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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 2024

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 2024, together with the comparative figures for the year ended 31 March 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

| | NOTES | Year ended 31 March | |
|---|-------|---------------------|------------|
| | | 2024 | 2023 |
| | | HK\$'000 | HK\$'000 |
| Revenue | 4 | 38,288 | 42,273 |
| Cost of inventories | | (9,916) | (10,213) |
| Other income | 5 | 230 | 1,755 |
| Other (losses)/gains, net | 5 | (1,674) | 1,187 |
| Staff costs | | (16,096) | (21,860) |
| Rental and related expenses | | (1,925) | (1,814) |
| Depreciation | | (5,280) | (4,077) |
| Other operating expenses | | (11,197) | (13,952) |
| Impairment losses | 6 | – | (2,342) |
| Finance costs | 7 | (565) | (735) |
| Loss before taxation | 8 | (8,135) | (9,778) |
| Income tax credit | 9 | 9 | 39 |
| Loss for the year | | (8,126) | (9,739) |
| Other comprehensive income for the year | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on the translation of foreign operations | | 56 | 144 |
| Total comprehensive expense for the year | | (8,070) | (9,595) |
| (Loss)/profit for the year attributable to: | | | |
| – owners of the Company | | (8,133) | (9,650) |
| – non-controlling interests | | 7 | (89) |
| | | (8,126) | (9,739) |
| Total comprehensive (expense)/income for the year attributable to: | | | |
| – owners of the Company | | (8,077) | (9,506) |
| – non-controlling interests | | 7 | (89) |
| | | (8,070) | (9,595) |
| | | | (Restated) |
| Loss per share | | | |
| Basic and diluted (HK cents) | 11 | (7.53) | (17.92) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

| | NOTES | As at 31 March | |
|---|-------|----------------|----------------|
| | | 2024 | 2023 |
| | | HK\$'000 | HK\$'000 |
| Non-current assets | | | |
| Property and equipment | | 9,677 | 3,763 |
| Right-of-use assets | | 2,142 | 10,060 |
| Intangible assets | | – | – |
| Deposits and prepayments | 12 | 4,432 | 2,326 |
| | | <u>16,251</u> | <u>16,149</u> |
| Current assets | | | |
| Inventories | | 199 | 590 |
| Trade and other receivables, deposits and prepayments | 12 | 7,403 | 5,747 |
| Bank balances and cash | | 13,257 | 6,594 |
| | | <u>20,859</u> | <u>12,931</u> |
| Current liabilities | | | |
| Trade and other payables and accruals | 13 | 6,448 | 6,903 |
| Bank borrowing | 14 | – | 149 |
| Amount due to a shareholder | | 7,270 | 5,540 |
| Lease liabilities | | 2,643 | 6,381 |
| Tax payable | | 75 | 75 |
| Provisions | 15 | 321 | 253 |
| | | <u>16,757</u> | <u>19,301</u> |
| Net current assets/(liabilities) | | <u>4,102</u> | <u>(6,370)</u> |
| Total assets less current liabilities | | <u>20,353</u> | <u>9,779</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 167 | 7,891 |
| Provisions | 15 | 25 | 157 |
| | | <u>192</u> | <u>8,048</u> |
| Net assets | | <u>20,161</u> | <u>1,731</u> |
| Capital and reserves | | | |
| Share capital | 16 | 19,250 | 5,500 |
| Reserves | | 2,962 | (1,711) |
| Equity attributable to owners of the Company | | 22,212 | 3,789 |
| Non-controlling interests | | (2,051) | (2,058) |
| Total equity | | <u>20,161</u> | <u>1,731</u> |

NOTES

For the year ended 31 March 2024

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 July 2018 under the Companies Act, Cap 22 (Act 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 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 G/F, Fortuna Building, 63-69 Wellington Street, Central, Hong Kong respectively.

