

TASTY CONCEPTS HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)



賞之味控股有限公司
Stock Code: 8096
ANNUAL REPORT

2024

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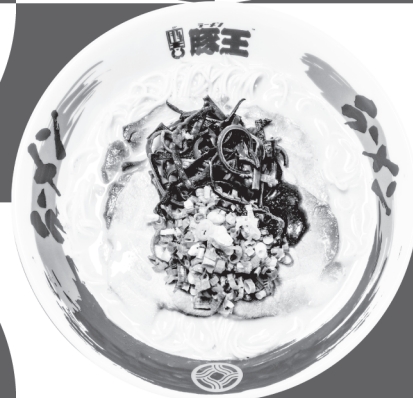
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*This report, for which the directors (the “**Directors**”) of Tasty Concepts Holding Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR:

Ms. Sung Kwan Wun

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Ms. Kanlaya Bunphor

Ms. Li Mingrong

Mr. Lui Sze Ho

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Lui Sze Ho (*Chairman*)

Ms. Kanlaya Bunphor

Ms. Li Mingrong

REMUNERATION COMMITTEE

Ms. Li Mingrong (*Chairperson*)

Ms. Kanlaya Bunphor

Mr. Lui Sze Ho

NOMINATION COMMITTEE

Ms. Li Mingrong (*Chairperson*)

Ms. Kanlaya Bunphor

Mr. Lui Sze Ho

COMPANY SECRETARY

Mr. Man Yun Wah

AUTHORISED REPRESENTATIVES

Ms. Sung Kwan Wun

Mr. Man Yun Wah

AUDITOR

McMillan Woods (Hong Kong) CPA Limited

24/F, Siu On Centre

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Wan Chai

Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking

Corporation Limited

COMPANY'S WEBSITE

www.butaoramen.com

STOCK CODE

8096

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2024 and up to the date of this report, 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 Macau Special Administrative Region of the People's Republic of China 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 report, the Group operated 4 ramen restaurants and 1 Hong Kong style restaurant in Hong Kong.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. The Directors believe the relatively significant risks relating to the Group's business are as follows:

- If the Group fails to maintain effective quality control system of the restaurants' daily operation, it could materially impact the Group's operations, business and reputation;
- The Group's future development business operation and operation results could be affected by labour shortages or increase in staff costs;
- The Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs; and
- The Group rely on the central kitchen of the Group to supply some of the semi-processed or processed food ingredients used in the restaurants and any disruption of operation at the central kitchen of the Group could adversely affect the operations, business and reputation.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH LAWS AND REGULATIONS

Following the resignation of Mr. Ho Lai Chuen with effect from 15 November 2023 and Mr. Tang Chun Ho Chandler with effect from 2 February 2024, the number of independent non-executive Directors and number of members of each of the audit committee, nomination committee and remuneration committee of the Company fell below the number required under Rule 5.05(1), Rule 5.28, Rule 5.34 and Rule 5.36(A) of the GEM Listing Rules. Following the appointment of Ms. Li Mingrong as the chairperson of each of the nomination committee and the remuneration committee of the Company and the appointment of Ms. Kanlaya Bunphor as an independent non-executive Director and a member of each of the audit committee, nomination committee and remuneration committee of the Company. The Company is in compliance with Rule 5.05(1), Rule 5.28, Rule 5.34 and Rule 5.36(A) of the GEM Listing Rules.

Saved as disclosed above, as far as the Directors are aware, there was no material breach of or non-compliance with the applicable laws and regulation by the Group during the year ended 31 March 2024.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

For further details, please refer to the Company's ESG Report published on the same date as this annual report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group maintains a good relationship with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's production and operation would be at risk.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

| | Year ended 31 March | |
|--|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Utilities expenses | 2,880 | 2,604 |
| Audit and professional fees | 2,836 | 2,699 |
| Advertising and marketing expenses | 288 | 779 |
| Repair & maintenance expenses | 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 |
| | 11,197 | 13,952 |

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.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPAIRMENT LOSSES

No impairment losses were 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 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2024, the Group's total current assets and current liabilities were approximately HK\$20.9 million (2023: approximately HK\$12.9 million) and approximately HK\$16.8 million (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 (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 (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 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. 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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

As at 31 March 2024, the Group did not have any mortgages, charges and pledges over the Group's assets (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.

As at 31 March 2023, 2024 and the date of this report, there was no outstanding share options under the Share Option Scheme. 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. The total number of shares available for issue under the Share Option Scheme was 5,500,000, representing approximately 2.9% of the issued share capital of the Company as at the date of the annual report.

Details of the Company's Share Option Scheme are set out in Note 32 to the consolidated financial statements.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 7 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 | - | |
| | 100.0 | 26,500 | 17,916 | 8,584 | |

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the Directors of the Company are set out as follows:

EXECUTIVE DIRECTORS

Mr. Tang Chun Ho Chandler (鄧振豪) (“**Mr. C Tang**”), aged 39, is the founder, executive Director, Chairman and Chief Executive Officer of the Group. Mr. C Tang was appointed as the Director on 23 July 2018 and re-designated as the executive Director on 28 August 2018. Mr. C Tang was appointed as the Chief Executive Officer and the Chairman of the Board on 28 August 2018 and 1 February 2022, respectively. Mr. C Tang is also a director of each subsidiary incorporated in Hong Kong of the Group. Mr. C Tang is primarily responsible for the overall management, strategic planning, brand management and development of the Group’s business operations. He is also the chairman of the nomination committee (the “**Nomination Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”). In carrying out his responsibilities, Mr. C Tang has provided the Group with leadership, vision for the expansion of the business, marketing and public relations strategies. Mr. C Tang has over 12 years of experience in the Japanese ramen restaurant industry gained from the operation of the Group. Mr. C Tang resigned as the executive Director, Chairman, Chief Executive Officer, the Compliance Officer and the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 2 February 2024.

Prior to joining the Group, Mr. C Tang worked as a financial planner of AIA Hong Kong, whose principal business is the provision of insurance and investment-oriented products, from February 2007 to September 2011, during which he was responsible for identifying clients’ financial and protection needs in order to promote or arrange suitable insurance products for them. In 2008, Mr. C Tang was awarded Agent of the District (Regent) by AIA International Limited. He was a member of Million Dollar Round Table of The Premier Association of Financial Professionals, a global and independent association of life insurance and financial services professionals, from December 2008 to December 2009. He devoted his time into participating in music performance from 2005 to 2007.

Mr. C Tang obtained his secondary school diploma at Royal International College in Ontario, Canada in October 2002. He pursued further education in business management at Monash University between 2003 and 2005.

Ms. Sung Kwan Wun (宋君媛) (“**Ms. Sung**”), aged 58, was appointed as the executive Director on 1 February 2022. Ms. Sung is responsible for formulating business strategy of the Group.

Ms. Sung has years of experience in import and export industry. She held management positions in several trading companies and was responsible for regional marketing strategy and internal staff training. Ms. Sung has extensive knowledge in corporate operation management, and in marketing in the PRC and Europe. Ms. Sung was an independent non-executive director of China Automotive Interior Decoration Holdings Limited (stock codes: 48 and 8321) from August 2013 to June 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Lai Chuen (何麗全) (“**Mr. Ho**”), aged 69, was appointed as the independent non-executive Director on 21 February 2019. Mr. Ho is also the chairman of the Remuneration Committee and a member of each of the audit committee of the Company (the “**Audit Committee**”) and Nomination Committee. Mr. Ho resigned as the independent non-executive Director, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee with effect from 15 November 2023.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Mr. Ho has over 33 years of experience in the production and broadcasting industry. From March 1977 to March 2011, Mr. Ho was employed by Television Broadcasts Limited (“**TVB**”) as a scriptwriter, creative director and was promoted to his last position as controller for non-drama productions at the production division. TVB is a company listed on the Main Board of the Stock Exchange (stock code: 00511), major activities of which include free-to-air television broadcasting, programme production, programme licensing and distribution, digital media business and publications.

From April 2011 to March 2015, Mr. Ho was appointed as an executive vice president and general manager, production in the TV and new media business unit of PCCW Media Limited whose principal business is the provision of pay-TV service in Hong Kong. Mr. Ho was a corporate mentor for the Master of Business Administration programme at the Shanghai University, PRC from April 2015 to March 2016. Since October 2015, Mr. Ho has been serving as the chief executive officer of CL Showbiz Limited, which is primarily engaged in the provision of services including event planning/coordinating stage design and setting, sound and lighting and audio visual production. Since May 2018, Mr. Ho has been engaged as a consultant of Asia Television Digital Media Limited to provide advisory services on its television broadcasting business. Since February 2021, Mr. Ho rejoined TVB as the chief executive officer of The Voice Entertainment Group Limited.

Mr. Ho obtained a Master of Business Administration (Executive) degree from City University of Hong Kong in October 2014.

Ms. So Siu Ying (蘇小英) (“**Ms. So**”), aged 65, was appointed as the independent non-executive Director on 31 August 2022. Ms. So is also a member of the Audit Committee. Ms. So resigned as the independent non-executive Director and a member of the Audit Committee with effect from 11 April 2023.

Ms. So, has over 35 years of experience in catering services and has held management positions in a number of restaurants. She has extensive knowledge in the operation and management of restaurants.

Ms. Li Mingrong (李明容) (“**Ms. Li**”), aged 39, was appointed as the independent non-executive Director on 11 April 2023. She is also the chairperson of each of the Nomination committee and the Remuneration Committee and a member of the Audit Committee.

Ms. Li has extensive experience in marketing strategy development and has held marketing management positions at sizable corporations in the People’s Republic of China.

Mr. Lui Sze Ho (呂思豪) (“**Mr. Lui**”), aged 42, was appointed as the independent non-executive Director on 13 June 2023. He is also the chairperson of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee.

Mr. Lui has over 15 years of experience in accounting, finance, and business operations. Mr. Lui obtained a bachelor degree of business administration in accountancy from The Hong Kong Polytechnic University. Mr. Lui is a member of the Hong Kong Institute of Certified Public Accountants.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Ms. Kanlaya Bunphor ("**Ms. Bunphor**"), aged 50, was appointed as the independent non-executive Director on 15 February 2024. She is also a member of each of the Audit Committee, the Nomination Committee and Remuneration Committee.

Ms. Bunphor has over 20 years of experience in catering services and has held management positions in a number of restaurants. She has extensive knowledge in the operation and management of restaurants.



DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Company and the audited consolidated financial statements of the Group for the year ended 31 March 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are the restaurant chain operator, mainly selling Japanese ramen in Hong Kong under the brand “豚王”. Details of the principal activities of its subsidiaries are set out in Note 35 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the “Chairman’s Statement” and “Management Discussion and Analysis” of this report.

