest rates of bank borrowings and bank deposits. The Company's operating cash flows are substantially independent from changes in market interest rates.

32. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, raise new debt financing or sell assets to reduce debts. No changes were made in the objectives, policies and processes during the years ended 31st March, 2018 and 31st March, 2019.

The Company monitors capital using a gearing ratio, which is the Company's ~~total~~ liabilities over its total assets. The Company's policy is to keep the gearing ratio at a reasonable level. The Company's gearing ratio as at 31st March, 2019 was 10.99% (31st March, 2018: 10%).

33. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

(1) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces the requirements in HKAS 18 Revenue which covers contracts for goods and services and HKAS 11 Construction Contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

(2) HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement", bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment and (iii) hedge accounting. HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company has assessed the effects of applying the new standards on the financial statements and has not identified any material impact to the Company.



0090

HONGKONG CATERERS LIMITED

BUSINESS REVIEW

FOR THE YEAR ENDED 31ST MARCH, 2019

BACKGROUND

Hongkong Caterers Limited ("the Company") was incorporated in Hong Kong on 23rd June, 1956 as a company limited by shares.

INDUSTRY AND NATURE OF BUSINESS

The core businesses of the Company are providing catering management services to a Hong Kong incorporated associated company, Maxim's Caterers Limited, and holding long-term investments in associated companies.

FAIR REVIEW OF THE COMPANY'S BUSINESS

Description of the business and the external environment

During the year ended on 31st March, 2019, the Company recorded catering management fee earned amounting to HK\$372,608,480.00 (2018: HK\$334,340,349) while catering managers' operating expenses totalled HK\$249,690,244.75 (2018: HK\$216,584,497). In addition, the share of profit of an associated company amounted to HK\$839,229,000.00 (2018: HK\$742,335,000). For the year ended 31st March, 2019, profit (after taxation) for the year amounted to HK\$893,085,828.61 (2018: HK\$795,876,430).

According to the information from the Census and Statistics Department of the Government of the Hong Kong Special Administrative Region, in the first quarter of 2019, the Gross Domestic Product (GDP) increased by 0.6% in real terms over a year earlier, compared with the 1.2% increase in the fourth quarter of 2018.

The performance and the financial position of the Company using financial Key Performance Indicators ("KPIs") are as follows:

	31/3/2017 HK\$ '000	31/3/2018 HK\$ '000	31/3/2019 HK\$ '000
Turnover	293,503	334,340	372,608
Share of Profit of an Associated Company	682,613	742,335	839,229
Profit (after taxation)	719,931	795,876	893,086
Net Assets	3,467,692	3,997,283	4,471,207
Gearing Ratio	9.95%	10.32%	10.99%

Comparing the results of the years ended 31/3/2018 and 31/3/2019, the turnover, share of profit of an associated company, profit (after taxation) and net assets are increased by 11.45%, 13.05%, 12.21% and 11.86% respectively. In addition, the Company's policy is to keep the gearing ratio (total liabilities over total assets) at a reasonable level.



00914

HONGKONG CATERERS LIMITED

BUSINESS REVIEW

FOR THE YEAR ENDED 31ST MARCH, 2019

(CONTINUED)

FAIR REVIEW OF THE COMPANY'S BUSINESS (CONTINUED)

The Company's environmental policies and performance and the Company's compliance with the relevant laws and regulations that have a significant impact on the Company:

In the matter of preserving the environment, the Company's management and staff are managing with conscious environmental processes.

The Company complies with the Hong Kong Companies Ordinance (Cap. 622).

The Company's key relationships with parties that have a significant impact on the Company and on which the Company's success depends:

Employees: The Company is a caring employer that offers fair remuneration packages and working conditions to employees.

Client: The Company provides catering management services to an associated company.

Services providers: The Company continues to maintain good relations with service providers.

DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

In the face of a changing economy and uncertainty in catering industry, the Company's Management is monitoring the economy and industry exposure regularly.

PARTICULARS OF IMPORTANT EVENTS AFFECTING THE COMPANY THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR

There are no important events affecting the Company that have occurred subsequent to the year ended 31st March, 2019.

INDICATION OF LIKELY FUTURE DEVELOPMENT IN THE COMPANY'S BUSINESS

The Company continues to work on enhancing values to shareholders. To achieve this, the Company is obliged to be supported by collective efforts, with the leadership of the Board of Directors and work of the staff and service providers.



0098