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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 2022**

#### **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 (the “**GEM Listing Rules**”) of the Stock Exchange 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 hereby announces the consolidated results of the Group for the year ended 31 March 2022, together with the comparative figures for the year ended 31 March 2021.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	NOTES	Year ended 31 March	
		2022 HK\$'000	2021 HK\$'000
Revenue	4	41,876	51,872
Cost of inventories		(10,185)	(12,101)
Other income	5	1,678	11,019
Other gains and losses	5	6,674	797
Staff costs		(20,245)	(22,474)
Rental and related expenses		(2,454)	(3,836)
Depreciation and amortisation		(6,388)	(11,121)
Other expenses		(14,213)	(16,447)
Impairment losses	6	(10,806)	(9,686)
Finance costs	7	(692)	(755)
Loss before taxation	8	(14,755)	(12,732)
Taxation	9	(1,047)	(652)
Loss for the year		(15,802)	(13,384)
<b>Other comprehensive expense for the year</b> <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations		(26)	(97)
Total comprehensive expense for the year		(15,828)	(13,481)
<b>Loss for the year attributable to:</b>			
– owners of the Company		(13,833)	(13,384)
– non-controlling interests		(1,969)	–
		(15,802)	(13,384)
<b>Total comprehensive expense for the year attributable to:</b>			
– owners of the Company		(13,859)	(13,481)
– non-controlling interests		(1,969)	–
		(15,828)	(13,481)
Loss per share			
Basic and diluted (HK cents)	11	(2.77)	(2.68)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	NOTES	As at 31 March	
		2022	2021
		HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property and equipment		310	3,047
Right-of-use assets		1,778	6,055
Intangible assets		–	–
Deposits	12	1,740	2,207
Deferred tax assets		–	1,474
		<u>3,828</u>	<u>12,783</u>
<b>Current assets</b>			
Inventories		612	691
Trade and other receivables, deposits and prepayments	12	5,886	7,296
Tax recoverable		–	2,554
Bank balances and cash		11,619	29,141
		<u>18,117</u>	<u>39,682</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	13	5,257	6,369
Tax payable		60	178
Bank borrowing		1,016	1,845
Lease liabilities		6,647	12,138
Provisions		159	520
		<u>13,139</u>	<u>21,050</u>
Net current assets		<u>4,978</u>	<u>18,632</u>
Total assets less current liabilities		<u>8,806</u>	<u>31,415</u>
<b>Non-current liabilities</b>			
Lease liabilities		3,007	9,460
Provisions		228	330
Deferred tax liabilities		54	280
		<u>3,289</u>	<u>10,070</u>
Net assets		<u>5,517</u>	<u>21,345</u>
<b>Capital and reserves</b>			
Share capital		5,000	5,000
Reserves		2,486	16,345
Equity attribute to owners of the Company		7,486	21,345
Non-controlling interests		(1,969)	–
<b>Total equity</b>		<u>5,517</u>	<u>21,345</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

### 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 of Hong Kong Limited (the “**Stock Exchange**”) on 15 March 2019 (the “**Listing**”). As at 31 March 2022, 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 Windward 3, Regatta Office Park, PO Box 1350, 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 restaurants in Hong Kong.

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

The consolidated financial statements for the year ended 31 March 2022 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

#### Going Concern Assumption

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

- (i) The Group incurred a loss attributable to the owners of the Company of HK\$13,833,000 (2021: HK\$13,384,000) for the year ended 31 March 2022.
- (ii) Since the outbreak of the coronavirus disease 2019 (“**COVID-19**”) in January 2020, the Group’s operations are significantly affected by the prevention and control policies imposed by the local government. During the year ended 31 March 2022, several restaurants of the Group had recorded operating losses and negative cash flows.

During the year ended 31 March 2022, the Group had suspended the operation of two restaurants.

- (iii) The Group had breached the covenants of the bank borrowing pursuant to the loan agreement, that the Group had failed to maintain its tangible net worth as stated in the loan agreement entered with the Group’s banker.
- (iv) The Group served a number of claims as result of arrears rental and other related expenses. These claims are legal proceedings and the outcomes might have a significant impact on the continuity of the Group and the Company.

In view of such circumstances, which indicate the existence of uncertainties that may cast doubt about the Group's and the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 March 2022 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the Directors have adopted several measures together with other measures in progress at the date when the consolidated financial statements are authorised for issue, but not limited to, the followings:

- (a) Management of the Company believes the catering businesses will be recovered upon the COVID-19 is being properly managed. The Directors will continue to explore new business opportunity and may set-up new restaurants during the recovery of economy if they see suitable. The Directors of the Company believe that having the potential new business will enhance the Group's efficiency of operations and allows a better leverage of human resources and implementation of the operation strategies of the Group.
- (b) Management of the Company is working closely with the Group's lawyers to settle the claims and litigations arose from arrears rent and related expenses for the benefits of the Group. As at the date of this report, provision has been recorded in relation to the claims.
- (c) Implementing comprehensive polices to monitor cash flows through cutting costs and capital expenditure;
- (d) Mr. C Tang, the chairman and Director of the Company, has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due.

The Directors, based on a cash flow forecast of the Group covering a period up to 31 March 2023 which has taken into account the abovementioned plans and measures, consider that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated financial statements. Accordingly, the Director are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2022 on a going concern basis of accounting.

Should the going concern basis of accounting become inappropriate, adjustments might have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 March 2022, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

#### Application of amendments to HKFRSs

##### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the amendments to HKFRSs, including Hong Kong Accounting Standards (“**HKAS**”) and interpretations, issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” which determining the net realisable value of inventories.