DIVIDEND POLICY

The Board has adopted a dividend policy (the “**Dividend Policy**”) before Listing Date, details of the Dividend Policy is disclosed as below.

The Company adopts a general Dividend Policy that aims to provide shareholders of the Company out of the Group’s profit attributable to shareholders in any financial year, subject to the criteria set out below.

Such declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the memorandum and articles of association of the Company.

In proposing any dividend payout, the Board shall also take into account, inter alia:-

- the Group actual and expected financial performance;
- shareholders’ interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group’s debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group’s creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group’s lenders;
- the Group’s expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;

DIRECTORS' REPORT

- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per share basis.

In addition to cash, dividends may be distributed in the form of shares subject to and in accordance with the procedures set out in the Company's memorandum and articles of association.

Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the Directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

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 report. The state of affairs of the Group and the Company as at 31 March 2024 are set out in the consolidated statement of financial position and Note 34 to the consolidated financial statements respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2024.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 98 in this report. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 27 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and Note 34 to the consolidated financial statements respectively.

SHARE OPTION SCHEME

The Company conditionally adopted a Share Option Scheme on 21 February 2019. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

A summary of the particulars of the Share Option Scheme as required under Rule 23.09 of the GEM Listing Rules is set out in Note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the memorandum and articles of association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 March 2024 are set out in Note 31 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

At 31 March 2024, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to HK\$0 (2023: approximately HK\$8.0 million).

MAJOR CUSTOMERS AND SUPPLIERS

As a restaurant operator, the Group has a large and diverse customer base. There is no customer significantly dominated in the Group's revenue. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group for the year ended 31 March 2024.

During the year ended 31 March 2024, the percentage of the Group's purchase amount attributable to the Group's largest supplier was approximately 16.4% of the Group's total purchase, while the percentage of the Group's total purchase amount attributable to the five largest suppliers in aggregate was approximately 64.1% of the Group's total purchase.

None of the Directors of the Company, or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The Board of the Company during the year and up to date of this report were as follows:

EXECUTIVE DIRECTORS

Mr. Tang Chun Ho Chandler (*Chairman and Chief Executive Officer*) (*resigned on 2 February 2024*)
Ms. Sung Kwan Wun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Lai Chuen (*resigned on 15 November 2023*)
Ms. Kanlaya Bunphor (*appointed on 15 February 2024*)
Ms. So Siu Ying (*resigned on 11 April 2023*)
Ms. Li Mingrong (*appointed on 11 April 2023*)
Mr. Lui Sze Ho (*appointed on 13 June 2023*)

In accordance with the memorandum and articles of association of the Company, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy on the Board or as an additional Director to the existing Board shall hold office until the first annual general meeting of Company after their appointment and shall then be eligible for re-election.

Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions disclosed in Note 31 to the consolidated financial statements, no Director or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year ended 31 March 2024.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Saved as disclosed in the section "Directors' Report – Related Party Transaction and Connected Transaction" above, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries during the year ended 31 March 2024.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" below and the Share Option Scheme disclosures in Note 32 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 14 to 16 of this report.

DIRECTORS' REPORT

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in Note 12 to the consolidated financial statements. The emolument of the number of the highest paid individuals who are not the Directors of the Company for the year ended 31 March 2024 are set out in Note 12(B) to the consolidated financial statements.

EMOLUMENT POLICY

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

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the emolument policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual Directors and senior management.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2024 are set out in Note 28 to the consolidated financial statement.

MANAGEMENT CONTRACTS

Save for the service agreements (for executive Directors and independent non-executive Directors) with the Company entered into with each of the Directors, no contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2024.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2024, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



DIRECTORS' REPORT

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

As at 31 March 2024, the following persons/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares

| Name | Capacity/Nature of interest | Number of shares held/interested | Percentage of shareholding |
|-------------------------------------|--|----------------------------------|----------------------------|
| Goldstone 1 LPF | Beneficial owner | 21,155,000 | 10.99% |
| Goldstone Wealth Management Limited | Interested in a controlled corporation | 21,155,000 | 10.99% |
| Lam Yu Chor Paul | Interested in a controlled corporation | 21,155,000 | 10.99% |

Notes:

(1) Goldstone 1 LPF is wholly owned by Goldstone Wealth Management Limited and Goldstone Wealth Management Limited is wholly owned by Mr. Lam Yu Chor Paul. By virtue of the SFO, Goldstone Wealth Management Limited and Mr. Lam Yu Chor Paul were deemed to be interested in all the shares held by Goldstone 1 LPF.

Save as disclosed above, as at 31 March 2024, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors Report – Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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.

DIRECTORS' REPORT

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group during year ended 31 March 2024.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 38 of this report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2024.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

EVENTS AFTER THE REPORTING PERIOD

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

INDEPENDENT AUDITOR

On 30 April 2024, D & PARTNERS CPA LIMITED resigned and McMillan Woods (Hong Kong) CPA Limited was appointed as the auditor of the Company. Details of the change of auditor were set out in the announcement of the Company dated 30 April 2024.

Save as disclosed above, there were no other changes in auditor of the Company during the past three years.



DIRECTORS' REPORT

The consolidated financial statements of the Group for the year ended 31 March 2024 were audited by McMillan Woods (Hong Kong) CPA Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint McMillan Woods (Hong Kong) CPA Limited as auditor of the Company.

ON BEHALF OF THE BOARD
Tasty Concepts Holding Limited
Sung Kwan Wun
Executive Director

Hong Kong, 28 June 2024



CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company is committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Board has established the Company's purpose, values and strategy, and satisfy that these and the Company's culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

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 part 2 of Appendix C1 of 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 except for the deviation from Code Provision C.2.1 of 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 during the year ended 31 March 2024.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Director along with other senior executives. They report periodically to the Board of their work and business decisions.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The composition of the Board as the date of at this report is set out as follows:

EXECUTIVE DIRECTORS

Mr. Tang Chun Ho Chandler (*Chairman and Chief Executive Officer*) (*resigned on 2 February 2024*)

Ms. Sung Kwan Wun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Lai Chuen (*resigned on 15 November 2023*)

Ms. Kanlaya Bunphor (*appointed on 15 February 2024*)

Ms. So Siu Ying (*resigned on 11 April 2023*)

Ms. Li Mingrong (*appointed on 11 April 2023*)

Mr. Lui Sze Ho (*appointed on 13 June 2023*)

Biographical details of the Directors are set out in “Biographical Details of the Directors” on pages 14 to 16 of this report.

The proportion of which is higher than what is required by Rule 5.05A, 5.05 (1) and (2) of the GEM Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”), which sets out the basis to achieve diversity on the Board. Details of this Board Diversity Policy is disclosed as below.

1. PURPOSE

This Board Diversity Policy aims to set out the approach to achieve diversity on the Board.

2. POLICY STATEMENT

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria.

CORPORATE GOVERNANCE REPORT

3. MEASURABLE OBJECTIVES

Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee and the Board will review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

4. MONITORING AND REVIEW OF THE BOARD DIVERSITY POLICY

The Nomination Committee and the Board will review the implementation and effectiveness of the Board Diversity Policy on an annual basis.

5. DISCLOSURE OF THE BOARD DIVERSITY POLICY

A summary of the Board Diversity Policy is disclosed in this annual corporate governance report of the Company.

As at 31 March 2024, the Board comprised one male, representing 25% of the Board, and three female, representing 75% of the Board. The Board considers that the gender diversity of the Board has been well-maintained and the Board will continue to strive to achieve appropriate balance of gender diversity. The Board Diversity Policy and the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board to achieve gender diversity.

DIVERSITY IN WORKFORCE

As at 31 March 2024, the gender composition of the workforce (including senior management) was approximately 40% male and approximately 60% female. The Board considers that the gender diversity of the workforce has been well-maintained and aims to maintain the balance of gender diversity in the foreseeable future.

NOMINATION POLICY

The Board has adopted a nomination policy (the “**Nomination Policy**”), which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. Details of the Nomination Policy is disclosed as below.

1. PURPOSE

- 1.1 This Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors.
- 1.2 This Nomination Policy aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company’s business.

CORPORATE GOVERNANCE REPORT

2. CRITERIA

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the “Criteria”):

- (a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;
- (b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;
- (c) Qualifications, including accomplishment and experience in the relevant industries the Company’s business is involved in;
- (d) Independence;
- (e) Reputation for integrity;
- (f) Potential contributions that the individual(s) can bring to the Board; and
- (g) Commitment to enhance and maximize shareholders’ value.

3. RE-ELECTION OF DIRECTOR AT GENERAL MEETING

3.1 The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the criteria including but not limited to:

- (a) the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and
- (b) whether the retiring Director(s) continue(s) to satisfy the Criteria in section 2.

3.2 The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

CORPORATE GOVERNANCE REPORT

4. NOMINATION PROCESS

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

- (a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;
- (c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

5. RESPONSIBILITY

The Board will be ultimately responsible for the selection, appointment and re-appointment of Directors.

6. MONITORING AND REPORTING

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of this policy as appropriate.

7. REVIEW OF THE NOMINATION POLICY

The Nomination Committee will launch a formal process to review the Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

8. DISCLOSURE OF THE NOMINATION POLICY

A summary of the Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year are disclosed in this annual corporate governance report of the Company.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 5.09 of the GEM Listing Rules.

The Board has established mechanisms to ensure independent views and input are available to the Board, which the Board shall review on an annual basis to ensure the implementation and effectiveness of such mechanisms. A summary of the mechanism is set out below:

- i) The Board shall ensure that at least one-third of the Board members being independent non-executive Director;
- ii) The nomination and appointment of independent non-executive Directors shall be subject to the nomination policy and the independence assessment criteria as set out in the GEM Listing Rules. Every independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may materially affect his or her independence and provide an annual confirmation of his or her independence pursuant to the GEM Listing Rules. The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the GEM Listing Rules to ensure that they can continually exercise independent judgement;
- iii) The Board shall ensure that the independent non-executive Directors be given the opportunity and channel to communicate and express their independent views and inputs to the Chairman, the Board and its committees; and
- iv) The Director shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Director and independent non-executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the execution date. The service contracts are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable GEM Listing Rules.