The Company is 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 dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise all individual Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (“**HKASs**”); and Interpretations. The consolidated financial statements also comply with the disclosure provisions of the GEM Listing Rules and with the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

Application of New and Amendments to HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2023 for the preparation of the consolidated financial statements:

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

| | Effective for accounting periods beginning on or after |
|--|---|
| Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to HKAS 1 – Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback | 1 January 2024 |
| Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2024 |
| Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements | 1 January 2024 |
| Amendments to HKAS 21 – Lack of Exchangeability | 1 January 2025 |
| Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

The Directors anticipate that the application of the above amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 ended 31 March 2024.

| | Year ended 31 March | |
|---|----------------------------|----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Recognised at a point in time: | | |
| Operation of restaurants in Hong Kong Special Administrative Region (“ HKSAR ”) of the People’s Republic of China (the “ PRC ”) | 34,941 | 38,786 |
| Sales of food and related products | 2,246 | 1,858 |
| | 37,187 | 40,644 |
| Recognised over time: | | |
| Royalty fee income from franchisee (<i>note (i)</i>) | 1,091 | 729 |
| License fee income from a licensee (<i>note (ii)</i>) | 10 | 20 |
| Consultancy fee income from franchisee (<i>note (iii)</i>) | – | 880 |
| | 1,101 | 1,629 |
| | 38,288 | 42,273 |

Notes:

- (i) Royalty fee income is calculated with reference to the revenue of the restaurant run by the franchisee.
- (ii) License fee income is calculated with reference to the production volume of the licensed products produced by the licensee.
- (iii) Consultancy fee income was calculated with reference to the number of restaurants run by a franchisee.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that no information related to the account of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) has been disclosed.

Segment information

The Group is principally engaged in operation of Japanese ramen restaurants and Hong Kong style restaurants 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 the HKSAR. 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 deposits) by geographical location of assets is detailed below:

| | Revenue | | Non-current assets | |
|--|----------------------------|----------|---------------------------|----------|
| | Year ended 31 March | | As at 31 March | |
| | 2024 | 2023 | 2024 | 2023 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| The HKSAR | 34,984 | 38,806 | 14,685 | 13,823 |
| Macau Special Administrative Region ("Macau") of the PRC | 3,210 | 2,493 | – | – |
| The PRC, excluding the HKSAR and Macau | 94 | 974 | – | – |
| | 38,288 | 42,273 | 14,685 | 13,823 |

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue for the years ended 31 March 2024 and 2023.

5. OTHER INCOME/OTHER (LOSSES)/GAINS, NET

| | Year ended 31 March | |
|--|---------------------|--------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Other income: | | |
| Bank interest income | 91 | 11 |
| Government grants | – | 1,456 |
| Others | 139 | 288 |
| | <u>230</u> | <u>1,755</u> |
| Other (losses)/gains, net: | | |
| Gain on disposal of a right-of-use asset | – | 1,202 |
| Gain on termination of lease contracts | 1,413 | – |
| Loss on write-off of property and equipment | (3,249) | – |
| Gain on reversal of write-off of trade receivables | 163 | – |
| Net exchange losses | (1) | (15) |
| | <u>(1,674)</u> | <u>1,187</u> |

6. IMPAIRMENT LOSSES

| | Year ended 31 March | |
|--------------------------|---------------------|--------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Impairment losses on: | | |
| – property and equipment | – | 251 |
| – right-of-use assets | – | 2,091 |
| | <u>–</u> | <u>2,342</u> |

7. FINANCE COSTS

| | Year ended 31 March | |
|--------------------------------|---------------------|------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Interests on lease liabilities | 564 | 706 |
| Interests on bank borrowing | 1 | 29 |
| | <u>565</u> | <u>735</u> |

8. LOSS BEFORE TAXATION

| | Year ended 31 March | |
|---|---------------------|----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Loss before taxation has been arrived at after charging: | | |
| Auditors' remuneration | | |
| – audit services | 550 | 520 |
| – non-audit services | – | 200 |
| Directors' remuneration | 506 | 1,414 |
| Other staff costs: | | |
| – salaries, bonuses and allowances | 14,887 | 17,617 |
| – retirement benefit scheme contributions | 703 | 810 |
| – Equity-settled share-based payments | – | 2,019 |
| Total staff costs | 16,096 | 21,860 |
| Depreciation of property and equipment | 434 | 313 |
| Depreciation of right-of-use assets | 4,846 | 3,764 |
| Expenses relating to short-term leases | 607 | 293 |
| Expenses relating to variable lease payments not included in the measurement of lease liability | – | 53 |
| (Reversal)/recognition of provision | (9) | 23 |
| Loss on write-off of inventories included in cost of inventories | 102 | – |

