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TASTY CONCEPTS HOLDING LIMITED

賞之味控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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.

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

*This announcement, for which the directors (the “**Director(s)**”) of Tasty Concepts Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) 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 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.*

FINAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Group for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Revenue	4	108,673	99,637
Cost of inventories		(22,586)	(21,198)
Other income	5	123	10
Other gains and losses	5	(12)	14
Staff costs		(31,326)	(27,174)
Rental and related expenses		(19,804)	(16,578)
Depreciation and amortisation		(6,059)	(6,231)
Other expenses		(14,139)	(12,967)
Listing expenses		(23,500)	—
Finance costs	6	(171)	(159)
(Loss) profit before taxation	7	(8,801)	15,354
Taxation	8	(2,472)	(2,382)
(Loss) profit for the year		(11,273)	12,972
Other comprehensive (expense) income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operation		(323)	460
Total comprehensive (expense) income for the year		(11,596)	13,432
(Loss) profit for the year attributable to:			
Owners of the Company		(12,261)	12,972
Non-controlling interests		988	—
		(11,273)	12,972
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(12,573)	13,432
Non-controlling interests		977	—
		(11,596)	13,432
(Loss) earnings per share			
Basic (HK cents)	10	(3.22)	3.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	NOTES	As at 31 March	
		2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property and equipment		13,880	12,871
Intangible assets		47	71
Deposits	11	3,558	4,671
Deferred tax assets		1,150	1,068
		18,635	18,681
Current assets			
Inventories		1,657	1,283
Trade and other receivables, deposits and prepayments	11	5,503	4,390
Amounts due from related parties		—	754
Tax recoverable		665	217
Pledged bank deposits		—	1,900
Bank balances and cash		84,535	15,129
		92,360	23,673
Current liabilities			
Trade and other payables and accruals	12	15,251	6,937
Amount due to a related party		—	3,418
Tax payable		927	2,407
Bank borrowings		3,395	2,321
		19,573	15,083
Net current assets		72,787	8,590
Total assets less current liabilities		91,422	27,271
Non-current liabilities			
Provisions		255	225
Net assets		91,167	27,046
Capital and reserves			
Share capital		5,000	9
Reserves		86,167	27,037
Total equity		91,167	27,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 July 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange on 15 March 2019 (the “**Listing**”). The immediate holding company of the Company is Brilliant Trade Enterprises Limited (“**Brilliant Trade**”), which was incorporated in the British Virgin Islands (“**BVI**”), and 35%, 35%, 15% and 15% owned by Mr. Tang Chun Ho Chandler (“**Mr. C Tang**”), Mr. Tang Hing Chee (“**Mr. HC Tang**”), father of Mr. C Tang, Ms. Tai Shiu Bun, Mariana (“**Ms. Tai**”), mother of Mr. C Tang, and Ms. Tang Wing Shan, Ariel (“**Ms. A Tang**”), sister of Mr. C Tang (hereinafter Mr. C Tang, Mr. HC Tang, Ms. Tai and Ms. A Tang are collectively referred to as the “**Controlling Shareholders**”). The addresses of the registered office and the principal place of business of the Company are Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 6th Floor, Goldsland Building, 22-26 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong respectively.

The Company acts as an investment holding company and its subsidiaries are principally engaged in operation of Japanese ramen restaurants in Hong Kong and the People’s Republic of China (“**PRC**”).

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Before the group reorganisation as stated below, the group entities are wholly-owned by Butao Ramen Limited (“**Butao Ramen**”), a limited liability company incorporated in Hong Kong and Butao Ramen was then owned by Brilliant Trade.

In preparation of the Listing, the companies comprising the Group underwent a group reorganisation (“**Reorganisation**”) as described below.

- (i) On 14 June 2018, Butao Global Limited (“**Butao Global**”) was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 ordinary shares at a par value of United States Dollar 1 each. On the same day, 9,090 shares of Butao Global were allotted and issued to Brilliant Trade.
- (ii) On 27 June 2018, Butao Global acquired entire equity interests of Butao Ramen from Brilliant Trade in consideration of issuing 10 shares of Butao Global to Brilliant Trade. Upon the completion of the transfer, Butao Ramen is the wholly-owned subsidiary of Butao Global.