According to the Article 108 of the memorandum and articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the memorandum and articles of association of the Company provides that any Directors who are appointed to fill casual vacancy on the Board or as an additional Director to the existing Board shall hold office only until the first annual general meeting after their appointment, and shall then be eligible for re-election.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision 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. 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' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 31 March 2024, the Company has provided and all Directors have received the updates on the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules. All Directors confirmed that they have participated in continuous professional development during the year ended 31 March 2024 by reading relevant articles and materials and attending seminars, courses or conferences to develop and refresh their knowledge and skills.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.butaoramen.com. All the Board committees responsibly report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 February 2019. As at the date of this report, the chairman of the Remuneration Committee is Mr. Li, the independent non-executive Director, and other members includes Mr. Lui and Ms. Bunphor, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the website of the Stock Exchange and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration and on the remuneration packages of Directors and senior management and reviewing matters of the Share Option Scheme and amendments to GEM Listing Rules regulating the Share Option Scheme. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee held one meeting to review the remuneration policy, the remuneration packages and emoluments of Directors and senior management and make recommendations to the Board on the remuneration package of Directors and senior management during the year ended 31 March 2024. No Director or any of his/her associates is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 21 February 2019. As at the date of this report, the chairman of the Nomination Committee is Ms. Li, the independent non-executive Director, and other members included Mr. Lui and Ms. Bunphor, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and independence of the independent non-executive Directors, review the Board Diversity Policy and the Nomination Policy and makes recommendations to the Board on appointment or re-appointment of Directors. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 March 2024, the Nomination Committee held one meeting to review the composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and the Nomination Policy and make recommendations on the appointment and re-election of Directors.



CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee was established on 21 February 2019. As at the date of this report, the chairman of the Audit Committee is Mr. Lui, the independent non-executive Director, and other members included and Ms. Bunphor and Ms. Li, 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.

During the year ended 31 March 2024, the Audit Committee held four meetings to review and comment on the Company's annual results, interim results, quarterly results, as well as the Company's internal control procedures and risk management system and to make recommendations on the appointment/re-appointment of external auditor.

The Group's consolidated financial statements for the year ended 31 March 2024 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2024 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year ended 31 March 2024, the Chairman held a meeting with the independent non-executive Directors without the executive Director present.



CORPORATE GOVERNANCE REPORT

Details of all Directors' attendance at the Board meetings and Board committees' meetings held during the year ended 31 March 2024 are as follows:

| | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Annual General Meeting |
|--|--|-------------------------|--------------------------------|------------------------------|------------------------|
| | Number of Meetings Attended/Eligible to Attend | | | | |
| Executive Directors | | | | | |
| Mr. Tang Chun Ho Chandler <i>(resigned on 2 February 2024)</i> | 6/6 | - | 1/1 | 1/1 | 1/1 |
| Ms. Sung Kwan Wun | 6/6 | - | - | - | 1/1 |
| Independent non-executive Directors | | | | | |
| Mr. Ho lai Chuen <i>(resigned on 15 November 2023)</i> | 6/6 | 4/4 | 1/1 | 1/1 | 1/1 |
| Ms. Kanlaya Bunphor <i>(appointed on 15 February 2024)</i> | - | - | - | - | - |
| Ms. So Siu Ying <i>(resigned on 11 April 2023)</i> | - | - | - | - | - |
| Ms. Li Mingrong <i>(appointed on 11 April 2023)</i> | 6/6 | 4/4 | 1/1 | 1/1 | 1/1 |
| Mr. Lui Sze Ho <i>(appointed on 13 June 2023)</i> | 6/6 | 4/4 | 1/1 | 1/1 | 1/1 |

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

Ms. Wong Tsz Yan Pinky ("**Ms. Wong**") was appointed and resigned as the company secretary of the Group on 31 August 2022 and on 8 November 2023 respectively. Ms. Wong possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. C Tang, the executive Director, was the primary contact person who Ms. Wong contacted. Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants. She holds a Bachelor of Administrative Studies with Honours (specialised in accounting) from York University. Mr. Man Yun Wah ("**Mr. Man**") was appointed as the company secretary of the Group on 8 November 2023. Mr. Man possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. C Tang and Ms. Sung, the executive Directors, are the primary contact person who Mr. Man contacts. Mr. Man holds a bachelor' degree in business administration and management and a master' degree in corporate governance. He is currently an associate member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Mr. Man has extensive working experience in the company secretarial profession.

For the year ended 31 March 2024, Ms. Wong and Mr. Man undertook no less than 15 hours of relevant professional training to update their skill and knowledge.

INDEPENDENT AUDITORS' REMUNERATION

The fee paid and payable in respect of audit services to McMillan Woods (Hong Kong) CPA Limited amounted to approximately HK\$0.6 million for the year ended 31 March 2024 (2023: fee paid and payable to D & Partners CPA Limited: HK\$0.5 million).

No fee paid and payable to McMillan Woods (Hong Kong) CPA Limited in respect of non-audit services has been made for the year ended 31 March 2024 (2023: D & Partners CPA Limited: HK\$0.2 million).

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding a minority stake in the total number of issued shares in the capital of the Company, and the minimum stake required to do this shall not be less than 10% of the voting rights in the issued share capital of the Company (the "Requisitionists") (as the case may be) pursuant to Article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks (including the ESG risks) that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the risk registry to communicate to the Board and management for reviews.

CORPORATE GOVERNANCE REPORT

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions (including ESG risks) has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2024 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

Under Code Provision D.2.5, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the Audit Committee and the Board. In addition, the Audit Committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;
- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has reviewed the implementation and effectiveness of such policy during the year ended 31 March 2024 and considered the policy and its implementation are effective because the policy provides effective channels for shareholders to communicate their views with the Company and the Company has complied with the principles and required practices set out in the policy.

The Company has established several channels to communicate with the shareholders as follows:

- (i) Corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange "www.hkexnews.hk" and the Company's website at "www.butaoramen.com";
- (ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) Corporate information is made available on the Company's website;
- (iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year ended 31 March 2024, the second amended and restated memorandum of association was adopted by a special resolution passed on 20 September 2023.

INDEPENDENT AUDITOR'S REPORT



McMillanWoods

Professionalism at the forefront

TO THE SHAREHOLDERS OF TASTY CONCEPTS HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tasty Concepts Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 44 to 97, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The key audit matter we identified is impairment of non-financial assets.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Impairment of non-financial assets</p> <p>Refer to notes 4(S), 5, 16, 17 and 20 to the consolidated financial statements.</p> <p>As at 31 March 2024, the carrying amounts of the property and equipment, right-of-use assets and prepayments for purchase of property and equipment are HK\$9,677,000, HK\$2,142,000 and HK\$2,866,000 respectively. The property and equipment, right-of-use assets and prepayments for purchase of property and equipment mainly represented the renovation in progress, fixtures and equipment and the leased properties used for the flagship Japanese restaurant and the prepayments for the renovation of the flagship Japanese restaurant. In view of the continued loss making and the underperformance of certain restaurants with continuing decline in market demand, the management of the Group engaged independent professional valuer and performed impairment testing on the property and equipment, right-of-use assets and the prepayments for purchase of property and equipment. Based on the calculation of the recoverable amount, as determined using value-in-use calculation with reference to the individual profit forecast and cash flows projection of each restaurants, no impairment loss on property and equipment, right-of-use assets and prepayments for purchase of property and equipment has been recognised for the year ended 31 March 2024.</p> <p>We have identified the impairment of the property and equipment, right-of-use assets and the prepayments for purchase of property and equipment as a key audit matter because of their significance to the consolidated financial statements and the involvement of a significant degree of judgements and estimates used by the management of the Group and independent valuer when performing the impairment testing.</p> | <p>Our procedures in relation to the impairment of property and equipment, right-of-use assets and prepayments for purchase of property and equipment included:</p> <ul style="list-style-type: none"> discussing with the management of the Group to identify the indication of impairment on the property and equipment, right-of-use assets and prepayments for purchase of plant and equipment and assessed and reviewed the impairment testing performed by the management of the Group; reviewing, with the assistance of the auditor's expert, the methodology adopted, the underlying assumptions and data used in the profit forecast and cash flows projections for the value-in-use calculation; challenging the appropriateness of the judgements and estimates used by the management of the Group and the independent valuer in the profit forecast and cash flows projections, including the sales growth rate, gross profit margin and pre-tax discount rate, against historical performance, available market information and financial budgets approved by the directors of the Company; and assessing the adequacy of the disclosures made in the consolidated financial statements. |

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 28 June 2023.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Lo Ka Ki

Audit Engagement Director

Practising Certificate Number: P06633

24/F., Siu On Centre

188 Lockhart Road

Wan Chai, Hong Kong

28 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

| | NOTES | Year ended 31 March | |
|---|-------|---------------------|------------------|
| | | 2024 HK\$'000 | 2023 HK\$'000 |
| Revenue | 7 | 38,288 | 42,273 |
| Cost of inventories | | (9,916) | (10,213) |
| Other income | 8 | 230 | 1,755 |
| Other (losses)/gains, net | 8 | (1,674) | 1,187 |
| Staff costs | 11 | (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 | 9 | – | (2,342) |
| Finance costs | 10 | (565) | (735) |
| Loss before taxation | 11 | (8,135) | (9,778) |
| Income tax credit | 13 | 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) |
| Loss per share | | | (Restated) |
| Basic and diluted (HK cents) | 15 | (7.53) | (17.92) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

| | NOTES | As at 31 March | |
|---|-------|------------------|------------------|
| | | 2024 HK\$'000 | 2023 HK\$'000 |
| Non-current assets | | | |
| Property and equipment | 16 | 9,677 | 3,763 |
| Right-of-use assets | 17 | 2,142 | 10,060 |
| Intangible assets | 18 | – | – |
| Deposits and prepayments | 20 | 4,432 | 2,326 |
| | | 16,251 | 16,149 |
| Current assets | | | |
| Inventories | 19 | 199 | 590 |
| Trade and other receivables, deposits and prepayments | 20 | 7,403 | 5,747 |
| Bank balances and cash | 21 | 13,257 | 6,594 |
| | | 20,859 | 12,931 |
| Current liabilities | | | |
| Trade and other payables and accruals | 22 | 6,448 | 6,903 |
| Bank borrowing | 23 | – | 149 |
| Amount due to a shareholder | 31 | 7,270 | 5,540 |
| Lease liabilities | 24 | 2,643 | 6,381 |
| Tax payable | | 75 | 75 |
| Provisions | 26 | 321 | 253 |
| | | 16,757 | 19,301 |
| Net current assets/(liabilities) | | 4,102 | (6,370) |
| Total assets less current liabilities | | 20,353 | 9,779 |
| Non-current liabilities | | | |
| Lease liabilities | 24 | 167 | 7,891 |
| Provisions | 26 | 25 | 157 |
| | | 192 | 8,048 |
| Net assets | | 20,161 | 1,731 |
| Capital and reserves | | | |
| Share capital | 27 | 19,250 | 5,500 |
| Reserves | | 2,962 | (1,711) |
| Equity attributable to owners of the Company | | 22,212 | 3,789 |
| Non-controlling interests | 33 | (2,051) | (2,058) |
| Total equity | | 20,161 | 1,731 |