9. INCOME TAX CREDIT

| | Year ended 31 March | |
|-------------------------------|---------------------|------|
| | 2024 | 2023 |
| | | |
| Hong Kong Profit Tax: | | |
| Change for the year | – | 15 |
| Over-provision in prior years | (9) | – |
| | (9) | 15 |
| Deferred tax credit | – | (54) |
| | (9) | (39) |

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2024 nor has any dividend been proposed since the end of the reporting period (2023: nil).

11. LOSS PER SHARE

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

| | Year ended 31 March | |
|---|---------------------|--------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Loss | | |
| Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share | <u>(8,133)</u> | <u>(9,650)</u> |
| | 2024 | 2023 (Restated) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basis and diluted loss per share (<i>note</i>) | <u>107,983,620</u> | <u>53,846,564</u> |

Note: The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the year ended 31 March 2023 has been adjusted to take into effect the bonus element on the rights issue as if it had been effective on 1 April 2022.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 March 2024.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share during the year ended 31 March 2023.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | As at 31 March | |
|---|------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Trade receivables from restaurant operations | 237 | 203 |
| Trade receivables from a franchisee | 358 | 915 |
| Trade receivables from a licensee | 18 | 23 |
| Trade receivables from sales of goods and related products | 29 | – |
| Rental deposits | 3,404 | 4,023 |
| Utilities and other deposits | 1,566 | 1,309 |
| Other receivables | 1,407 | 631 |
| Prepayments for purchase of property and equipment | 2,866 | – |
| Other prepayments | 1,950 | 969 |
| Total trade and other receivables, deposits and prepayments | <u>11,835</u> | <u>8,073</u> |
| Analysed for reporting purposes as: | | |
| Non-current assets | 4,432 | 2,326 |
| Current assets | 7,403 | 5,747 |
| | <u>11,835</u> | <u>8,073</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 from a franchisee, license fee income from a licensee and sales of goods and related products 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 | |
|-------------|-----------------------|------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| 0 – 30 days | <u>237</u> | <u>203</u> |

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

| | As at 31 March | |
|--------------|-----------------------|------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| 0 – 30 days | 312 | 872 |
| 61 – 90 days | – | 1 |
| Over 90 days | <u>46</u> | <u>42</u> |
| | <u>358</u> | <u>915</u> |

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

| | As at 31 March | |
|--------------|-----------------------|-----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| 0 – 30 days | – | 4 |
| Over 90 days | <u>18</u> | <u>19</u> |
| | <u>18</u> | <u>23</u> |

An ageing analysis of the trade receivables from sales of goods and related products, based on the invoice date, which approximate the revenue recognition date, is as follows:

| | As at 31 March | |
|--------------|-----------------------|----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Over 90 days | <u>29</u> | <u>–</u> |

13. TRADE AND OTHER PAYABLES AND ACCRUALS

| | As at 31 March | |
|-----------------------------|----------------|--------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Trade payables | 1,979 | 1,136 |
| Salary payables | 849 | 1,524 |
| Other payables and accruals | 3,620 | 4,243 |
| | <u>6,448</u> | <u>6,903</u> |

The credit period on purchases is ranging from 0 – 30 days (2023: 0 – 30 days). An ageing analysis of the trade payables, based on the invoice date, is as follows:

| | As at 31 March | |
|--------------|----------------|--------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| 0 – 30 days | 1,456 | 1,052 |
| 31 – 60 days | – | 73 |
| 61 – 90 days | 295 | – |
| Over 90 days | 228 | 11 |
| | <u>1,979</u> | <u>1,136</u> |

14. BANK BORROWING

| | As at 31 March | |
|---|----------------|--------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Unsecured and guaranteed bank borrowing | <u>–</u> | <u>149</u> |
| The carrying amounts are repayable: | | |
| Within one year | – | 149 |
| Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities | <u>–</u> | <u>(149)</u> |
| Amounts shown under non-current liabilities | <u>–</u> | <u>–</u> |