- (iii) On 3 July 2018, a pre-IPO investor (“**Pre-IPO Investor**”), who is an independent third party, subscribed for 900 new shares of Butao Global for a cash consideration of HK\$6,000,000. Upon the completion of the subscription, Brilliant Trade and the Pre-IPO Investor hold equity interest of Butao Global amounting to 91% and 9%, respectively.
- (iv) On 23 July 2018, the Company was incorporated in the Cayman Islands as a limited liability company with an authorised share capital of 1,000,000 ordinary shares at a par value of HK\$0.01 each. On the same date, 1 share of the Company was allotted and issued to the first subscriber, who is an independent third party, and then transferred to Brilliant Trade at par in cash.
- (v) On 21 February 2019, the Company acquired 91% and 9% equity interests of Butao Global from Brilliant Trade and a Pre-IPO Investor in consideration of issuing 9,099 and 900 shares of the Company to Brilliant Trade and Pre-IPO Investor, respectively. Upon the completion of the transfer, Butao Global is the wholly-owned subsidiary of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group since 21 February 2019 by interspersing the Company, Butao Global between Brilliant Trade and Butao Ramen. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 March 2019 and 2018 have been prepared as if the current group structure had been in existence throughout the year, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where applicable.

The consolidated statements of financial position of the Group as at 31 March 2018 has been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence as at those dates taking into account the respective dates of incorporation where applicable.

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

The Group has adopted and consistently applied HKFRSs issued by the Hong Kong Institution of Certified Public Accountants (“**HKICPA**”) that are effective for the accounting period beginning on 1 April 2018 for both current and prior years, except that the Group adopted HKFRS 9 “Financial Instruments” from 1 April 2018. The accounting policies for financial instruments under Hong Kong Accounting Standard (“**HKAS**”) 39 “Financial Instruments: Recognition and Measurement” and HKFRS 9 are set out below.

HKFRS 9 “Financial Instruments” and the related amendments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses (“ECL”) for financial assets; and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The Group applies simplified approach which uses a lifetime ECL to measure ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually. Based on assessment by the management of the Group, the management of the Group considers the ECL for trade receivables are insignificant at 1 April 2018.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables and deposits, amounts due from related parties, pledged bank deposits and bank balances, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is regard as low and 12-month ECL is insignificant.

For other receivables and deposits and amounts due from related parties, the management of the Group makes individual assessment on the recoverability of debtors based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management of the Group, the management of the Group considers the ECL for other receivables and deposits and amounts due from related parties is insignificant.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
Hong Kong (International Financial Reporting Interpretations Committee) Interpretations (“HK(IFRIC) – Int”) 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for business combinations and asset acquisitions for the acquisition date is on or after beginning of the first annual period beginning on or after 1 January 2020.

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

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable for services provided and goods sold and net of discount, during the year.

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Recognised at a point in time:		
Operation of restaurants in Hong Kong	85,053	74,035
Operation of restaurants in the PRC	17,724	19,879
Sales of food and related products to a franchisee	4,770	4,610
Recognised over time:		
Royalty fee income from a franchisee (<i>Note i</i>)	1,086	1,113
License fee income from a licensee (<i>Note ii</i>)	40	—
	<u>108,673</u>	<u>99,637</u>

Notes:

- (i) *Royalty fee income is calculated with reference to the revenue of the restaurant run by the franchisee for a term of five years.*
- (ii) *License fee income is calculated with reference to the production volume of the licensed products produced by the licensee for a term of two years.*

Segment information

The Group is principally engaged in operation of Japanese ramen restaurants in Hong Kong and the PRC. This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies. The executive Director of the Company have been identified as the chief operating decision maker ("CODM"). The CODM reviews the Group's revenue analysis by geographical location in order to assess performance and allocation of resources.

Other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance and allocation of resources. The CODM reviews the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

Geographical information

The Group's current operations are mainly located in Hong Kong and the PRC. Information about the Group's revenue from external customers is presented based on the location of the customers. Information about its non-current assets, excluding deferred tax assets, by geographical location of assets is detailed below:

	Year ended 31 March		Non-current assets	
			As at 31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	85,093	74,035	12,272	9,895
The PRC	17,724	19,879	5,213	7,718
Macau Special Administrative Region of the People's Republic of China ("Macau") (Note)	5,856	5,723	—	—
	<u>108,673</u>	<u>99,637</u>	<u>17,485</u>	<u>17,613</u>

Note: The revenue is derived from the sales of food and related products to and royalty fee income from a franchisee which is located in Macau.