The consolidated financial statements on pages 44 to 97 were approved and authorised for issue by the Board of Directors on 28 June 2024 and are signed on its behalf by:

Sung Kwan Wun
Director

Lui Sze Ho
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

| | Attributable to owners of the Company | | | | | | | | | |
|--|---------------------------------------|---------------------------|--|---|--|---------------------------------|--------------------------------|----------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share Premium HK\$'000 | Other reserve HK\$'000 <i>(Note (i))</i> | Statutory reserve HK\$'000 <i>(Note (ii))</i> | Share options reserve HK\$'000 <i>(Note (iii))</i> | Translation reserve HK\$'000 | Accumulated losses HK\$'000 | Subtotal HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| At 1 April 2022 | 5,000 | 64,646 | 9,107 | 26 | - | (118) | (71,175) | 7,486 | (1,969) | 5,517 |
| Loss for the year | - | - | - | - | - | - | (9,650) | (9,650) | (89) | (9,739) |
| Other comprehensive income for the year | - | - | - | - | - | 144 | - | 144 | - | 144 |
| Total comprehensive income/ (expense) for the year | - | - | - | - | - | 144 | (9,650) | (9,506) | (89) | (9,595) |
| Recognition of equity-settled share-based payment <i>(note 32)</i> | - | - | - | - | 2,019 | - | - | 2,019 | - | 2,019 |
| Issue of shares upon exercise of share options <i>(note 32)</i> | 500 | 5,309 | - | - | (2,019) | - | - | 3,790 | - | 3,790 |
| At 31 March 2023 and 1 April 2023 | 5,500 | 69,955 | 9,107 | 26 | - | 26 | (80,825) | 3,789 | (2,058) | 1,731 |
| Loss for the year | - | - | - | - | - | - | (8,133) | (8,133) | 7 | (8,126) |
| Other comprehensive income for the year | - | - | - | - | - | 56 | - | 56 | - | 56 |
| Total comprehensive income/ (expense) for the year | - | - | - | - | - | 56 | (8,133) | (8,077) | 7 | (8,070) |
| Rights issue (note 27(iii)) | 13,750 | 12,750 | - | - | - | - | - | 26,500 | - | 26,500 |
| At 31 March 2024 | 19,250 | 82,705 | 9,107 | 26 | - | 82 | (88,958) | 22,212 | (2,051) | 20,161 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31 March 2024*

Notes:

(i) Other reserves comprised:

- (a) a credit to other reserve of HK\$2,050,000 arising from acquisition of remaining 40% equity interest in Butao Ramen International Holdings Limited ("**Butao Ramen BVI**"), which 60% equity interest in Butao Ramen BVI was held by Butao Ramen Limited ("**Butao Ramen**"), a wholly-owned subsidiary of the Company, at a cash consideration of HK\$1 on 31 July 2014. Upon the completion of such transaction, Butao Ramen BVI became the wholly-owned subsidiary of Butao Ramen until 31 March 2015 and its entire equity interest was disposed of to Mr. Tang Chun Ho Chandler ("**Mr. C Tang**");
 - (b) a credit to other reserve of HK\$3,194,000 arising from the subscription of 9% equity interest in Butao Global Limited ("**Butao Global**"), a wholly-owned subsidiary of the Company, by an independent third party (the "**Independent Third Party**") not connected to the Group at a cash consideration of HK\$6,000,000 on 3 July 2018 and resulting recognition of non-controlling interest of HK\$2,799,000; and
 - (c) a credit to other reserve of HK\$3,863,000 arising from the acquisition of 9% equity interest in Butao Global from the Independent Third Party at a consideration of 900 shares of the Company on 21 February 2019.
- (ii) In accordance with statutory requirements in the People's Republic of China (the "**PRC**"), other than Hong Kong, subsidiaries registered in the PRC are required to transfer a certain percentage of the annual net income from accumulated profits to the statutory funds, until the statutory funds are accumulated up to 50% of its registered capital. Under normal circumstances, the statutory funds are not allowed to be distributed to the subsidiaries' shareholders as dividends. The statutory funds shall only be used for offsetting accumulated losses, capitalisation into paid-in capital and expansion of its production and operations.
- (iii) Share options reserve represents the cumulative expenses recognised on the granting of share options to the grantees. Recognition of equity-settled share-based payments spread over the vesting period of the share options or if the case there is no vesting period required, equity-settled share-based payments are fully recognised on the grant date of the share options.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

| | NOTES | Year ended 31 March | |
|--|--------|---------------------|------------------|
| | | 2024 HK\$'000 | 2023 HK\$'000 |
| OPERATING ACTIVITIES | | | |
| Loss before taxation | | (8,135) | (9,778) |
| Adjustments for: | | | |
| Gain on disposal of a right-of-use asset | | – | (1,202) |
| Bank interest income | | (91) | (11) |
| Finance costs | | 565 | 735 |
| Depreciation of property and equipment | | 434 | 313 |
| Depreciation of right-of-use assets | | 4,846 | 3,764 |
| Equity-settled share-based payment expenses | | – | 2,019 |
| Gain on reversal of write-off of trade receivables | | (163) | – |
| Loss on write-off of property and equipment | | 3,249 | – |
| Loss on write-off of inventories | | 102 | – |
| Gain on termination of lease contracts | | (1,413) | – |
| (Reversal)/recognition of provision | | (9) | 23 |
| Impairment losses on property and equipment | | – | 251 |
| Impairment losses on right-of-use assets | | – | 2,091 |
| Operating cash flows before movements in working capital | | (615) | (1,795) |
| Decrease in inventories | | 289 | 22 |
| Increase in trade and other receivables, deposits and prepayments | | (801) | (653) |
| (Decrease)/increase in trade and other payables and accruals | | (425) | 1,646 |
| Cash used in operations | | (1,552) | (780) |
| Hong Kong Profits Tax refund | | 9 | – |
| NET CASH USED IN OPERATING ACTIVITIES | | (1,543) | (780) |
| INVESTING ACTIVITIES | | | |
| Purchases of property and equipment | | (12,463) | (4,017) |
| Bank interest received | | 91 | 11 |
| Proceeds from disposal of right-of-use asset | | – | 907 |
| NET CASH USED IN INVESTING ACTIVITIES | | (12,372) | (3,099) |
| FINANCING ACTIVITIES | | | |
| Payment of lease liabilities | 30(a) | (6,915) | (9,018) |
| Interests paid | 30(a) | (565) | (735) |
| Repayment of bank borrowing | 30(a) | (149) | (867) |
| Proceeds from rights issue, net of issue expenses | 27(ii) | 26,500 | – |
| Proceeds from exercise of share options | 32 | – | 3,790 |
| Advance from a shareholder | 30(a) | 1,730 | 5,540 |
| NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES | | 20,601 | (1,290) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 6,686 | (5,169) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD | | 6,594 | 11,619 |
| Effect of foreign exchange rate changes | | (23) | 144 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD, represented by bank balances and cash | | 13,257 | 6,594 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL

Tasty Concepts Holding Limited (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 (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 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 (together with the Company collectively referred to as the “**Group**”) are principally engaged in operation of restaurants in Hong Kong. Details of the principal activities of its subsidiaries are set out in note 35.

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. These consolidated financial statements also comply with the disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance. Material accounting policy information of the Group are disclosed in note 4.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention and going concern basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The summary of material material accounting policy applied in the preparation of these consolidated financial statements are set out below.

(A) CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(A) CONSOLIDATION *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of the other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

(B) PROPERTY AND EQUIPMENT

Property and equipment are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

| | |
|------------------------|----------------------|
| Leasehold improvements | Over the lease terms |
| Fixtures and equipment | 20% |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Renovation in progress represents renovation under construction and plant and equipment pending installation, and is stated at cost less impairment losses, if any. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

An item of property and equipment is written-off when no future benefits and expected to arise from continued use of asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(C) LEASE

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

THE GROUP AS A LESSEE

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(C) LEASE *(Continued)*

THE GROUP AS A LESSEE (Continued)

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss, if any.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in rental and related expenses in the consolidated statement of profit or loss and other comprehensive income.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(D) INTANGIBLE ASSETS

INTANGIBLE ASSETS ACQUIRED SEPARATELY – FRANCHISE RIGHTS AND TRADEMARKS

Franchise rights and trademarks are stated at cost less accumulated amortisation and impairment losses, if any. Patents and trademarks acquired are recognised at fair value at the acquisition date. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 to 20 years.

(E) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

(F) RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(F) RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS *(Continued)*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(G) FINANCIAL ASSETS

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(H) TRADE AND OTHER RECEIVABLES

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for expected credit loss ("ECL").

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(J) FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(K) TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(L) EQUITY INSTRUMENTS

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

(M) REVENUE

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the operation of the restaurants is recognised at a point in time when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from sales of food and related products is recognised at a point in time when control of the goods has been transferred, being when the goods have been shipped to the customer's specific location. Payment of the transaction price is due immediately at the point the customer purchases the goods.

License fee income from a licensee is recognised as a performance obligation satisfied over time. The Group recognises revenue for a usage-based license promised in exchange for a licence of trademark only when (or as) the later of the following events occurs (i) the subsequent usage occurs; and (ii) the performance obligation to which some or all of the usage-based license has been allocated has been satisfied (or partially satisfied).

Royalty fee income from franchisees is recognised as a performance obligation satisfied over time using the output method. The Group recognises revenue for a sales-based royalty promised in exchange for the license of trademark when the later of the following events occurs (i) the subsequent usage occurs; and (ii) the performance obligation to which some or all of the usage-based license has been allocated has been satisfied (or partially satisfied).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 March 2024***4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)****(N) EMPLOYEE BENEFITS****(I) EMPLOYEE LEAVE ENTITLEMENTS**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(II) PENSION OBLIGATIONS

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit or loss represents contributions payable by the Group to the funds.