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

##### *Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)*

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

*Issued but not yet effective HKFRSs*

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 17	Insurance Contracts and related amendments <sup>2,5</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 <sup>1</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective date not yet determined

<sup>4</sup> Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

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

#### 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	
	2022 HK\$'000	2021 HK\$'000
Recognised at a point in time:		
Operation of restaurants in Hong Kong	37,326	46,517
Operation of restaurants in the People's Republic of China (the "PRC")	–	1,178
Sales of food and related products to franchisees	3,515	3,097
Recognised over time:		
Royalty fee income from franchisees ( <i>note i</i> )	874	689
License fee income from a licensee ( <i>note ii</i> )	22	36
Consultancy fee income from a franchisee ( <i>note iii</i> )	139	355
	<u>41,876</u>	<u>51,872</u>

##### Notes:

- (i) Royalty fee income is calculated with reference to the revenue or the number of the restaurants run by the franchisees for terms of three to 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.
- (iii) Consultancy fee income is calculated with reference to the number of restaurants run by a franchisee for a term of five year.

Contracts for royalty fee income are under 3-year or 5-year non-cancellable term in which the Group bills at a fixed rate on the sales generated from the use of trademark by the franchisees or the number of restaurants run by the franchisees under the trademark. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has the right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Contracts for license fee income is under 2-year non-cancellable term in which the Group bills at a fixed amount for each licensing product produced by the licensee. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has the right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Consultancy fee income to a franchisee is recognised over time as the Group provides consultancy services and the franchisee simultaneously receives and consumes the benefit provided by the Group. Consultancy fee income is charged at respective fixed amounts based on number of restaurants operated by the franchisee. Consultancy fee income is due on a quarterly basis.



## Segment information

The Group is principally engaged in operation of Japanese ramen restaurants and a Hong Kong style restaurant in Hong Kong. This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies. The executive directors 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. Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets by geographical location of assets is detailed below:

	Year ended 31 March		Non-current assets (note iii) As at 31 March	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	37,347	46,553	3,828	11,309
The PRC (note i)	621	2,209	–	–
Macau Special Administrative Region of the PRC ("Macau") (note ii)	3,908	3,110	–	–
	<u>41,876</u>	<u>51,872</u>	<u>3,828</u>	<u>11,309</u>

### Notes:

- (i) The revenue is derived from operation of restaurants in the PRC, sales of food and related products to and the royalty fee and consultancy services income from a franchisee which is located in the PRC.
- (ii) 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.
- (iii) Non-current assets excluded deferred tax assets.

## 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	
	2022	2021
	HK\$'000	HK\$'000
Other income:		
Rental concessions	398	2,699
Imputed interest income	137	188
Bank interest income	2	1
Government grants ( <i>note</i> )	1,050	8,016
Others	91	115
	<u>1,678</u>	<u>11,019</u>
Other gains and loss:		
Gain on termination of lease contracts	7,871	642
Written-off of trade receivables	(1,224)	–
Net exchange gains	27	8
Gain on disposal of property and equipment	–	147
	<u>6,674</u>	<u>797</u>

*Note:* Government grants mainly represent, subsidies received from the “Anti-epidemic Fund” and “Employment Support Scheme” from the Government of Hong Kong Special Administrative Region (the “**Hong Kong Government**”). The Group is required to undertaken and warrant that there are no unfulfilled conditions and other contingencies attached to the receipt of the grants.

## 6. IMPAIRMENT LOSSES

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Impairment losses on:		
– property and equipment	5,341	4,562
– right-of-use assets	5,465	5,124
	<u>10,806</u>	<u>9,686</u>

During the year ended 31 March 2022 and 2021, as certain restaurants underperformed and incurred losses, the management of the Group concluded there was an indication for impairment and conducted impairment assessment on recoverable amounts of property and equipment and right-of-use assets of relevant restaurants. The Group estimated the recoverable amount of these restaurants, each represents an individual Cash Generating Unit (“CGU”), to which the asset belongs when it is not possible to estimate the recoverable amount individually. As the recoverable amount of certain CGUs are lower than the respective carrying amounts of property and equipment and right-of-use assets, a total impairment loss of HK\$5,341,000 and HK\$5,465,000 (2021: HK\$4,562,000 and HK\$5,124,000) were recognised in the consolidated income statement for the year ended 31 March 2022 so arising from these CGU, respectively.

The recoverable amount of the CGUs are determined based on a value in use calculation covering a 5-year period. The revenue growth rates during the 5-year period range from 0% – 9.7% (2021: 0% – 10.2%) which is based on the management’s estimation regarding service capacity and existing table turnover rate of respective restaurants. Cash flows beyond the 5-year period are extrapolated using a 1.7% (2021: nil) growth rate and the cash flows are discounted using a discount rate of 13.1% (2021: 21.8%). The discount rate used is pre-tax and reflects specific risks relating to the CGUs. Other key assumptions for the value in use calculation relate to the estimations of cash inflows/outflows which include gross margin and operating expenses, such estimations are based on the CGUs’ past performance and management’s expectations for the market development.

## 7. FINANCE COSTS

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Interests on lease liabilities	626	653
Interests on bank borrowing	66	102
	<u>692</u>	<u>755</u>

## 8. LOSS BEFORE TAXATION

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	520	520
Directors' remuneration	3,846	4,358
Other staff costs:		
– salaries, bonuses and allowances	15,694	17,326
– retirement benefits schemes contributions	705	790
Total staff costs	20,245	22,474
Depreciation of property and equipment	1,805	2,650
Depreciation of right-of-use assets	4,583	8,448
Amortisation of intangible assets	–	23
Loss on written-off of rental deposit paid	–	1,121

## 9. TAXATION

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
The taxation comprises:		
Hong Kong Profits Tax:		
Charge for the year	36	268
Over provision in prior years	(237)	–
	(201)	268
Deferred tax expense	1,248	384
	1,047	652

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 2022 and 2021, 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, if any. 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 EIT (the “**EIT Law**”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% during both years.

## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended 31 March 2022 nor has any dividend been proposed since the end of the reporting period (2021: nil).

## 11. LOSS PER SHARE

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

	<b>Year ended 31 March</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	<u>(13,833)</u>	<u>(13,384)</u>
	<b>2022</b>	2021
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>500,000,000</u>	<u>500,000,000</u>

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

The grant of share options after reporting date as disclosed on note 15 to the consolidated financial statements of this announcement has had no impact on the calculations of the basic or diluted loss per share for both years.

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Trade receivables from restaurant operations	184	194
Trade receivables from franchisees	138	1,254
Trade receivables from a licensee	15	42
Rental deposits	3,435	4,349
Utilities and other deposits	1,525	1,641
Other receivables	1,167	1,118
Prepayments	1,162	905
	<u>7,626</u>	<u>9,503</u>
Total trade and other receivables, deposits and prepayments	<u>7,626</u>	<u>9,503</u>
Analysed for reporting purposes as:		
Non-current assets	1,740	2,207
Current assets	5,886	7,296
	<u>7,626</u>	<u>9,503</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 2 to 21 days after trade date. Trade receivables also include royalty fee and consultancy fee income and sales income receivables from franchisees and license fee income receivable from a licensee with credit periods up to 30 – 90 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	
	2022	2021
	HK\$'000	HK\$'000
0 – 30 days	<u>184</u>	<u>194</u>

An ageing analysis of the trade receivables, net of written-off of receivables from the franchisees, based on the invoice date, which approximate the revenue recognition date, is as follows:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>138</b>	926
31 – 60 days	–	105
61 – 90 days	–	35
Over 90 days	–	188
	<u><b>138</b></u>	<u>1,254</u>

As at 31 March 2022, trade receivables from the franchisees with aggregate carrying amount of HK\$1,224,000 (2021: HK\$328,000) were past due, and amounts written-off of HK\$1,224,000 (2021: nil) was recognised in the profit or loss during the year ended 31 March 2022.

The ageing analysis of the trade receivables from a licensee, based on the invoice date, which approximate the revenue recognition date, is either within the banding of 0 – 30 days or 31 – 60 days as at 31 March 2022 and 2021.

### 13. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>436</b>	1,250
Salary payables	<b>909</b>	1,772
Other payables and accruals	<b>3,912</b>	3,347
	<u><b>5,257</b></u>	<u>6,369</u>

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

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>424</b>	1,240
31 – 60 days	–	2
Over 90 days	<b>12</b>	8
	<u><b>436</b></u>	<u>1,250</u>

## 14. CONTINGENT LIABILITIES AND LITIGATION

The Group has been served a number of litigations and claims during the year ended 31 March 2022 and 2021. These claims and litigations are arisen from arrears rental and other related expenses of the Group and has been recognised in the other payables and accruals, lease liabilities and provisions. Additional interest, surcharge and penalty might be incurred due to the delay in settlement of such payables.

Nevertheless, the management of the Company obtained legal advice, and considered no additional interest, surcharge and penalty required apart from the amounts stated in the other payables and accruals, lease liabilities and provisions. As at 31 March 2022, the related amounts included in other payables and accruals, lease liabilities and provisions are HK\$1,867,000, nil and HK\$104,000 (2021: HK\$444,000, HK\$8,784,000 and HK\$520,000) respectively.

The management and the legal advisor of the Company have taken collective efforts to resolve these cases. As at the reporting date, the corresponding cases are open and might affect the Group in future.

## 15. EVENTS AFTER THE REPORTING PERIOD

- (i) As previously reported, the outbreak of COVID-19 has caused certain impact on the catering business of the Company due to the restrictions and suspension on restaurants. The Company's business operations have been disrupted by the outbreak of COVID-19 and the subsequent precautionary measures. The Company estimated that the degree of COVID-19 impact would depend on the pandemic preventive measures and the duration of the pandemic. Given the dynamic circumstance and uncertainties of COVID-19 situation, the Group will keep continuous attention on the development of COVID-19 situation and react actively to its impacts on the operation and financial position of the Group, and in the event that there are any significant financial impacts, the Company will reflect it in the Group's consolidated financial statements for the financial year 2023 and the Group will make further announcement for explanation immediately.
- (ii) Pursuant to the Company's announcement on 26 April 2022 (the "**Date of Grant**"), the Company had granted a total of 50,000,000 share options (the "**Share Option(s)**") to ten employees of the Group (the "**Grantee(s)**") under the share option scheme adopted by the Company on 21 February 2019 to subscribe for an aggregate of 50,000,000 ordinary shares of HK\$0.01 each of the Company, subject to the acceptance by the Grantees. 5,000,000 Share Options were granted to each Grantee on the Date of Grant.
- (iii) Pursuant to the Company's announcement on 20 June 2022, the Company proposed to implement the share consolidation on the basis that every ten (10) issued and unissued shares of par value of HK\$0.01 of the Company each be consolidated into one (1) consolidated share of par value of HK\$0.1 each of the Company (the "**Share Consolidation**"). Upon the Share Consolidation having become effective, the authorised share capital of the Company will be HK\$100,000,000 divided into 1,000,000,000 consolidated shares of HK\$0.1 each, of which 50,000,000 consolidated shares will be in issue.

The Share Consolidation is conditional upon, among other things, the approval of the shareholders of the Company at the forthcoming annual general meeting in August 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year ended 31 March 2022 and up to the date of this announcement, the Group has been principally engaged in operating ramen restaurants in Hong Kong, generating revenue from provision of catering services.

Besides, the Group also generates revenue from (i) franchising its own brand to franchisees to operate ramen restaurants in the PRC and Macau and receive royalty fee and consultancy services income and income from sales of food and accessories products to franchisees; and (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 2022 and up to the date of this announcement, the Group operated 6 ramen restaurants and 1 Hong Kong style restaurant respectively in Hong Kong.