15. PROVISIONS

| | As at 31 March | |
|------------------------------------|----------------|------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Analysis for reporting purpose as: | | |
| Current liabilities | 321 | 253 |
| Non-current liabilities | <u>25</u> | <u>157</u> |
| | <u>346</u> | <u>410</u> |

| | Provision for surcharge and penalty HK\$'000 | Provision for reinstatement cost HK\$'000 | Total HK\$'000 |
|--|---|--|---------------------------|
| As at 1 April 2022 | 104 | 283 | 387 |
| Recognition/(reversal) of provision | 43 | (20) | 23 |
| As at 31 March 2023 and 1 April 2023 | 147 | 263 | 410 |
| Recognition/(reversal) of provision | 44 | (53) | (9) |
| Utilisation of provision | – | (55) | (55) |
| As at 31 March 2024 | 191 | 155 | 346 |

16. SHARE CAPITAL

Details of the Company's ordinary shares are disclosed as follows:

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| Authorised: | | |
| At 1 April 2022, ordinary shares of HK\$0.01 each | 10,000,000,000 | 100,000 |
| Share consolidation (<i>note (i)</i>) | (9,000,000,000) | – |
| As at 31 March 2023, 1 April 2023 and 31 March 2024, ordinary shares of HK\$0.1 each | 1,000,000,000 | 100,000 |
| Issued and paid: | | |
| At 1 April 2022, ordinary shares of HK\$0.01 each | 500,000,000 | 5,000 |
| Issue of shares upon exercise of share options | 50,000,000 | 500 |
| Share consolidation (<i>note (i)</i>) | (495,000,000) | – |
| As at 31 March 2023 and 1 April 2023, ordinary shares of HK\$0.1 each | 55,000,000 | 5,500 |
| Rights issue (<i>note (ii)</i>) | 137,500,000 | 13,750 |
| As at 31 March 2024, ordinary shares of HK\$0.1 each | 192,500,000 | 19,250 |

Notes:

- (i) An annual general meeting was held on 8 August 2022 in which the resolution to approve the proposed share consolidation of every ten (10) issued and unissued shares of par value of HK\$0.01 each in the existing share capital of the Company be consolidated into one (1) consolidated share of par value of HK\$0.1 each was passed by the shareholders of the Company. The share consolidation became effective on 10 August 2022.
- (ii) On 3 October 2023, the Company completed a rights issue of 137,500,000 rights shares at the subscription price of HK\$0.20 per rights share on the basis of five rights shares for every two shares of the Company (the “**Rights Issue**”). The net proceeds from the Rights Issue were approximately HK\$26,500,000, after deducting directly attributable costs of approximately HK\$1,000,000.

17. LITIGATION

During the year ended 31 March 2021, Fu Tong Investment Company Limited (“**Fu Tong**”), being the landlord of the leased restaurant, and Sun Hung Kai Real Estate Agency Limited (“**SHK**”), being the agent of Fu Tong, claimed against Right Direction International Limited (“**Right Direction**”), a wholly-owned subsidiary of the Company, for the unpaid rent and related expenses.

Such claims included (i) rent and other payable of approximately HK\$1,867,000; and (ii) accrued interest of approximately HK\$41,000, after partially set-off by the rental deposit paid previously.

In the opinion of the directors of the Company, with the advice from external legal counsel, sufficient and adequate provision has been made in respect of the such claims, together with the interest accrued for the years ended 31 March 2024 and 2023. As at 31 March 2024, the total claims comprised (i) unpaid rent and other payables of approximately HK\$1,867,000 (2023: HK\$1,867,000) included in other payables and accruals as set out in note 13; and (ii) provision for surcharge and penalty of approximately HK\$191,000 (2023: HK\$147,000) included in provisions as set out in note 15.