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue for both years.

5. OTHER INCOME/OTHER GAINS AND LOSSES

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
<u>Other income:</u>		
Bank interest income	57	5
Others	66	5
	<u>123</u>	<u>10</u>
<u>Other gains and losses:</u>		
Net exchange (losses) gains	(12)	14
	<u>(12)</u>	<u>14</u>

6. FINANCE COSTS

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Interests on bank borrowings	171	159
	<u>171</u>	<u>159</u>

7. (LOSS) PROFIT BEFORE TAXATION

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	950	223
Directors' remuneration	1,038	986
Other staff costs:		
Salaries, bonuses and allowances	28,383	24,825
Retirement benefits schemes contributions	1,905	1,363
	<hr/>	<hr/>
Total staff costs	31,326	27,174
	<hr/>	<hr/>
Depreciation of property and equipment	6,035	6,207
Amortisation of intangible assets	24	24
Operating leases rentals in respect of rented premises for		
– minimum lease payments	16,702	13,974
– contingent rents (<i>Note</i>)	1,017	638
	<hr/>	<hr/>
	<u>17,719</u>	<u>14,612</u>

Note: The operating lease rentals for restaurants are determined as the higher of fixed rentals or pre-determined percentages on revenue of the restaurants pursuant to the terms and conditions that are set out in the rental agreements.

8. TAXATION

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
The taxation comprises:		
Hong Kong Profits Tax:		
Charge for the year	2,637	2,094
Overprovision in prior years	(83)	—
	<u>2,554</u>	<u>2,094</u>
PRC Enterprise Income Tax:		
Charge for the year	—	395
	<u>2,554</u>	<u>2,489</u>
Deferred tax credit	<u>(82)</u>	<u>(107)</u>
	<u><u>2,472</u></u>	<u><u>2,382</u></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 March 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduced 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\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the year ended 31 March 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000 of that subsidiary. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year.

9. DIVIDENDS

During the year ended 31 March 2018, Butao Ramen declared dividends of HK\$11,000,000 to the then shareholder.

No dividend was paid or declared by the Company since its incorporation during the year ended 31 March 2019.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2019.

10. (LOSS) EARNINGS PER SHARE

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

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) earnings for the year attributable to owners of the Company		
for the purpose of basic (loss) earnings per share	<u>(12,261)</u>	<u>12,972</u>
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of		
basic (loss) earnings per share	<u>380,821,918</u>	<u>375,000,000</u>

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 April 2017.

No separate diluted (loss) earnings per share information has been presented as there were no potential ordinary shares outstanding issue for both years.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Trade receivables from restaurant operations	526	264
Trade receivables from the franchisee	483	859
Trade receivables from a licensee	6	—
Rental deposits	5,518	5,167
Utilities and other deposits	1,132	974
Deposits paid for acquisition of property and equipment	—	264
Other receivables	422	337
Prepayments	974	1,196
	<u>9,061</u>	<u>9,061</u>
Total trade and other receivables, deposits and prepayments	<u>9,061</u>	<u>9,061</u>
Analysed for reporting purposes as:		
Non-current assets	3,558	4,671
Current assets	5,503	4,390
	<u>9,061</u>	<u>9,061</u>

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, electronic or mobile payments. Electronic or mobile payments will normally be settled within 7 days after trade date. Trade receivables also include royalty fee income and sales income receivable from a franchisee and license fee income receivable from a licensee with credit periods up to 30 days.