### FINANCIAL REVIEW

#### Revenue

The revenue of the Group decreased by approximately 19.3% from approximately HK\$51.9 million for year ended 31 March 2021 to approximately HK\$41.9 million for the year ended 31 March 2022. Revenue generated from operating restaurants by the Group in both Hong Kong and the PRC decreased during the year ended 31 March 2022 because of the closure of restaurants due to the expiration of tenancy agreements in relation to the properties occupied for business during the year ended 31 March 2022. Moreover, all the restaurants located in the PRC were switched from self-operated to franchise arrangement by only receiving royalty and consultancy services income. Furthermore, the 5th wave of local COVID 19 pandemic in Hong Kong during the fourth quarter of the financial year 2022 also led to a significant decline in customers visited due to the restricted operating hours enforced by the Hong Kong Government among restaurants, forming rigorous challenges to the catering industry.

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

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	37,347	46,553
The PRC ( <i>Note i</i> )	621	2,209
Macau ( <i>Note ii</i> )	3,908	3,110
	<u>41,876</u>	<u>51,872</u>

*Note:*

- (i) The revenue is derived from operation of restaurants in the PRC, sales of food and related products to and the royalty fee and consultancy services income from a franchisee which is located in the PRC.
- (ii) 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 decreased by approximately HK\$1.9 million, or approximately 15.8%, from approximately HK\$12.1 million for the year ended 31 March 2021 to approximately HK\$10.2 million for the year ended 31 March 2022. The drop in cost of inventories sold in line with the decrease of the Group's revenue and amounted to approximately 23.3% and 24.3% of the Group's total revenue for the years ended 31 March 2021 and 2022, respectively. The ratio increased as compared to financial year 2021, which is mainly attributed to several value set meal bundles have been launched at preferential price during the year ended 31 March 2022, which led to a higher cost of inventories to revenue ratio.

### **Other income**

Other income mainly comprised of subsidies granted by the Hong Kong Government, rental concessions received, imputed interest income, bank interest income and other miscellaneous income. Other income of the Group decreased by approximately HK\$9.3 million, or approximately 84.8%, from approximately HK\$11.0 million for the year ended 31 March 2021 to approximately HK\$1.7 million for the year ended 31 March 2022. The decrease in amount was mainly attributed to (i) the decrease in government grants received under the "Anti-epidemic Fund" and "Employment Support Scheme" amounted to approximately HK\$7.0 million and (ii) the decrease in rental concessions received from landlords amounted to approximately HK\$2.3 million during the year ended 31 March 2022.

### **Other gains and losses**

Other gains and losses mainly represented the gain on termination of lease contracts, written-off of trade receivables, net exchange gains and the gain on disposal of property and equipment. For the year ended 31 March 2022, approximately HK\$7.9 million (2021: approximately HK\$0.6 million) of the gain on termination of a lease contract was recognised after Directors' assessment in accordance to the legal advises given by the Company's legal advisor about the latest development of the pending litigations related to the rental and other related expenses arrears to a landlord; whereas approximately HK\$1.2 million (2021: Nil) of the Group's trade receivables had been written off after the consideration of the history in settlement or recurring overdue records of the counter parties and the forward-looking factors by the management.

## **Staff costs**

Staff costs decreased by approximately 9.9% from approximately HK\$22.5 million for the year ended 31 March 2021 to approximately HK\$20.2 million for the year ended 31 March 2022. Given to less restaurants were operated by the Group during the year ended 31 March 2022, the staff costs dropped accordingly. Staff costs were the most significant portion of the operating costs, as a percentage of revenue, staff costs amounted to approximately 43.3% for the year ended 31 March 2021 and approximately 48.3% for the year ended 31 March 2022.

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) building management fee, (ii) government rent and rates, (iii) rental for machineries, (iv) contingent rents and (v) other leases for which the lease term ends within twelve months or leases of which the underlying assets are of low value. The rental and related expenses decreased by approximately HK\$1.4 million or 36.0% from approximately HK\$3.8 million for the year ended 31 March 2021 to approximately HK\$2.5 million for the year ended 31 March 2022, which was mainly because less tenancy agreements were entered by the Group during the year ended 31 March 2022 since certain restaurants were closed due to the expiration of tenancy agreements.

## **Depreciation and amortisation**

Depreciation and amortisation represents depreciation charges for (i) leasehold improvements, (ii) fixtures and equipment, (iii) right-of-use assets and (iv) amortisation expenses of intangible assets of the Group. For the year ended 31 March 2022, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$4.6 million (2021: approximately HK\$8.4 million) and depreciation charges for property and equipment and amortisation expenses of intangible assets amounted to approximately HK\$1.8 million (2021: approximately HK\$2.7 million). The decrease in depreciation and amortisation expenses amounted to approximately HK\$4.7 million or 42.6% mainly owing to the impairment losses recognised for certain of the Group's property and equipment and right-of-use assets as at 31 March 2021.

## **Other expenses**

Other expenses mainly consist of water, electricity, gas and other utilities expenses, repair and maintenance fees, audit and professional fees, business and product development expenses, cleaning expenses, handling charges for electronic payment and delivery platforms and motor vehicle and logistics expenses. Other expenses decreased from approximately HK\$16.4 million to approximately HK\$14.2 million from the year ended 31 March 2021 to the year ended 31 March 2022, representing a decrease of approximately 13.6%. The decrease was mainly attributed to variable operating expenses decreased following with the drop in revenue as well as various cost control measures implemented by the Group.