18. CAPITAL COMMITMENT

Capital commitment contracted for at the end of the reporting period but not yet incurred are as follow:

| | As at 31 March | |
|--|----------------|----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Renovation in progress included in plant and equipment | <u>4,348</u> | <u>–</u> |

19. COMPARATIVE FIGURES

Certain comparative figures in the consolidated financial statements have been adjusted to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2024 and up to the date of this announcement, the Group has been principally engaged in operating 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 Macau Special Administrative Region of the PRC and receive royalty fee and income from sales of food and related 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 2024 and up to the date of this announcement, the Group operated 4 ramen restaurants and 1 Hong Kong style restaurant in Hong Kong.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately 9.4% from approximately HK\$42.3 million for year ended 31 March 2023 to approximately HK\$38.3 million for the year ended 31 March 2024. The Group ceased the operation of two ramen restaurants, one Japanese style restaurant and one Sichuan style restaurant during the year ended 31 March 2024. The closure of restaurants was due to the expiration of tenancy agreement and the unsatisfactory financial performance which mainly caused by changing consumption patterns of customers.

Cost of inventories

Cost of inventories for the years ended 31 March 2024 and 2023 were HK\$9.9 million and HK\$10.2 million respectively. The cost of inventories sold amounted to approximately 24.2% and approximately 25.9% of the Group's total revenue for the years ended 31 March 2023 and 2024 respectively.

Other income

Other income mainly comprised of subsidies granted by the Hong Kong Government, imputed interest income, bank interest income and other miscellaneous income. Other income of the Group decreased by approximately HK\$1.5 million, or approximately 86.9%, from approximately HK\$1.8 million for the year ended 31 March 2023 to approximately HK\$0.2 million for the year ended 31 March 2024. The decrease in amount was mainly because no government grants was received under the "Anti-epidemic Fund" and "Employment Support Scheme" during the year ended 31 March 2024.

Other gains and losses

Other gains and losses mainly represented the gain on termination of lease contracts, gain on disposal of a right-of-use asset, loss on write-off of property and equipment, gain on reversal of write-off of trade receivables, and net exchange losses. For the year ended 31 March 2023, approximately HK\$1.2 million of gain on disposal of a right-of-use asset was recognised. During the year ended 31 March 2024, two lease contracts of the Group were early terminated and the remaining lease liabilities were recognised as gain on termination of a lease contract, which amounted to approximately HK\$1.4 million; whereas approximately HK\$3.2 million of the loss on write-off of property and equipment was recognised due to the closure of restaurants during the year ended 31 March 2024.

Staff costs

Staff costs decreased by approximately 26.4% from approximately HK\$21.9 million for the year ended 31 March 2023 to approximately HK\$16.1 million for the year ended 31 March 2024. As four restaurants were closed by the Group during the year ended 31 March 2024, the staff costs decreased accordingly. Staff costs were the most significant portion of the operating costs, as a percentage of revenue, staff costs amounted to approximately 51.7% for the year ended 31 March 2023 and approximately 42.0% for the year ended 31 March 2024.

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 machinery; (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 increased by approximately HK\$0.1 million or 6.1% from approximately HK\$1.8 million for the year ended 31 March 2023 to approximately HK\$1.9 million for the year ended 31 March 2024, which was mainly because the rental costs of new tenancy agreement entered by the Group during the year ended 31 March 2024 were higher than those of the tenancy agreements expired during the year ended 31 March 2023.

Depreciation

Depreciation represents depreciation charges for (i) leasehold improvements; (ii) fixtures and equipment; and (iii) right-of-use assets of the Group. For the year ended 31 March 2024, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$4.8 million (2023: approximately HK\$3.8 million) and depreciation charges for property and equipment amounted to approximately HK\$0.4 million (2023: approximately HK\$0.3 million). The increase in depreciation expenses amounted to approximately HK\$1.2 million or 29.5% mainly owing to the additions of property and equipment and right-of-use assets during the years ended 31 March 2023 and 2024.

Other operating expenses

Other expenses mainly consist of water, electricity, gas and other utilities expenses, repair and maintenance fees, audit and professional fees, consumables expenses, insurance expenses, handling charges for electronic payment and delivery platforms and motor vehicle and logistics expenses. Other expenses decreased from approximately HK\$14.0 million to approximately HK\$11.2 million from the year ended 31 March 2023 to the year ended 31 March 2024, representing a decrease of approximately 19.7%. The decrease was mainly attributed to the various cost control measures implemented by the Group.