(O) EQUITY-SETTLED SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited or lapsed during or after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

(P) BORROWING COSTS

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(Q) GOVERNMENT GRANTS

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(R) TAXATION

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(R) TAXATION *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

(S) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of non-financial assets and intangible assets are reviewed at each reporting period for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(T) IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for ECL on trade receivables, other receivables and deposits. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(T) IMPAIRMENT OF FINANCIAL ASSETS *(Continued)*

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

SIGNIFICANT INCREASE IN CREDIT RISK

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of the reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(T) IMPAIRMENT OF FINANCIAL ASSETS *(Continued)*

SIGNIFICANT INCREASE IN CREDIT RISK (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default;
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

DEFINITION OF DEFAULT

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(T) IMPAIRMENT OF FINANCIAL ASSETS *(Continued)*

CREDIT-IMPAIRED FINANCIAL ASSETS

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

MEASUREMENT AND RECOGNITION OF ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(T) IMPAIRMENT OF FINANCIAL ASSETS *(Continued)*

MEASUREMENT AND RECOGNITION OF ECL (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting period that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(U) PROVISION

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the management of the Group have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

SIGNIFICANT INCREASE IN CREDIT RISK

As explained in note 4, ECL under general approach are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Property and equipment, right-of-use assets and prepayments for purchase of property and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has exercised judgement and accounting estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate pre-tax discount rate. When it is not possible to estimate the recoverable amount of an individual asset including right-of-use assets, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test and the recoverable amount based on value in use.

As at 31 March 2024 and 2023, in view of the indication of impairment, the Group performed impairment assessment on (i) property and equipment with carrying amount of HK\$9,677,000 (2023: HK\$3,763,000); (ii) right-of-use assets of HK\$2,142,000 (2023: HK\$10,060,000); and (iii) prepayments for purchase of property and equipment of HK\$2,866,000 (2023: Nil), respectively. Details of the impairment assessment are disclosed in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

IMPAIRMENT OF TRADE AND OTHER RECEIVABLES AND DEPOSITS

The management of the Group estimates the amount of allowance for ECL on trade and other receivables and deposits based on the credit risk of trade and other receivables and deposits. The amount of the allowance based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material allowance may arise.

As at 31 March 2024, the carrying amounts of trade and other receivables and deposits were approximately HK\$642,000, net of allowance of nil (2023: HK\$1,141,000, net of allowance of nil), approximately HK\$1,407,000, net of allowance of nil (2023: HK\$631,000, net of allowance of nil) and approximately HK\$4,970,000, net of allowance of nil (2023: HK\$5,332,000, net of allowance of nil). No impairment loss on trade and other receivables and deposits has been recognised during the years ended 31 March 2024 and 2023. Details of the impairment assessment of trade and other receivables and deposits are set out in note 6.

6. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

INTEREST RATE RISK

As at 31 March 2024 and 2023, the Group's lease liabilities bear interests at fixed interest rate and therefore are subject to fair value interest rate risk.

The Group's exposure to interest-rate risk arises from its bank balances (2023: bank balances and bank borrowing) as at 31 March 2024. The balances bear interests at floating rates varied with the then prevailing market condition.

Except as stated above, the Company does not have other significant interest-bearing assets and liabilities at the end of the reporting period, its income and operation cash flows are substantially independent of changes in market interest rates.

Sensitivity analysis on cash flow interest rate risk has not been presented as the reasonably possible changes in the market interest rate will not have significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

6. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, under the Group's refined credit risk management, the Group applies the simplified approach in HKFRS 9 to measure lifetime ECL on trade receivables on individual basis at the end of the reporting period.

During the years ended 31 March 2024 and 2023, no allowance was provided for trade receivables as the amount is insignificant.

Other receivables and deposits

For other receivables and deposits, the management of the Group makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. As at 31 March 2024, the gross carrying amount of other receivables and deposits is HK\$6,377,000 (2023: HK\$5,963,000). During the years ended 31 March 2024 and 2023, no allowance was provided for other receivables and deposits as the amount is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

6. FINANCIAL INSTRUMENTS (Continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. Specifically, as at 31 March 2023, bank borrowing with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

| | Within 1 year or on demand HK\$'000 | 1-2 years HK\$'000 | 2-5 years HK\$'000 | More than 5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Total carrying amount HK\$'000 |
|---------------------------------------|---|-----------------------|-----------------------|----------------------------------|---|---|
| As at 31 March 2024 | | | | | | |
| Trade and other payables and accruals | 6,448 | - | - | - | 6,448 | 6,448 |
| Amount due to a shareholder | 7,270 | - | - | - | 7,270 | 7,270 |
| Lease liabilities | 2,727 | 168 | - | - | 2,895 | 2,810 |
| | 16,445 | 168 | - | - | 16,613 | 16,528 |
| As at 31 March 2023 | | | | | | |
| Trade and other payables and accruals | 6,903 | - | - | - | 6,903 | 6,903 |
| Bank borrowing | 149 | - | - | - | 149 | 149 |
| Amount due to a shareholder | 5,540 | - | - | - | 5,540 | 5,540 |
| Lease liabilities | 6,984 | 3,849 | 4,307 | 545 | 15,685 | 14,272 |
| | 19,576 | 3,849 | 4,307 | 545 | 28,277 | 26,864 |

During the year ended 31 March 2023, the Group breached certain of the terms of the bank borrowing, which are primarily related to the tangible net worth of the Group. Bank borrowing with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis.

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

| | Weighted Average effective interest rate % | Less than 1 year HK\$'000 | 1-2 years HK\$'000 | 2-5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Total carrying amount HK\$'000 |
|---|---|---------------------------------|--------------------------|--------------------------|---|---|
| Bank borrowing with a repayable on demand clause | | | | | | |
| As at 31 March 2023 | 5.13 | 149 | - | - | 149 | 149 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

6. FINANCIAL INSTRUMENTS (Continued)

CATEGORIES OF FINANCIAL INSTRUMENTS

| | As at 31 March | |
|------------------------|------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Financial assets: | | |
| – at amortised cost | 20,276 | 13,698 |
| Financial liabilities: | | |
| – at amortised cost | 13,718 | 12,592 |

FAIR VALUE

The carrying amount of the Group's financial assets and financial liabilities as reflected in the consolidated financial statements approximate their respective fair value.

7. REVENUE AND SEGMENT INFORMATION

REVENUE

Revenue represents the fair value of amounts received and receivable for services provided and goods sold, net of discount, during the year ended 31 March 2024.

| | Year ended 31 March | |
|--|---------------------|------------------|
| | 2024 HK\$'000 | 2023 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 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 (note (i)) | 1,091 | 729 |
| License fee income from a licensee (note (ii)) | 10 | 20 |
| Consultancy fee income from franchisee (note (iii)) | – | 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

7. REVENUE AND SEGMENT INFORMATION (Continued)

REVENUE (Continued)

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 result 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

| | Year ended 31 March | |
|---|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Other income: | | |
| Bank interest income | 91 | 11 |
| Government grants (<i>note</i>) | – | 1,456 |
| Others | 139 | 288 |
| | 230 | 1,755 |
| Other (losses)/gains, net: | | |
| Gain on disposal of a right-of-use asset (<i>note 17</i>) | – | 1,202 |
| Gain on termination of lease contracts (<i>note 17</i>) | 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) |
| | (1,674) | 1,187 |

Note: Government grants during the year ended 31 March 2023 mainly represented subsidies received from the "Anti-epidemic Fund" and "Employment Support Scheme" from the government of the HKSAR. There were no unfulfilled conditions or contingencies attached to the government grants.

9. IMPAIRMENT LOSSES

| | Year ended 31 March | |
|---|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Impairment losses on: | | |
| – property and equipment (<i>note 16</i>) | – | 251 |
| – right-of-use assets (<i>note 16</i>) | – | 2,091 |
| | – | 2,342 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

10. FINANCE COSTS

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

11. LOSS BEFORE TAXATION

| | Year ended 31 March | |
|---|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Loss before taxation has been arrived at after charging/(crediting): | | |
| Auditors' remuneration | | |
| – Audit services | 550 | 520 |
| – Non-audit services | – | 200 |
| Directors' remuneration (note 12) | 506 | 1,414 |
| Other staff costs: | | |
| – salaries, bonuses and allowances | 14,887 | 17,617 |
| – retirement benefit scheme contributions | 703 | 810 |
| – Equity-settled share-based payment expenses (note 32) | – | 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 (note 26) | (9) | 23 |
| Loss on write-off of inventories included in cost of inventories | 102 | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable by the Group to the directors of the Company and the chief executive of the Company, disclosed pursuant to the applicable Rules governing the Listing of Securities on GEM of the Stock Exchange and Hong Kong Companies Ordinance, were as follows:

| | Fees HK\$'000 | Salaries, bonuses and allowances HK\$'000 | Retirement benefits scheme contributions HK\$'000 | Total HK\$'000 |
|-------------------------------------|------------------|--|---|-------------------|
| Year ended 31 March 2024 | | | | |
| Executive directors | | | | |
| Mr. C Tang (note (i)) | - | - | - | - |
| Ms. Sung Kwan Wun | - | 180 | - | 180 |
| Independent non-executive directors | | | | |
| Mr. Ho Lai Chuen (note (ii)) | 79 | - | - | 79 |
| Ms. Kanlaya Bunphor (note (v)) | 12 | - | - | 12 |
| Ms. Li Mingrong (note (iii)) | 117 | - | - | 117 |
| Mr. Lui Sze Ho (note (iv)) | 115 | - | - | 115 |
| Ms. So Siu Ying (note (viii)) | 3 | - | - | 3 |
| | 326 | 180 | - | 506 |

| | Fees HK\$'000 | Salaries, bonuses and allowances HK\$'000 | Retirement benefits scheme contributions HK\$'000 | Total HK\$'000 |
|-------------------------------------|------------------|--|---|-------------------|
| Year ended 31 March 2023 | | | | |
| Executive directors | | | | |
| Mr. C Tang (note (i)) | - | 859 | 5 | 864 |
| Ms. Sung Kwan Wun | - | 180 | 4 | 184 |
| Independent non-executive directors | | | | |
| Mr. Ho Lai Chuen (note (ii)) | 126 | - | - | 126 |
| Mr. Lai Man Hin (note (vi)) | 52 | - | 2 | 54 |
| Mr. Lee Koon Tak (note (vii)) | 121 | - | 6 | 127 |
| Ms. So Siu Ying (note (viii)) | 59 | - | - | 59 |
| | 358 | 1,039 | 17 | 1,414 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 March 2024***12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)****(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)***Notes:*

- (i) Mr. C Tang resigned as an executive director of the Company on 2 February 2024.*
- (ii) Mr. Ho Lai Chuen resigned as an independent non-executive director of the Company on 15 November 2023.*
- (iii) Ms. Li Mingrong was appointed as an independent non-executive director of the Company on 11 April 2023.*
- (iv) Mr. Lui Sze Ho was appointed as an independent non-executive director of the Company on 13 June 2023.*
- (v) Ms. Kanlaya Bunphor was appointed as an independent non-executive director of the Company on 15 February 2024.*
- (vi) Mr. Lai Man Hin resigned as an independent non-executive director of the Company on 31 August 2022.*
- (vii) Mr. Lee Koon Tak resigned as an independent non-executive director of the Company on 15 March 2023.*
- (viii) Ms. So Siu Ying was appointed as an independent non-executive director of the Company on 31 August 2022 and resigned on 11 April 2023.*

The emoluments of Mr. C Tang as disclosed above included the directors' emoluments as subsidiaries of the Company during the years ended 31 March 2024 and 2023.