The breakdown of the Group's other expenses are set out as below:

	<b>Year ended 31 March</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Utilities expenses	<b>2,215</b>	2,217
Audit and professional fees	<b>2,820</b>	3,001
Advertising and marketing expenses	<b>729</b>	576
Repair & maintenance fees	<b>957</b>	1,240
Business and product development	<b>1,129</b>	601
Motor vehicle and logistics expenses	<b>1,189</b>	1,136
Consumables	<b>1,161</b>	1,056
Insurance expenses	<b>803</b>	1,001
Cleaning expenses	<b>477</b>	606
Handling charges for electronic payment and delivery platforms	<b>1,684</b>	1,938
Loss on written-off of rental deposit paid ( <i>Note i</i> )	–	1,121
Provisions for surcharge and penalty for litigation ( <i>Note i</i> )	<b>13</b>	520
Others ( <i>Note ii</i> )	<b>1,036</b>	1,434
	<b>14,213</b>	16,447

*Note:*

- (i) The Group has been involved in several claims in relation to rental and other related expenses arrears during the years ended 31 March 2021 and 2022, of which corresponding rental deposit paid amounted to approximately HK\$1,121,000 was expected not refundable and written-off as a loss recognised during the year ended 31 March 2021. Moreover, provisions for estimated surcharge and penalty that might be borne by the Group from the litigations amounted to approximately HK\$13,000 was recognised in accordance to the latest development of the litigations during the year ended 31 March 2022 (2021: approximately HK\$520,000). The Group had obtained legal advice from the lawyer and it is advised that sufficient provisions have been recorded in relation to the claims arose from the litigations as at 31 March 2022.
- (ii) Others include office expenses, sundry expenses and other miscellaneous expenses.

### **Impairment losses**

During the year ended 31 March 2022, certain restaurants of the Group incurred losses, giving rise to indicators of impairment of property and equipment and right-of-use assets. Impairment losses of approximately HK\$5.3 million and HK\$5.5 million in respect of property and equipment and right-of-use assets have been recognised respectively during the year ended 31 March 2022 (2021: approximately HK\$4.6 million and HK\$5.1 million).

The details of the recognition of impairment losses on property and equipment and right-of-use assets of the Group for the year ended 31 March 2022 are set out as below:

**(I) Analysis on impairment losses on the Group's property and equipment and right-of-use assets**

For the year ended 31 March 2022, the Group recognised impairment losses on property and equipment and right-of-use assets amounting to approximately HK\$5.3 million and HK\$5.5 million respectively (2021: approximately HK\$4.6 million and HK\$5.1 million), in the view of the underperformance and loss-making of certain restaurants of the Group in Hong Kong, which together represented approximately 68.4% of the Group's net loss for the year ended 31 March 2022 (2021: approximately 72.4%).

Property and equipment of the Group mainly represents leasehold improvements, fixtures and equipment located in Hong Kong for the restaurants, central kitchen and office. During the year ended 31 March 2022, impairment losses on property and equipment amounted to approximately HK\$5.3 million (2021: approximately HK\$4.6 million) were recognised, including corporate assets such as leasehold improvement and other fixture and equipment from head office and central kitchen allocated and other assets directly attributed to the loss-making restaurants, representing approximately 61.1% (2021: approximately 31.1%) from the original aggregate carrying amount of the property and equipment as at year-end date as if no impairment losses had been recognised during the year ended 31 March 2022 and previous years.

Right-of-use assets of the Group mainly represents right-of-use on leased motor vehicles and properties in Hong Kong capitalised for the use as restaurants, central kitchen and offices. During the year ended 31 March 2022, impairment losses on right-of-use assets, including corporate right-of-use assets from the leased properties of head office and central kitchen allocated and other leased properties for the operation of loss-making restaurants amounted to approximately HK\$5.5 million (2021: approximately HK\$5.1 million) were recognised, representing approximately 60.0% (2021: approximately 28.2%) of the original aggregate carrying amount of the right-of-use assets as at year-end date as if no impairment losses had been recognised during the year ended 31 March 2022 and previous years.

**(II) Details of the reasons for the recognition of impairment losses**

The on-going COVID-19 pandemic has been attributing huge negative impacts on the global and local economy throughout the year. For the year ended 31 March 2022, the Group's revenue had been decreased by approximately 19.3% and recorded a loss for the year before any impairment losses recognised of approximately HK\$5.0 million (2021: approximately HK\$3.7 million) accordingly. In order to control the spread of the pandemic, the Hong Kong Government launched several social distancing and anti-epidemic precautionary measures throughout the year, of which some of them are specifically related to the catering business, forming further challenges to the Group's operation. As a result, the management concluded there was an indication for impairment on the Group's assets and conducted impairment assessments on recoverable amounts of property and equipment and right-of use assets of relevant restaurants as at 31 March 2022.

### **(III) The method, basis and key assumptions used in determining the amount of the relevant impairment losses**

The management performed impairment review of the carrying amounts of the Group's property and equipment and right-of-use assets as at 31 March 2022 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**").

HKAS 36 defines impairment loss as the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. Recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. Since there are insufficient comparable transactions in the market as at the year-end date, the management performed impairment review of the carrying amounts of each CGU as at 31 March 2022 according to HKAS 36 by estimating their value in use. The calculation of value in use of the relevant assets subjected to impairment testing are by reference to the present value of the estimated future cash flows expected to derive from the assets ("**Cash Flow Forecasts**").

HKAS 36 required to test the impairment by allocating the carrying amount of assets that can be attributed directly to each CGU or smallest group of CGU to which a portion of that carrying amount could be allocated on a reasonable and consistent basis. Thus, the management prepared the Cash Flows Forecasts by each restaurant (represented smallest CGU identified).

In addition, the management assessed whether there is indication that a corporate asset may be impaired and further allocated relevant corporate assets, such as leasehold improvements, fixture and equipment and right-of-use assets of the central kitchen and head office, to the CGU which they belonged to on a reasonable and consistent basis.