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

| | Year ended 31 March | |
|--|---------------------|---------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Utilities expenses | 2,880 | 2,604 |
| Audit and professional fees | 2,836 | 2,699 |
| Advertising and marketing expenses | 288 | 779 |
| Repair and maintenance fees | 534 | 758 |
| Business and product development | 487 | 674 |
| Motor vehicle and logistics expenses | 716 | 1,136 |
| Consumables | 298 | 925 |
| Insurance expenses | 591 | 834 |
| Cleaning expenses | 395 | 546 |
| Handling charges for electronic payment and delivery platforms | 1,065 | 1,474 |
| Provisions for surcharge and penalty for litigations (<i>Note i</i>) | 44 | 15 |
| Others (<i>Note ii</i>) | 1,063 | 1,508 |
| | <u>11,197</u> | <u>13,952</u> |

Note:

- (i) The Group has been involved in several claims in relation to rental and other related expenses arrears. Moreover, provisions for estimated surcharge and penalty that might be borne by the Group from the litigations amounted to approximately HK\$44,000 was recognised in accordance to the latest development of the litigations during the year ended 31 March 2024 (2023: approximately HK\$15,000). 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 2024.
- (ii) Others include office expenses, sundry expenses and other miscellaneous expenses.

Impairment losses

No impairment losses was recognised during the year ended 31 March 2024. During the year ended 31 March 2023, 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\$0.3 million and HK\$2.1 million in respect of property and equipment and right-of-use assets have been recognised respectively during the year ended 31 March 2023.

Finance costs

Finance costs for the year ended 31 March 2024 represent (i) interests on lease liabilities amounted to approximately HK\$0.6 million (2023: approximately HK\$0.7 million) and (ii) interests on bank borrowing amounted to approximately HK\$1,000 (2023: approximately HK\$29,000).

Taxation

Income tax credit amounted to approximately HK\$9,000 for the year ended 31 March 2024 (2023: approximately HK\$39,000), which was mainly due to deferred credit recognised to profit or loss during the year ended 31 March 2023 resulting from the assessment by the management.

Loss for the year

The Group recorded a loss of approximately HK\$8.1 million for the year ended 31 March 2024 (2023: approximately HK\$9.7 million). The decrease in loss was mainly due to the decrease in impairment losses on property and equipment and right-of-use assets recognised as compared to last year.

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 rights issue. As at 31 March 2024, the Group's bank balances and cash amounting to approximately HK\$13.3 million, representing an increase of approximately HK\$6.7 million from approximately HK\$6.6 million as at 31 March 2023. Most of the Group's bank deposits and cash were denominated in Hong Kong dollars and Renminbi.

As at 31 March 2024, the Group recorded lease obligation of approximately HK\$2.8 million (31 March 2023: lease obligation of approximately HK\$14.3 million and interest-bearing bank borrowing of approximately HK\$0.1 million). The interest-bearing bank borrowing was unsecured, repayable on demand and denominated in Hong Kong dollars 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.

As at 31 March 2024, the Group's total current assets and current liabilities were approximately HK\$20.9 million (31 March 2023: approximately HK\$12.9 million) and approximately HK\$16.8 million (31 March 2023: approximately HK\$19.3 million) respectively. The Group's current ratio, calculated by dividing the total current assets over the total current liabilities, was approximately 1.2 times (31 March 2023: approximately 0.7 times). The Group's gearing ratio, calculated as percentage of bank borrowings to the total equity attributable to owners of the Company, was 0% as at 31 March 2024 (31 March 2023: approximately 3.9%).

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 2024, most of the transactions of the Group were denominated and settled in Hong Kong dollars 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 dollars 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. 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 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 and provisions. As at 31 March 2024, the related amounts included in other payables and accruals and provisions are HK\$1,867,000 and HK\$191,000 (2023: HK\$1,867,000 and HK\$147,000) 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 2024, the Group did not have any mortgages, charges and pledges over the Group's assets (As at 31 March 2023: nil).

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2024 (2023: 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 2024.

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.