An ageing analysis of the trade receivables from restaurant operations, based on the invoice date, which approximate the revenue recognition date, is as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
0 - 30 days	<u>526</u>	<u>264</u>

An ageing analysis of the trade receivables from the franchisee, based on the invoice date, which approximate the revenue recognition date, is as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
0 - 30 days	470	785
31 - 60 days	1	—
61 - 90 days	—	6
over 90 days	<u>12</u>	<u>68</u>
	<u>483</u>	<u>859</u>

The ageing analysis of the trade receivables from a licensee, based on the invoice date, which approximate the revenue recognition date, is within the banding of 0-30 days as at 31 March 2019.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Trade payables	2,287	1,745
Salary payables	1,919	1,934
Payable for acquisition of property and equipment	—	175
Effective rent payable	1,671	1,600
Accrual for listing expenses	6,257	—
Other payables and accruals	3,117	1,483
	<u>15,251</u>	<u>6,937</u>

The credit period on purchases is ranging from 0 to 30 days. An ageing analysis of the trade payables, based on the invoice date, is as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
0 - 30 days	2,269	1,735
31 - 60 days	18	10
	<u>2,287</u>	<u>1,745</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2019 and up to the date of this announcement, the Group has been principally engaged in operating ramen restaurants in Hong Kong and the PRC, generating revenue from provision of catering services.

Besides, the Group also generates revenue from (i) franchising the own brand to a franchisee to operate a ramen restaurant in Macau and receive royalty fee income and income from sales of food and accessories products to the franchisee; (ii) granting an exclusive licence to a licensee to use the Group's trademarks on licensed products, license fee income is charged based on the production volume.

As at 31 March 2019 and up to the date of this announcement, the Group operated 10 ramen restaurants in Hong Kong and the PRC.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately 9.1% from approximately HK\$99.6 million for the year ended 31 March 2018 to approximately HK\$108.7 million for the year ended 31 March 2019. The growth is mainly attributed to the establishment of strategic located new outlets opened in Hong Kong during the year/the second half of the financial year 2018. Despite revenue generated from the Group's restaurants in the PRC dropped due to the gloomy economic environment in the PRC, the Group's overall revenue still recorded an increase in amount due to the significant growth contributed by restaurants operated in Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the customers is detailed below:

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong	85,093	74,035
The PRC	17,724	19,879
Macau (<i>Note</i>)	5,856	5,723
	<u>108,673</u>	<u>99,637</u>

Note: The revenue is derived from the sales of food and related products to and royalty fee income from a franchisee which is located in Macau.

Cost of inventories

Cost of inventories increased by approximately HK\$1.4 million, or approximately 6.5%, from approximately HK\$21.2 million for the year ended 31 March 2018 to approximately HK\$22.6 million for the year ended 31 March 2019. The cost of inventories sold increased in line with the growth of the Group's revenue and amounted to approximately 21.3% and 20.8% of the Group's total revenue for the years ended 31 March 2018 and 2019, respectively. The ratio slightly dropped as compared to financial year 2018, mainly attributable to various cost control measures on procurement adopted by the Group and optimising the use of centralised kitchen.

Other income

Other income mainly comprised of the bank interest income and other miscellaneous income. It amounted to approximately HK\$10,000 and HK\$123,000 for the years ended 31 March 2018 and 2019 respectively. The significant increase in amount is mainly due to more bank interest income received owing to the increment of average bank balance level during the year.

Other gains and losses

Other gains and losses mainly represented the net exchange (loss) gains.

Staff costs

The staff costs increased by approximately 15.3% from approximately HK\$27.2 million for the year ended 31 March 2018 to approximately HK\$31.3 million for the year ended 31 March 2019, which was mainly attributable to the additional manpower employed for the newly operated restaurants. Staff costs were taken up the most significant portion of the operating costs, as a percentage of revenue, staff costs amounted to 27.3% for the year ended 31 March 2018 and 28.8% for the year ended 31 March 2019, which is mainly due to an increase in compensation levels of the staffs.

The Group understands the importance of recruiting the skilled personnel and retaining experienced staff in the highly competitive labour market in order to properly manage the Group's restaurants and interact with the customers, which is critical to maintaining the quality and consistency of the Group's services as well as the brand reputation.

Rental and related expenses

Rental and related expenses represents (i) rental expenses paid for restaurants, central kitchen, offices, warehouse and staff dormitories, (ii) building management fee, (iii) government rent and rates and (iv) rental for machineries. Rental and related expenses increased by approximately 19.5% from approximately HK\$16.6 million to approximately HK\$19.8 million from year ended 31 March 2018 to 2019, resulted from the business expansion of establishing more restaurants in Hong Kong during the year/second half of financial year 2018 as well as the incremental rental expenses charged over the existing rental premises followed by the macro-environment in property market. The rental and related expenses are maintained in a rather stable level, amounted to approximately 16.6% and approximately 18.2% of the Group's revenue for the years ended 31 March 2018 and 2019 respectively.