Based on the results of assessments, impairment losses were recognised on the restaurants which generated net cash inflow but recoverable amount is less than the CGU's carrying value; for those restaurants which would not generated a net cash inflow, all the relevant assets including corporate assets allocated have been fully impaired as at 31 March 2022. Impairment loss was recognised and allocated on a systematic basis over the carrying value of assets.

Where an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the CGU in prior years. For the year ended 31 March 2022, there were no reversal of impairment losses recognised after management's assessments.

### ***Cash Flow Forecasts as at 31 March 2022***

The value in use calculations of relevant assets covering a 5 year cash flow projection period (Y1 to Y5), cash flows beyond the projection period were projected using a terminated growth rate of 1.7% (2021: 0%) per annum by extrapolating the cash flow projections onwards for restaurants which generated estimated positive net cash inflow.

A table summarised the key inputs, estimates and assumptions adopted in the Cash Flow Forecasts as follows:

#### **For the year ended 31 March 2021:**

	<b>Cash Flow Forecasts for the year ended</b>		
	<b>31 March 2022</b>	<b>31 March 2023</b>	<b>31 March 2024 to</b>
	<b>(Y1)</b>	<b>(Y2)</b>	<b>2026</b>
			<b>(Y3 to Y5)</b>
<b><i>Inputs:</i></b>			
Expected revenue growth rate	0% – 10.2% growth based on average revenue in financial year 2021 or constant with the actual revenue in April 2021 throughout Y1	3.0%	5.0% – 9.0%
Expected gross profit margins range	66.2% to 74.9%	66.2% to 74.9%	66.2% to 74.9%
Corporate tax rate	16.5%	16.5%	16.5%
Discount rate (Weighted average cost of capital (“WACC”))	21.8%	21.8%	21.8%

**For the year ended 31 March 2022:**

	<b>Cash Flow Forecasts for the year ended</b>		
	<b>31 March 2023</b>	<b>31 March 2024</b>	<b>31 March 2025 to</b>
	<b>(Y1)</b>	<b>(Y2)</b>	<b>2027</b>
			<b>(Y3 to Y5)</b>
<b><i>Inputs:</i></b>			
Expected revenue growth rate	0% – 9.7% growth based on average revenue in financial year 2022 or consistent with the actual revenue in May 2022 throughout Y1	5.4% to 7.0%	5.0%
Expected gross profit margins range	60.5% to 75.0%	60.5% to 75.0%	60.5% to 75.0%
Corporate tax rate	16.5%	16.5%	16.5%
Discount rate (WACC)	13.1%	13.1%	13.1%

Key assumptions and estimates adopted for the value in use calculation above were determined based on the past performance of each restaurant (the smallest CGU identified), such as service capacity, table turnover rate, as well as management's expectations for the market development.

WACC is adopted as discount rate for the Cash Flow Forecasts with adjustment of tax effect when applying present value techniques in the value in use calculation, which is determined with reference to the findings by an independent valuer, who collected data from other comparable companies on market and considered adjustments to be made with specific risks to the Company.



**(IV) The assessment of the Board and Audit Committee on the fairness and reasonableness of the impairment losses**

The Board and the audit committee of the Company (the “**Audit Committee**”) had paid close attention to the impairment assessments conducted by the management, especially considering that the food and beverage industry is facing challenges with global economy instability triggered by the outbreak of COVID-19 as well as different measures implemented for social distancing and restrictions in tourists over the world. In assessing the fairness and reasonableness of the impairment losses, the Board and Audit Committee had performed the followings:

**1. *Reviewed and understood the assumptions, calculation and methodology applied in the Cash Flow Forecasts for the valuation of value in use of each CGU***

Impairment assessments on the Group’s property and equipment and right-of-use assets relies on the estimated value in use of the assets by discounting estimated future cash flows using appropriate discount rates. The Board and Audit Committee had reviewed the Cash Flow Forecasts and understood the assumptions, calculations and valuation methodology to arrive the amount of value in use of each CGU e.g. revenue growth rates, basis for the growth, economic life of assets, reference made by historical performance and market comparable data and critically assessed the fairness and reasonableness of all of the inputs applied in the Cash Flow Forecasts with their own knowledge of the business, the Group’s assets, the environment that the Group operates in, and the prospects of the business.

**2. *Assessed if the inputs and assumptions adopted in the Cash Flow Forecasts reflecting the latest business development and economic trends in the industry***

The Board and Audit Committee had further assessed and confirmed that the inputs or assumptions adopted in the Cash Flow Forecasts had taken into account the latest economic and industrial trends as well as the current market conditions which were reflected in the financial projections and the discount rates. Sensitivity analysis performed for key assumptions were also reviewed by the Board and Audit Committee.

The Board have been continuously keeping track with the trend of the food and beverage industry and keep an eye on monitoring the economic development to ensure better capital management and strategic planning for the Group with the consideration of the risk of impairment on assets.

**Finance costs**

Finance costs represent (i) interests on lease liabilities amounted to approximately HK\$0.6 million (2021: approximately HK\$0.7 million) and (ii) interests on bank borrowing amounted to approximately HK\$66,000 (2021: approximately HK\$0.1 million).

## **Taxation**

Income tax expenses amounted to approximately HK\$1.0 million for the year ended 31 March 2022 (2021: approximately HK\$0.7 million), which is mainly due to deferred tax debted to profit or loss resulting from the assessment by the management that deferred tax assets may not be utilised given to the loss-making position of the Group and the tax impact in temporary difference between the tax base and the carrying amounts of the Group's property and equipment and right-of-use assets.