As at 31 March 2023, Mr. C Tang acted as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as employee of the Group. Mr. C Tang resigned as the chief executive of the Company on 2 February 2024.

Included in the emoluments to Mr. C Tang during the year ended 31 March 2023 was the housing allowance of approximately HK\$709,000. There was no such housing allowance paid to Mr. Tang during the year ended 31 March 2024.

The emoluments of executive directors stated above were for their services in connection with the management of the affairs of the Company and the Group.

The emoluments of independent non-executive directors shown above were for their fees as directors of the Company.

During the year ended 31 March 2024, Mr. C Tang has waived his emoluments with a total amount of HK\$150,000 (2023: nil). Except for the above, none of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the years ended 31 March 2024 and 2023.

No emolument was paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(B) EMPLOYEES' EMOLUMENTS

None (2023: one) of the five individuals with the highest emolument in the Group is a director of the Company for the year ended 31 March 2024. The emoluments of the five (2023: four) individuals are as follows:

| | Year ended 31 March | |
|--|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Salaries and allowances | 1,838 | 2,076 |
| Discretionary bonus <i>(note)</i> | – | 34 |
| Retirement benefits scheme contributions | 83 | 53 |
| | 1,921 | 2,163 |

Note: The discretionary bonus was determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

| | Number of employees Year ended 31 March | |
|----------------------|--|------|
| | 2024 | 2023 |
| Nil to HK\$1,000,000 | 5 | 4 |

No emolument was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2024 and 2023.

None of the five highest paid individuals has waived any emoluments for the years ended 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

13. INCOME TAX CREDIT

| | Year ended 31 March | |
|-------------------------------|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Hong Kong Profits Tax: | | |
| Charge for the year | – | 15 |
| Over-provision in prior years | (9) | – |
| | (9) | 15 |
| Deferred tax credit (note 25) | – | (54) |
| Income tax credit | (9) | (39) |

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 years ended 31 March 2024 and 2023, 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%.

No provision for Hong Kong Profits Tax has been provided for the Group’s Hong Kong subsidiaries for the year ended 31 March 2024 as these subsidiaries did not generate any assessable profit subject to Hong Kong Profits Tax.

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% for the years ended 31 March 2024 and 2023.

No PRC EIT has been provided for the Group’s PRC subsidiaries for the years ended 31 March 2023 and 2024 as the PRC subsidiaries of the Group did not generate any assessable profit subject to the PRC EIT.

The Group is not subject to taxation in other jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 March 2024***13. INCOME TAX CREDIT (Continued)**

The income tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | Year ended 31 March | |
|---|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Loss before taxation | (8,135) | (9,778) |
| Tax at the Hong Kong Profits Tax rate of 16.5% (2023: 16.5%) | (1,342) | (1,613) |
| Tax effect of income not taxable for tax purpose | (80) | (767) |
| Tax effect of expenses not deductible for tax purpose | 532 | 1,806 |
| Tax effect of tax losses not recognised | 3,072 | 1,775 |
| Tax effect of utilisation of deductible temporary differences previously not recognised | (2,182) | (1,212) |
| Income tax at concessionary rate | – | (6) |
| Tax effect on two-tiered tax rate | – | (22) |
| Over-provision in prior years | (9) | – |
| Income tax credit | (9) | (39) |

Details of the deferred taxation are set out in note 25.

14. 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

15. 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 | (8,133) | (9,650) |
| | | |
| | 2024 | 2023 (Restated) |
| | | |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basis and diluted loss per share (note) | 107,983,620 | 53,846,564 |

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 rights issue (note 27(ii)) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16. PROPERTY AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Fixtures and equipment HK\$'000 | Renovation in progress HK\$'000 (Note) | Total HK\$'000 |
|---|---------------------------------------|--|---|-------------------|
| COST | | | | |
| At 1 April 2022 | 27,689 | 10,915 | – | 38,604 |
| Additions | 3,951 | 66 | – | 4,017 |
| At 31 March 2023 and 1 April 2023 | 31,640 | 10,981 | – | 42,621 |
| Additions | – | 97 | 9,500 | 9,597 |
| Write-off | (23,020) | (971) | – | (23,991) |
| At 31 March 2024 | 8,620 | 10,107 | 9,500 | 28,227 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | |
| At 1 April 2022 | 27,689 | 10,605 | – | 38,294 |
| Depreciation for the year | 226 | 87 | – | 313 |
| Impairment losses recognised | 122 | 129 | – | 251 |
| At 31 March 2023 and 1 April 2023 | 28,037 | 10,821 | – | 38,858 |
| Depreciation for the year | 371 | 63 | – | 434 |
| Impairment loss recognised | – | – | – | – |
| Write-off | (19,788) | (954) | – | (20,742) |
| At 31 March 2024 | 8,620 | 9,930 | – | 18,550 |
| CARRYING AMOUNT | | | | |
| At 31 March 2024 | – | 177 | 9,500 | 9,677 |
| At 31 March 2023 | 3,603 | 160 | – | 3,763 |

Note: Included in the property and equipment as at 31 March 2024 is renovation in progress of approximately HK\$9,500,000 (2023: nil) related to opening of a new restaurant in Hong Kong, which the operation will be commenced during the year ending 31 March 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16. PROPERTY AND EQUIPMENT *(Continued)*

IMPAIRMENT ASSESSMENT ON PROPERTY AND EQUIPMENT, RIGHT-OF-USE ASSETS AND PREPAYMENTS FOR PURCHASE OF PROPERTY AND EQUIPMENT

FOR THE YEAR ENDED 31 MARCH 2023

During the year ended 31 March 2023, in view of the continued loss making and under-performance of certain restaurants, the management of the Group concluded that there was an indication of 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 amounts of these restaurants, each represents an individual CGU, to which the asset belonged when it is not possible to estimate the recoverable amount individually.

The recoverable amount of the CGUs are determined based on a value in use calculation covering the useful life of the respective assets included in the CGUs. The revenue growth rates during the forecast period ranged from 2.1% – 6.5% which is based on the management's estimation regarding service capacity and existing table turnover rate of respective restaurants. The pre-tax discount rate used was 13.5% 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.

As the recoverable amount of certain CGUs are lower than the respective carrying amounts of property and equipment and right-of-use assets, impairment losses on property and equipment and right-of-use assets of HK\$251,000 and HK\$2,091,000 were recognised during the year ended 31 March 2023 respectively. The aggregate recoverable amount of the CGUs was HK\$28,593,000 as at 31 March 2023.

FOR THE YEAR ENDED 31 MARCH 2024

During the year ended 31 March 2024, in view of the continued loss making and under-performance of certain restaurants, with the continuing decline of the market demand, the management of the Group concluded that there was an indication of impairment and conducted impairment assessment on recoverable amounts of property and equipment, right-of-use assets and prepayments for purchase of property and equipment of relevant restaurants and a new restaurant. The Group estimated the recoverable amounts of these restaurants, each represents an individual CGU, to which the asset belonged when it is not possible to estimate the recoverable amount individually. As the recoverable amount of each individual CGU are higher than the respective carrying amounts of property and equipment, right-of-use assets and prepayments for purchase of property and equipment, no impairment losses were recognised during the year ended 31 March 2024.

The recoverable amount of the CGUs are determined based on a value in use calculation covering the useful life of the respective assets included in the CGUs. The revenue growth rates during the forecast period ranged from 2% – 5% which is based on the management's estimation regarding service capacity and existing table turnover rate of respective restaurants. The pre-tax discount rate used is 16.9% 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.

Management believes that any reasonably possible changes in any of above-mentioned assumptions would not cause the aggregate carrying amount of each CGU to exceed the aggregate recoverable amount of each CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

17. RIGHT-OF-USE ASSETS

| | Leased properties HK\$'000 | Leased motor vehicles HK\$'000 | Total HK\$'000 |
|---|-------------------------------|-----------------------------------|-------------------|
| At 1 April 2022 | 403 | 1,375 | 1,778 |
| Addition | 15,071 | – | 15,071 |
| Depreciation | (3,323) | (441) | (3,764) |
| Disposal | – | (934) | (934) |
| Impairment losses recognised (note 16) | (2,091) | – | (2,091) |
| At 31 March 2023 and 1 April 2023 | 10,060 | – | 10,060 |
| Addition | 3,206 | – | 3,206 |
| Depreciation | (4,846) | – | (4,846) |
| Termination | (6,278) | – | (6,278) |
| Impairment loss recognised (note 16) | – | – | – |
| At 31 March 2024 | 2,142 | – | 2,142 |

Lease liabilities of approximately HK\$2,810,000 (2023: HK\$14,272,000) were arising from the right-of-use assets of approximately HK\$2,142,000 (2023: HK\$10,060,000) as at 31 March 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as a security for borrowing purposes.

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------------------|------------------|
| Depreciation expenses on right-of-use assets | 4,846 | 3,764 |
| Interest expense on lease liabilities | 564 | 706 |
| Expenses relating to short-term leases | 607 | 293 |
| Expenses relating to variable lease payments not included in the measurement of lease liability | – | 53 |
| Gain on termination of lease contracts | 1,413 | – |
| Gain on disposal of a right-of-use asset | – | 1,202 |

Details of total cash outflows for leases are set out in note 30(B).

For the years ended 31 March 2024 and 2023, the Group leases various restaurants and a warehouse for its operations. Lease contracts are entered into for fixed term of 2 to 6 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 March 2024, the right-of use assets of approximately HK\$6,278,000 (2023: nil) with lease liabilities of approximately HK\$7,691,000 (2023: nil) were terminated. The gain on termination of lease contracts of approximately HK\$1,413,000 (2023: nil) was recognised.

During the year ended 31 March 2023, the right-of-use asset of approximately HK\$934,000 (2024: nil) with lease liabilities of approximately HK\$1,229,000 (2024: nil) was disposed of for a consideration of approximately HK\$907,000 (2024: nil). The gain on disposal of a right-of-use asset of approximately HK\$1,202,000 (2024: nil) was recognised.