Depreciation and amortisation

Depreciation and amortisation represents depreciation charge for leasehold improvements and fixtures and equipment as well as amortisation of intangible assets of the Group. For the years ended 31 March 2018 and 2019, depreciation and amortisation expenses amounted to approximately HK\$6.2 million and approximately HK\$6.1 million respectively, representing a slight decrease of approximately 2.8% owing to certain assets being fully depreciated during the year.

Other expenses

Other expenses mainly consist of water, electricity, gas and other utilities expenses, repair and maintenance fee, audit and professional fees, business and product development expenses, cleaning expenses and motor vehicle and logistics expenses. Other expenses increased from approximately HK\$13.0 million to approximately HK\$14.1 million from year ended 31 March 2018 to 2019, representing an increase of approximately 9.0%. The increase in amount is mainly attributed to the increase in utilities and consumable expenses resulted from more new restaurants commenced business. As a percentage of revenue, the other expenses remain stable at approximately 13.0% for both years ended 31 March 2018 and 2019.

Listing expenses

For the year ended 31 March 2019, the non-recurring listing expenses of approximately HK\$23.5 million have been incurred and recognised in profit or loss.

Taxation

The income tax expenses slightly increased by approximately 3.8% from approximately HK\$2.4 million for the year ended 31 March 2018 to approximately HK\$2.5 million for the year ended 31 March 2019, which is mainly due to certain of tax losses brought forward was fully utilised for the year ended 31 March 2018.

(Loss)/profit for the year

The Group recorded a loss of approximately HK\$11.3 million for the year ended 31 March 2019 as compared to a profit of approximately HK\$13.0 million for the year ended 31 March 2018, which was primarily due to the one-off listing expenses of approximately HK\$23.5 million as well as the start-up operating cost incurred for new restaurants during the year ended 31 March 2019.

LIQUIDITY AND FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

The Group financed its business with internally generated cash flows, borrowings and the proceeds received from the initial listing of the issued shares on GEM of the Stock Exchange by way of public offer and placing in March 2019. As at 31 March 2019, the Group's bank balances and cash amounting to approximately HK\$84.5 million, representing an increase of approximately HK\$69.4 million from approximately HK\$15.1 million as at 31 March 2018. Most of the Group's bank deposits and cash were denominated in HK\$ and Renmibi (“**RMB**”).

As at 31 March 2019, the Group recorded interest-bearing bank borrowings of approximately HK\$3.4 million (31 March 2018: approximately HK\$2.3 million). The interest-bearing bank borrowings were unsecured, repayable on demand and denominated in HK\$ and bore variable interest rate at HK\$ Best Lending Rate minus 0.5% per annum. The Group did not use any financial instrument for hedging purpose.

As at 31 March 2019, the Group's total current assets and current liabilities were approximately HK\$92.4 million (31 March 2018: approximately HK\$23.7 million) and approximately HK\$19.6 million (31 March 2018: approximately HK\$15.1 million) respectively. The Group's current ratio, calculated by dividing the total current assets over the total current liabilities, was approximately 4.7 times (31 March 2018: approximately 1.6 times). The Group's gearing ratio, calculated as percentage of sum of bank borrowings and amount due to a related party to the total equity attributable to owners of the Company, was approximately 3.7% as at 31 March 2019 (31 March 2018: approximately 21.2%).

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's bank balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN CURRENCY RISK

During the year ended 31 March 2019, most of the transactions of the Group were denominated and settled in HK\$ and RMB. RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of the capital controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes both domestically and internationally, and also from the demand and supply of the RMB. The appreciation or devaluation of the RMB against the HK\$ may have an impact on the Group's results. The Group has currently not implemented any foreign currency hedging policy but the management will closely monitor the exposure and consider hedging against significant foreign exchange exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group that is likely to have a material and adverse effect on the Group's business, financial condition or results of operations.

CHARGE OF ASSETS

As at 31 March 2019, the Group did not charge any assets as securities for borrowings.

DIVIDEND

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of final dividend for the year ended 31 March 2019.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investment, material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2019.