## **Loss for the year**

The Group recorded a loss of approximately HK\$15.8 million for the year ended 31 March 2022 (2021: approximately HK\$13.4 million). The increase in loss was primarily due to (i) the decrease in government grants received under the "Anti-epidemic Fund" and "Employment Support Scheme"; (ii) the decrease in customers visited during the fourth quarter in the financial year 2022 due to the 5th wave of local COVID 19 epidemic; (iii) closure of profitable restaurants in Hong Kong; and (iv) the decrease in rental concessions received from landlords.

## **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 2022, the Group's bank balances and cash amounting to approximately HK\$11.6 million, representing a decrease of approximately HK\$17.5 million from approximately HK\$29.1 million as at 31 March 2021. Most of the Group's bank deposits and cash were denominated in Hong Kong dollars and Renminbi.

As at 31 March 2022, the Group recorded interest-bearing bank borrowing of approximately HK\$1.0 million (31 March 2021: approximately HK\$1.8 million) and lease obligation of approximately HK\$9.7 million (31 March 2021: approximately HK\$21.6 million). The interest-bearing bank borrowing is unsecured, repayable on demand and denominated in Hong Kong dollar and bore variable interest rate at Hong Kong dollar Best Lending Rate minus 0.5% per annum. The Group did not use any financial instrument for hedging purpose.

During the year, in respect of a bank borrowing with a carrying amount of HK\$1,016,000 as at 31 March 2022, the Group breached certain of the terms of the bank borrowing, which are primarily related to the tangible net worth of the Group. On discovery of the breach, the Directors informed the lender and commenced a renegotiation of the terms of the borrowing with the relevant banker. As at 31 March 2022, those negotiations had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the borrowing has been classified as a current liability as at 31 March 2022. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress. The Directors are confident that their negotiations with the lender will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the borrowing, the Directors believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

As at 31 March 2022, the Group's total current assets and current liabilities were approximately HK\$18.1 million (31 March 2021: approximately HK\$39.7 million) and approximately HK\$13.1 million (31 March 2021: approximately HK\$21.1 million) respectively. The Group's current ratio, calculated by dividing the total current assets over the total current liabilities, was approximately 1.4 times (31 March 2021: approximately 1.9 times). The Group's gearing ratio, calculated as percentage of bank borrowings to the total equity attributable to owners of the Company, was approximately 13.6% as at 31 March 2022 (31 March 2021: approximately 8.6%).

## **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 2022, most of the transactions of the Group were denominated and settled in Hong Kong dollar and Renminbi. The Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi 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 Renminbi. The appreciation or devaluation of the Renminbi against the Hong Kong dollar 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**

The Group has been served a number of litigations and claims during the year ended 31 March 2022 and 2021. These claims and litigations are arisen from arrears rental and other related expenses of the Group and has been recognised in the other payables and accruals, lease liabilities and provisions. Additional interest, surcharge and penalty might be incurred due to the delay in settlement of such payables.

Nevertheless, the management of the Company obtained legal advice, and considered no additional interest, surcharge and penalty required apart from the amounts stated in the other payables and accruals, lease liabilities and provisions. As at 31 March 2022, the related amounts included in other payables and accruals, lease liabilities and provisions are HK\$1,867,000, nil and HK\$104,000 (2021: HK\$444,000, HK\$8,784,000 and HK\$520,000) respectively.

The management and the legal advisor of the Company have taken collective efforts to resolve these cases. As at the reporting date, the corresponding cases are open and might affect the Group in future.

Except as disclosed above or elsewhere in this announcement, 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 2022, motor vehicles with carrying amounts of approximately HK\$1.4 million (31 March 2021: approximately HK\$2.2 million) were acquired under lease arrangements of which the rights to the leased asset are reverted to the lessors in the event of default of lease liabilities by the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

### **On-going COVID-19 pandemic development**

As previously reported, the outbreak of COVID-19 has caused certain impact on the catering business of the Company due to the restrictions and suspension on restaurants. The Company's business operations have been disrupted by the outbreak of COVID-19 and the subsequent precautionary measures. The Company estimated that the degree of COVID-19 impact would depend on the pandemic preventive measures and the duration of the pandemic. Given the dynamic circumstance and uncertainties of COVID-19 situation, the Group will keep continuous attention on the development of COVID-19 situation and react actively to its impacts on the operation and financial position of the Group, and in the event that there are any significant financial impacts, the Company will reflect it in the Group's consolidated financial statements for the financial year 2023 and the Group will make further announcement for explanation immediately.

Up to the date of this announcement authorised for issue, the Group keeps an eye on monitoring the development of the pandemic as well as its impacts on the Group's ongoing performance and is currently unable to estimate the quantitative impacts to the Group.

### **Grant of share options**

On 26 April 2022, the Company has granted a total of 50,000,000 Share Options to ten employees of the Group to subscribe for an aggregate of 50,000,000 ordinary shares of HK\$0.01 each of the Company under its share option scheme adopted on 21 February 2019. The validity period of the Share Options granted commenced on the Date of Grant (i.e. 26 April 2022) and will be expired on 25 April 2024.

Further details of the grant of Share Options are set out in the announcement of the Company dated 26 April 2022.

### **Share consolidation**

On 20 June 2022, the Company proposed to implement the share consolidation on the basis that every ten (10) issued and unissued shares of par value of HK\$0.01 of the Company each be consolidated into one (1) consolidated share of par value of HK\$0.1 each of the Company. Upon the Share Consolidation having become effective, the authorised share capital of the Company will be HK\$100,000,000 divided into 1,000,000,000 consolidated shares of HK\$0.1 each, of which 50,000,000 consolidated shares will be in issue. The Share Consolidation is conditional upon, among other things, the approval of the shareholders of the Company at the forthcoming annual general meeting in August 2022.

Details of the Share Consolidation are set out in the Company's announcement dated 20 June 2022.

## DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: Nil).

## 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 2022.

## SHARE OPTIONS

The Company has conditionally adopted by the resolutions in writing of all the shareholders passed on 21 February 2019 a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme became effective on the listing date (e.g. 15 March 2019). The Share Option Scheme enables the Company to grant share options to any director, employee or other stakeholders to the Company or any of its subsidiaries, as incentives or rewards for their contributions to the Group. As at the date of this announcement, there was outstanding share options granted under the Share Option Scheme, representing approximately 10.0% of the issued share capital of the Company.

## SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 4 to the consolidated financial statements of this announcement.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of 31 March 2022.

## COMMITMENT

The details of the Group’s commitments are set out as below:

	<b>As at 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Capital expenditure in respect of the acquisition, installation and construction in progress of property and equipment contracted for but not provided in the consolidated financial statements	—	1,550

## USE OF NET PROCEEDS FROM THE LISTING

The Company successfully listed its shares on GEM of the Stock Exchange on 15 March 2019 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 of the Company dated 27 February 2019 and the announcement dated 21 February 2022 in relation to change in use of net proceeds. An analysis of the utilisation of the net proceeds is set out below:

Business objective and strategy	Approximately % of net proceeds %	Planned amount HK\$'000	Planned amount utilised as at 31 March 2022 HK\$'000	Actual amount utilised as at 31 March 2022 HK\$'000	Unutilised net proceeds up to 31 March 2022 HK\$'000	Unutilised net proceeds expected to be utilised for the twelve months ending 31 March 2023 HK\$'000	Unutilised net proceeds expected to be utilised for the six months ending 30 September 2023 HK\$'000	Notes
Setting up of new outlets in Hong Kong	30.3	13,983	13,983	13,983	-	-	-	The outlet located in Nam Cheong and Tseung Kwan O were opened in August 2020 and September 2019 respectively.  The management would be cautious for selection of location as well as the timing for opening new restaurant by continuously assessing the development of market environment.
Expansion of existing central kitchen in Hong Kong	20.0	9,229	9,229	9,229	-	-	-	Expansion of existing central kitchen by renting extra premises in June 2019.  Certain leasehold improvement constructions in central kitchen like expansion of storage areas, upgrading the electrical connection systems were completed and put into production since February 2020, while some other constructions such as renovation and upgrading the freezing system, enhancement of water-proof works were finished and ready for use in June 2021.  Additional equipments such as, water filter system, food depositing machine and food transfer pump, were acquired and put into production during the financial year of 2020, 2021 and 2022.
Further enhancement of brand recognition	4.7	2,147	2,147	2,147	-	-	-	Promotion campaigns and other marketing activities launched throughout the financial year of 2020 and 2021.
Enhancement of operational capability and efficiency	4.4	2,030	2,030	2,030	-	-	-	Upgraded the equipments and systems at back office in August 2019.  Recruited potential and capable staffs including, industrial experts/consultants, district managers, human resources assistant etc. to strengthen the operational capability and efficiency.
General working capital	40.6	18,757	7,223	7,138	11,619	7,746	3,873	
	<u>100.0</u>	<u>46,146</u>	<u>34,612</u>	<u>34,527</u>	<u>11,619</u>	<u>7,746</u>	<u>3,873</u>	

At 31 March 2022, approximately HK\$34.5 million out of the net proceeds from the Listing had been used. The Directors will continuously examine the Group's business objective and will change or modify the plans against the changing market conditions to pursuit the business growth of the Group. The plan for use of net proceeds detailed above is from time to time being reviewed by the management by reference to the actual economic conditions and the development of the market environment, and in case of any changes in plan subsequently, the Board will make further announcement for explanation immediately.

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.

With the enhanced awareness of hygiene and effective preventive measures taken by the public, the 5th wave local COVID-19 pandemic in Hong Kong seems alleviated and under control since May 2022. However, as advised by experts, the risk of explosive community outbreak is still considered at high level, and it is difficult to predict the timeframe for next massive community outbreak, difficulties and challenges for catering industry are still foreseeable ahead.

However, since early 2022, various countries and cities have loosened the inbound travelling restriction measures and the requirement of the quarantine duration have been or tended to be shortened. This can reveal that people around the world have been gradually adapting to the new normal triggered by the COVID-19, and hopefully the global travelling as well as the economic will rebound after a lengthy recession.

The management will keep on monitor the market development and to react in a timely basis. Meanwhile, we will be endeavoring to enhance the quality of the food and providing excellent services to our customers. As the Group understands that throughout the good times or bad times, quality of food and service matter to our 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 2022 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 as at 31 March 2022 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 2022.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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 2022.

## **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. During the year ended 31 March 2022, to the best knowledge of the Board, the Company has complied with the code provisions set out in the CG Code except for the deviation from Code Provision C.2.1 of the CG Code as set out in the section "Chairman and Chief Executive Director" in this announcement.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

C.2.1 of CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As Mr. C Tang performs the roles of chairman and chief executive officer of the Company, the Company has deviated from this Code Provision from 1 February 2022. However, the Board believes that it is appropriate and in the interests of the Company for Mr. C Tang to take up both roles at the present stage as it helps to ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group. The Board also believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with not less than half the number thereof being independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.68 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 2022.

## **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. Lai Man Hin, 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 Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

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 D & PARTNERS CPA LIMITED**

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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, D & PARTNERS CPA LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by D & PARTNERS CPA LIMITED 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 D & PARTNERS CPA LIMITED 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, D & PARTNERS CPA LIMITED. 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 2022.

### **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 Chun Ho Chandler**  
*Chairman and Executive Director*

Hong Kong, 27 June 2022

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tang Chun Ho Chandler and Ms. Sung Kwan Wun and three independent non-executive Directors, namely Mr. Lai Man Hin, Mr. Ho Lai Chuen and Mr. Lee Koon Tak.*

*This announcement will remain on the website of the Stock Exchange at [www.hkexnews.hk](http://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](http://www.butaoramen.com).*