Details of the impairment assessment of the Group's right-of-use assets are disclosed in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

18. INTANGIBLE ASSETS

| | Franchise rights HK\$'000 | Trademark HK\$'000 | Total HK\$'000 |
|---|------------------------------|-----------------------|-------------------|
| COST | | | |
| At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024 | 4,200 | 119 | 4,319 |
| AMORTISATION AND IMPAIRMENT | | | |
| At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024 | 4,200 | 119 | 4,319 |
| CARRYING VALUES | | | |
| At 31 March 2024 and 2023 | - | - | - |

FRANCHISE RIGHTS

During the year ended 31 March 2020, a wholly-owned subsidiary of the Company (the "Franchisee") entered into a franchise agreement (the "Franchise Agreement") with an independent third party (the "Franchisor"), under which the Franchisor shall grant and provide the Franchisee with the exclusive rights to use its trademark, patents and all other intellectual property rights as well as necessary assistance for operation of the franchise restaurants in Hong Kong at the consideration of approximately HK\$4,200,000, with a term of 20 years. Such consideration has been recognised as intangible assets during the year ended 31 March 2020 and amortised on a straight-line basis over the term as agreed in the Franchise Agreement, i.e. 20 years. Such intangible assets have been fully impaired during the year ended 31 March 2020 as a result of the under-performance and loss making status.

TRADEMARK

The trademark has finite useful lives and is amortised on a straight-line basis over the duration of trademarks registered by the Group (i.e. 10 years). Such trademark has been fully amortised during the year ended 31 March 2021.

19. INVENTORIES

| | As at 31 March | |
|-----------------------------|------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Food and beverages, at cost | 199 | 590 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

20. 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 (note) | 2,866 | – |
| Other prepayments | 1,950 | 969 |
| Total trade and other receivables, deposits and prepayments | 11,835 | 8,073 |
| Analysed for reporting purposes as: | | |
| Non-current assets | 4,432 | 2,326 |
| Current assets | 7,403 | 5,747 |
| | 11,835 | 8,073 |

Note: Details of impairment assessment are disclosed in note 16.

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 (2023: 2 – 21 days) after trade date. Trade receivables also include royalty fee from a franchisee, license fee from a licensee and sales of goods and related products with credit periods up to 30 – 90 days (2023: 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 HK\$'000 | 2023 HK\$'000 |
| 0 – 30 days | 237 | 203 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

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 HK\$'000 | 2023 HK\$'000 |
| 0 – 30 days | 312 | 872 |
| 61 – 90 days | – | 1 |
| Over 90 days | 46 | 42 |
| | 358 | 915 |

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 HK\$'000 | 2023 HK\$'000 |
| 0 – 30 days | – | 4 |
| Over 90 days | 18 | 19 |
| | 18 | 23 |

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 HK\$'000 | 2023 HK\$'000 |
| Over 90 days | 29 | – |

Details of impairment assessment of trade and other receivables and deposits as at 31 March 2024 are set out in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

21. BANK BALANCES AND CASH

The bank balances and cash are denominated in the following currencies:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--------------|------------------|------------------|
| HK\$ | 12,876 | 6,133 |
| Renminbi | 381 | 442 |
| Japanese Yen | – | 19 |
| | 13,257 | 6,594 |

Bank balances carry interest at prevailing market interest rates as at 31 March 2024 and 2023.

22. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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 HK\$'000 | 2023 HK\$'000 |
| 0 – 30 days | 1,456 | 1,052 |
| 31 – 60 days | – | 73 |
| 61 – 90 days | 295 | – |
| Over 90 days | 228 | 11 |
| | 1,979 | 1,136 |

As at 31 March 2024, other payables and accruals mainly comprised of: (1) unpaid rental fee and other charges arising from the litigation with carrying amount of approximately HK\$1,867,000 (2023: HK\$1,867,000); and (2) accrued auditors' remuneration and professional fee which amounted to HK\$972,000 (2023: HK\$1,025,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 March 2024***23. BANK BORROWING**

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

* The amounts due are based on scheduled repayment dates set out in the loan agreement.

The unsecured and guaranteed bank borrowing as at 31 March 2023 was guaranteed by the Company and certain subsidiaries of the Company.

As at 31 March 2023, the bank borrowing of the Group carried variable interest rate at Hong Kong Dollar Best Lending Rate minus 0.5% per annum.

As at 31 March 2023, in respect of a bank borrowing with a carrying amount of approximately HK\$149,000, the Group breached certain terms of the bank borrowing, which are primarily related to the tangible net worth of the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the borrowing with the relevant banker. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the bank borrowing has been classified as current liabilities as at 31 March 2023. In any event, should the lender call for immediate repayment of the bank borrowing, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group. The bank borrowing was fully settled on 8 May 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

24. LEASE LIABILITIES

| | Minimum lease payments | | Present value of minimum lease payment | |
|---|------------------------|------------------|--|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 | 2024 HK\$'000 | 2023 HK\$'000 |
| Within one year | 2,727 | 6,984 | 2,643 | 6,381 |
| More than one year, but not more than two years | 168 | 3,849 | 167 | 3,514 |
| More than two years, but not more than five years | - | 4,307 | - | 3,840 |
| More than five years | - | 545 | - | 537 |
| | 2,895 | 15,685 | 2,810 | 14,272 |
| Less: Future finance charges | (85) | (1,413) | N/A | N/A |
| Present value of lease obligations | 2,810 | 14,272 | 2,810 | 14,272 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (2,643) | (6,381) |
| Amount due for settlement after 12 months | | | 167 | 7,891 |

The weighted average incremental borrowing rate applied to lease liabilities is 5.88% (2023: 5.13%).

25. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and movement thereon during the years ended 31 March 2024 and 2023:

Deferred tax liabilities:

| | Leasing HK\$'000 (note) |
|--|-------------------------------|
| At 1 April 2022 | 54 |
| Credit to profit or loss (note 13) | (54) |
| At 31 March 2023, 1 April 2023 and 31 March 2024 | - |

Note: For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group accounts for leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$72,424,000 (2023: HK\$57,713,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses of approximately HK\$72,424,000 (2023: HK\$57,713,000) due to unpredictability of future profit streams. Included in estimated unused tax losses of approximately HK\$65,000 (2023: HK\$3,973,000) that can be carried forward for five years from the year in which the losses arose and approximately HK\$72,359,000 (2023: HK\$53,740,000) may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

26. PROVISIONS

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

| | 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 |

The provision for estimated surcharge and penalty arise from the litigations relation to interest and other charges accrued from the unpaid rental and other related charges during the years ended 31 March 2024 and 2023 and details are set out in note 36.

The provision for reinstatement cost for reinstating the leased properties to be carried out at the end of the lease periods had been estimated by the directors of the Company based on current rental contracts. These amounts have not been discounted for the purposes of measuring the provisions because the effect is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. 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 (note (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 (note 32) | 50,000,000 | 500 |
| Share consolidation (note (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 (note (ii)) | 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 share 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

28. RETIREMENT BENEFITS SCHEMES

The Group operates MPF Scheme for all qualified employees in Hong Kong. Contributions from employers and employees are 5% (2023: 5%) each of the employee's relevant income. The maximum mandatory contribution per employee is HK\$1,500 (2023: HK\$1,500) per month. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year ended 31 March 2024, the retirement benefit schemes contribution arising from the MPF Scheme charged to profit or loss is HK\$703,000 (2023: HK\$810,000).

The eligible employees of the Company's subsidiaries in the PRC are members of pension schemes operated by local government of the PRC (the "PRC Scheme"). The subsidiaries of the Company established in the PRC are required to contribute a certain percentage of the relevant cost of payroll of these employees to the pension schemes to fund the benefits.

During the years ended 31 March 2024 and 2023, there was no retirement benefit scheme contribution attributable to the PRC Scheme.

At 31 March 2024 and 2023, there was no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of debt balances and equity balance. Debt balances include bank borrowing (note 23). Equity balance consists of equity attributable to the owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through payment of dividends, issue of new shares as well as the issue of new debts or the redemption of existing debts.

The externally imposed capital requirement for the Group is to maintain its listing on GEM of the Stock Exchange with a public float of at least 25% of the shares. The Company has maintained a sufficient public float to comply with the Listing Rule.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank borrowing HK\$'000 | Lease liabilities HK\$'000 | Amount due to a shareholder HK\$'000 | Total HK\$'000 |
|---|-------------------------------|----------------------------------|---|-------------------|
| At 1 April 2022 | 1,016 | 9,654 | – | 10,670 |
| Changes from financing cash flows: | | | | |
| – Interest paid | (29) | (706) | – | (735) |
| – (Repayment)/advance | (867) | (9,018) | 5,540 | (4,345) |
| Net cash (outflows)/inflows in financing cash flows | (896) | (9,724) | 5,540 | (5,080) |
| Non-cash changes: | | | | |
| – Interest expense | 29 | 706 | – | 735 |
| – New leases entered | – | 14,865 | – | 14,865 |
| – Disposal | – | (1,229) | – | (1,229) |
| | 29 | 14,342 | – | 14,371 |
| At 31 March 2023 and 1 April 2024 | 149 | 14,272 | 5,540 | 19,961 |
| Changes from financing cash flows: | | | | |
| – Interest paid | (1) | (564) | – | (565) |
| – (Repayment)/advance | (149) | (6,915) | 1,730 | (5,334) |
| Net cash outflows in financing cash flows | (150) | (7,479) | 1,730 | (5,899) |
| Non-cash changes: | | | | |
| – Interest expense | 1 | 564 | – | 565 |
| – New leases entered | – | 3,144 | – | 3,144 |
| – Termination of lease | – | (7,691) | – | (7,691) |
| | 1 | (3,983) | – | (3,982) |
| At 31 March 2024 | – | 2,810 | 7,270 | 10,080 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(B) TOTAL CASH OUTFLOWS FOR LEASES

Amounts included in the consolidated statement of cash flows for leases comprises the following:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Cash outflows included in operating cash flows | (607) | (346) |
| Cash inflows included in investing cash flows | - | 907 |
| Cash outflows included in financing cash flows | (7,479) | (9,724) |
| | (8,086) | (9,163) |

(C) NON-CASH TRANSACTION

During the year ended 31 March 2024, additions of right-of-use assets of approximately HK\$3,206,000 (2023: HK\$15,071,000) were financed by lease liabilities.

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following balances and transactions with its related parties during both years.

(A) Details of amount due to a shareholder is as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Amount due to a shareholder: Mr. C Tang | 7,270 | 5,540 |

Note: The balance is unsecured, interest free and repayable on demand.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors of the Company and other members of key management during the year ended 31 March 2024 were as follows:

| | Year ended 31 March | |
|--------------------------|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Short-term benefits | 506 | 3,035 |
| Post-employment benefits | - | 51 |
| | 506 | 3,086 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

32. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 21 February 2019 (the "**Share Option Scheme**") for the primary purpose of providing incentives to eligible participants for their contributions to the Group. Under the Share Option Scheme, the directors of the Company may grant options to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. A nominal consideration of HK\$1 is payable by the grantee on acceptance of the grant of an option. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of all the 55,000,000 shares in issue, which adjusted for share consolidation effected on 10 August 2022. The Company may seek approval of the shareholders in a general meeting to refresh the 10% limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the 1% limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in a general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be further granted must be fixed before the approval of the shareholders and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the GEM Listing Rules.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of offer for the grant of the option is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 21 February 2019).