SEGMENT INFORMATION

Segmental information is presented for the Group as set out on Note 4 in this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus dated 27 February 2019 (the “**Prospectus**”) and in the annual report, the Group did not have other plans for material investments or capital assets as of 31 March 2019.

COMMITMENT

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third party, which fall due as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Within one year	12,625	15,110
In the second to fifth year inclusive	9,495	16,887
	<u>22,120</u>	<u>31,997</u>

Operating lease payments represent rentals payable by the Group for office premises, restaurants, kitchen, staff dormitories and store room. Leases and rentals are negotiated for a term of one to five years. Certain leases are determined at the higher of a fixed rental or a pre-determined percentage on revenue of the relevant restaurants. As the future revenue of these restatements could not be reliably determined, the relevant contingent rents have not been included and only minimum lease commitment have been included in the table above. Other leases are fixed for terms of one to five years.

USE OF NET PROCEEDS FROM THE LISTING

The Company successfully listed its shares on GEM of the Stock Exchange on 15 March 2019 (the “**Listing Date**”) by way of public offer and placing and the net proceeds from the Listing of the Company were approximately HK\$46.1 million (after deducting underwriting fees and related listing expenses). The Company intends to apply the net proceeds in the same proportion and in the same manner as shown in the Prospectus. An analysis of the utilisation of the net proceeds is set out below:

	Approximately % of net proceeds %	Planned amount HK\$ ‘000	Actual amount utilised as at 31 March 2019 HK\$’000	Notes
Business objective and strategy				
Setting up of new outlets in Hong Kong	60.6	27,964	—	1
Expansion of existing central kitchen in Hong Kong	20.0	9,229	—	1
Further enhancement of the brand recognition	5.2	2,400	—	2
Enhancement of operational capability and efficiency	4.4	2,030	—	2
General working capital	9.8	4,523	—	
	<u>100</u>	<u>46,146</u>	<u>—</u>	

Notes:

1. The Group is in the progress to identify and negotiate for suitable locations which match with the expansion business plan.
2. The Group is in the progress to sort out appropriate social platforms and marketing systems.

As the Listing Date (i.e. 15 March 2019) is close to the date of the year ended 31 March 2019, the Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The management team will continuously examine the Group's business objective and will change or modify the plans against the changing market conditions to pursuit business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

OUTLOOK

The Group's objective is to provide premium quality "Hakata-Style" Japanese ramen and unforgettable excellent service to the customers. The Group always strive for every possible opportunity to enhance the operation efficiency and profitability of its business.

Apart from expanding the Group's restaurant network by establishing outlets located strategically in Hong Kong by taking advantage of better geographical coverage. The Group also plan to launch a series of marketing and promotion events in the second half of year 2019 not only to repay the Group's loyalty customers' continuous supports, but also to make awareness to attract new customers. The Group will also proactively seek potential business opportunities or cooperation with different potential parties to broaden the sources of income and bringing better return on investment for the shareholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income of this announcement. The state of affairs of the Group and the Company as at 31 March 2019 are set out in the consolidated statement of financial position of this announcement. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Reorganisation as disclosed in the Note 2 in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules since Listing Date up to the date of this announcement. To the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Required Standard of Dealing**"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and there was no event of non-compliance during the year ended 31 March 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 21 February 2019. The chairman of the Audit Committee is Mr. Lee Koon Tak, the independent non-executive Director, and other members included Mr. Ho Lai Chuen and Mr. Ho Chun Yin Steven, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee, which comprises three independent non-executive directors of the Company, had reviewed the audited consolidated financial statements for the year in conjunction with the Group's auditors, Messrs. Deloitte Touche Tohmatsu. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position as at the annual results for the year ended 31 March 2019.

APPRECIATION

The Company would like to thank the Group's customers, suppliers, business partners for their support. Also, the Company would like to offer its highest gratitude to its shareholders for their devotion and to the Group's employees for their loyalty and contributions made during the year.

For and on behalf of
Tasty Concepts Holding Limited
Tang Hing Chee
Chairman

Hong Kong, 21 June 2019

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Tang Chun Ho Chandler, one non-executive Director, namely Mr. Tang Hing Chee and three independent non-executive Directors, namely Mr. Ho Chun Yin Steven, Mr. Ho Lai Chuen and Mr. Lee Koon Tak.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.butaoramen.com.