During the year ended 31 March 2024, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme. The total number of share options available for grant under the Share Option Scheme was 5,500,000 as at 1 April 2023 and 31 March 2024.

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 2024.

CAPITAL COMMITMENT

As at 31 March 2024, the Group has capital commitment on property and equipment of approximately HK\$4.3 million (2023: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2024, the Group had a total of 42 employees (31 March 2023: 114). The staff costs (included Directors’ emoluments) were approximately HK\$16.1 million for the year ended 31 March 2024 (2023: approximately HK\$21.9 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Discretionary bonus based on job performance will be paid to employees as recognition of and reward for their contributions. The Group also maintains the Mandatory Provident Fund Scheme and insurance for its employees in Hong Kong. Various types of trainings were provided to the employees. Share options may also be granted to eligible employees by reference to the Group’s performance as well as individual employees’ contribution.

USE OF NET PROCEEDS FROM THE RIGHTS ISSUE

During 2023, the Company raised fund by way of a rights issue of 137,500,000 rights shares at the subscription price of HK\$0.2 each and on the basis of five (5) rights share for every two (2) shares. The net proceeds raised from the rights issue were approximately HK\$26.5 million. 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 | Actual amount utilised as at 31 March 2024 HK\$'000 | Unutilised net proceeds as at 31 March 2024 HK\$'000 | Expected timeline for full utilisation of the unutilised net proceeds |
|---------------------------------|-----------------------------------|-------------------------|---|--|---|
| Expansion of restaurant network | 64 | 17,000 | 8,416 | 8,584 | By 31 December 2024 |
| General working capital | 36 | 9,500 | 9,500 | - | |
| | <u>100.0</u> | <u>26,500</u> | <u>17,916</u> | <u>8,584</u> | |

At 31 March 2024, approximately HK\$17.9 million out of the net proceeds from the rights issue had been used as intended. The utilised proceeds has been used for capital expenditures of new restaurants and general working capital. The management is cautious for selection of location as well as the timing for opening new restaurant by continuously assessing the development of market environment. 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. Besides, one of the business strategies of the Group is expanding its network of restaurants by opening new restaurants in suitable and strategic locations in Hong Kong, so as to secure new and additional source of income to the Group. The Group intends to set up new restaurants that offer different style of cuisines in 2024.

The business of restaurants in Hong Kong continued to recover in 2024. The ongoing recovery of inbound tourism and the Government's various support initiatives shall benefit business of the Group. Yet, the changing consumption patterns of visitors and residents may pose challenges.

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 2024 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 2024 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 2024.

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 2024.

EVENTS AFTER THE REPORTING DATE

There were no significant events after the year ended 31 March 2024 and up to the date of this announcement.

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 principles and code provisions as set out in the corporate governance code (the "CG Code") contained in Part 2 of Appendix C1 to the GEM Listing Rules. During the year ended 31 March 2024, to the best knowledge of the Board, the Company has complied with the 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. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct for securities transactions by the Directors during the year ended 31 March 2024.

AUDIT COMMITTEE

Pursuant to the GEM Listing Rules, the Company established an audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in the GEM Listing Rules. As at the date of this announcement, the chairman of the Audit Committee is Mr. Lui Sze Ho, the independent non-executive Director, and other members included Ms. Li Mingrong and Ms. Kanlaya Bunphor, 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 MCMILLAN WOODS (HONG KONG) 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 2024 as set out in the preliminary announcement have been agreed by the Company’s auditor, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by McMillan Woods (Hong Kong) 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 McMillan Woods (Hong Kong) 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, have reviewed the consolidated financial statements for the year ended 31 March 2024 in conjunction with the Company’s auditor, McMillan Woods (Hong Kong) CPA Limited. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group’s consolidated financial position as at 31 March 2024 and the annual results for the year ended 31 March 2024.

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
Sung Kwan Wun
Executive Director

Hong Kong, 28 June 2024

As at the date of this announcement, the Board comprises Ms. Sung Kwan Wun as an executive Director; and Ms. Li Mingrong, Mr. Lui Sze Ho and Ms. Kanlaya Bunphor as independent non-executive Directors.

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.