During the year ended 31 March 2024, the Group did not grant any share option under the Share Option Scheme of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

32. SHARE OPTION SCHEME (Continued)

During the year ended 31 March 2023, the Company has granted a total of 50,000,000 share options with fair values of HK\$2,019,000 to the eligible employees of the Group on 26 April 2022. The following table discloses movements in the Company's share options during the years ended 31 March 2024 and 2023:

| Name or category of participants | Date of grant | Number of share options | | | | | At | | Exercise price HK\$ |
|----------------------------------|---------------|-------------------------|------------|--------------|-----------|--------|---|-------------------------------|---------------------|
| | | At 1 April 2022 | Granted | Exercised | Cancelled | Lapsed | 31 March 2023, 1 April 2023 and 31 March 2024 | Exercise period | |
| Employees (in aggregate) | 26 April 2022 | - | 50,000,000 | (50,000,000) | - | - | - | 26 April 2022 – 25 April 2024 | 0.0758 |

The closing price of the Company's shares immediately before the date on which the share options were granted was HK\$0.076. The share options are vested immediately on the date of grant.

The fair values of the share options granted under the Share Options Scheme were determined using the Binomial Option Pricing Model. The fair values of the share options and the significant inputs into the model and assumption were as follows:

| | |
|-----------------------------------|-------------|
| Number of share options | 50,000,000 |
| Share price on grant date | HK\$0.075 |
| Exercise price | HK\$0.0758 |
| Expected dividend yield | 0% |
| Expected volatility | 124.49% |
| Weighted average contractual life | 2 years |
| Risk-free interest rate | 2.109% |
| Fair value per share option | HK\$0.04038 |

On 22 July 2022, 50,000,000 share options were exercised at the exercise price of HK\$0.0758. The weighted closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.066. The Group recognised a share-based payment expense of approximately HK\$2,019,000 for the year ended 31 March 2023 in relation to share options granted by the Company. Upon exercise of share options during the year ended 31 March 2023, a credit of share capital with amount of approximately HK\$500,000 and share premium of approximately HK\$5,309,000, while a debit of share options reserve of approximately HK\$2,019,000 has been recognised, with difference representing the proceeds of approximately HK\$3,790,000 received from exercise of the share options. There was no share options outstanding as at 31 March 2024 nor exercise of share options during the year ended 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

33. NON-CONTROLLING INTERESTS

The table below shows details of a non-wholly owned subsidiary of the Company that have material non-controlling interests:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by | | | | Total comprehensive income/(expense) attributable to non-controlling interests | | | |
|---|--|---|----------------|--|----------------|--|----------------|---------------------------------------|----------------|
| | | non-controlling interests | | Profit/(loss) for the year attributable to non-controlling interests | | non-controlling interests | | Accumulated non-controlling interests | |
| | | 2024 HK'000 | 2023 HK'000 | 2024 HK'000 | 2023 HK'000 | 2024 HK'000 | 2023 HK'000 | 2024 HK'000 | 2023 HK'000 |
| Prosperous Food and Beverage Company Limited ('Prosperous Food') | Hong Kong | 35% | 35% | 7 | (89) | 7 | (89) | (2,051) | (2,058) |

The summarised financial information below represents amounts before intragroup eliminations.

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Current assets | 533 | 815 |
| Non-current assets | 267 | 253 |
| Current liabilities | (6,660) | (6,314) |
| Non-current liabilities | – | (634) |
| Equity attributable to owners of the Company | (3,809) | (3,822) |
| Non-controlling interests | (2,051) | (2,058) |
| Income | 4,890 | 3,720 |
| Expenses | (4,870) | (3,975) |
| Profit/(loss) and total comprehensive income/(expense) for the year | 20 | (255) |
| Profit/(loss) and total comprehensive income/(expense) attributable to the owners of the Company | 13 | (166) |
| Profit/(loss) and total comprehensive income/(expense) attributable to the non-controlling interests | 7 | (89) |
| Profit/(loss) and total comprehensive income/(expense) for the year | 20 | (255) |
| Net cash inflows/(outflows) from operating activities | 436 | (102) |
| Net cash inflows from investing activities | 3 | 1 |
| Net cash (outflows)/inflows from financing activities | (697) | 335 |
| Net cash (outflows)/inflows | (258) | 234 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | As at 31 March | |
|-----------------------------------|------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Non-current asset | | |
| Investment in a subsidiary | —* | —* |
| Current assets | | |
| Amounts due from subsidiaries | 3,823 | 24,785 |
| Other receivables and prepayments | 115 | 103 |
| Bank balances | 5,897 | 192 |
| | 9,835 | 25,080 |
| Current liabilities | | |
| Other payables and accruals | 208 | 216 |
| Amounts due to subsidiaries | 8,433 | 11,364 |
| | 8,641 | 11,580 |
| Net assets | 1,194 | 13,500 |
| Capital and reserves | | |
| Share capital (note 27) | 19,250 | 5,500 |
| Reserves | (18,056) | 8,000 |
| Total equity | 1,194 | 13,500 |

* less than HK\$1,000

MOVEMENT IN THE RESERVES OF THE COMPANY

| | Share premium HK\$'000 | Share options reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|---------------------------|--------------------------------------|-----------------------------------|-------------------|
| At 1 April 2022 | 64,646 | — | (57,465) | 7,181 |
| Loss and total comprehensive expense for the year | — | — | (4,490) | (4,490) |
| Recognition of equity-settled share-based payment (note 32) | — | 2,019 | — | 2,019 |
| Issue of shares upon exercise of share options (note 32) | 5,309 | (2,019) | — | 3,290 |
| At 31 March 2023 and 1 April 2023 | 69,955 | — | (61,955) | 8,000 |
| Loss and total comprehensive expense for the year | — | — | (38,806) | (38,806) |
| Rights Issue (note 27(ii)) | 12,750 | — | — | 12,750 |
| At 31 March 2024 | 82,705 | — | (100,761) | (18,056) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Place of incorporation | Place of operation | Issued and full paid share capital | Attributable equity interest of the Group as at 31 March | | Principal activities |
|-------------------------------|------------------------|--------------------|------------------------------------|--|-----------|--|
| | | | | 2024 % | 2023 % | |
| Directly held | | | | | | |
| Butao Global | The BVI | Hong Kong | United States dollars 10,000 | 100 | 100 | Investment holding |
| Indirectly held | | | | | | |
| Butao Ramen | Hong Kong | Hong Kong | HK\$8,720 | 100 | 100 | Investment holding and provision of management services to group companies |
| Kind Most Limited | Hong Kong | Hong Kong | HK\$4 | 100 | 100 | Trademarks holding and license of trademark to a franchisee and a licensee |
| Butao Asia Limited | Hong Kong | Hong Kong | HK\$100 | 100 | 100 | Provision of management services to group companies |
| Butao (Hong Kong) Limited | Hong Kong | Hong Kong | HK\$1,000,000 | 100 | 100 | Investment holding and Japanese ramen restaurant operations |
| Billion Kingsway Limited | Hong Kong | Hong Kong | HK\$1 | 100 | 100 | Provision of food processing services to group companies and a franchisee |
| Butao International Limited | Hong Kong | Hong Kong | HK\$100 | 100 | 100 | Japanese ramen restaurant operations |
| New Topworld Holdings Limited | Hong Kong | Hong Kong | HK\$1 | 100 | 100 | Japanese ramen restaurant operations |
| Fortune City Limited | Hong Kong | Hong Kong | HK\$300,000 | 100 | 100 | Sichuan style and Japanese style restaurants operations |
| Butao (TKO) Limited | Hong Kong | Hong Kong | HK\$10,000 | 100 | 100 | Japanese ramen restaurant operations |
| Prosperous Food | Hong Kong | Hong Kong | HK\$10,000 | 65 | 65 | Hong Kong style restaurant operations |

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

36. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

36. LITIGATION *(Continued)*

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 22; and (ii) provision for surcharge and penalty of approximately HK\$191,000 (2023: HK\$147,000) included in provisions as set out in note 26.

37. CAPITAL COMMITMENT

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

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------------------|------------------|
| Renovation in progress included in property and equipment | 4,348 | – |

38. COMPARATIVE FIGURES

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

FINANCIAL SUMMARY

RESULTS

| | Year ended 31 March | | | | |
|---|---------------------|------------------|------------------|------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 |
| Revenue | 38,288 | 42,273 | 41,876 | 51,872 | 81,075 |
| Cost of inventories | (9,916) | (10,213) | (10,185) | (12,101) | (18,229) |
| Other income | 230 | 1,755 | 1,678 | 11,019 | 881 |
| Other (losses)/gains, net | (1,674) | 1,187 | 6,674 | 797 | 311 |
| Staff costs | (16,096) | (21,860) | (20,245) | (22,474) | (34,019) |
| Rental and related expenses | (1,925) | (1,814) | (2,454) | (3,836) | (5,778) |
| Depreciation | (5,280) | (4,077) | (6,388) | (11,121) | (24,530) |
| Other operating expenses | (11,197) | (13,952) | (14,213) | (16,447) | (22,009) |
| Impairment losses | - | (2,342) | (10,806) | (9,686) | (32,488) |
| Loss on disposal of a subsidiary | - | - | - | - | (449) |
| Finance costs | (565) | (735) | (692) | (755) | (1,381) |
| Loss before taxation | (8,135) | (9,778) | (14,755) | (12,732) | (56,616) |
| Income tax credit/(expense) | 9 | 39 | (1,047) | (652) | 180 |
| Loss for the year | (8,126) | (9,739) | (15,802) | (13,384) | (56,436) |
| (Loss)/profit for the year attributable to: | | | | | |
| Owners of the Company | (8,133) | (9,650) | (13,833) | (13,384) | (56,436) |
| Non-controlling interests | 7 | (89) | (1,969) | - | - |
| | (8,126) | (9,739) | (15,802) | (13,384) | (56,436) |

ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 |
| Total assets | 37,110 | 29,080 | 21,945 | 52,465 | 72,217 |
| Total liabilities | 16,949 | 27,349 | 16,428 | 31,120 | 37,391 |
| Total equity | 20,161 | 1,731 | 5,517 | 21,345 | 34,826 |