

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

2020

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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 of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this 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 in this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR:

Mr. Tang Chun Ho Chandler (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTOR:

Mr. Tang Hing Chee (*Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ho Chun Yin Steven (*resigned on 31 January 2020*)

Mr. Ho Lai Chuen

Mr. Lee Koon Tak

Mr. Lai Man Hin (*appointed on 31 January 2020*)

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Lee Koon Tak (*Chairman*)

Mr. Ho Chun Yin Steven (*resigned on 31 January 2020*)

Mr. Ho Lai Chuen

Mr. Lai Man Hin (*appointed on 31 January 2020*)

REMUNERATION COMMITTEE

Mr. Ho Lai Chuen (*Chairman*)

Mr. Tang Chun Ho Chandler

Mr. Lee Koon Tak

NOMINATION COMMITTEE

Mr. Tang Hing Chee (*Chairman*)

Mr. Ho Lai Chuen

Mr. Lee Koon Tak

COMPANY SECRETARY

Ms. Yim Sau Ping (*FCPA*)

AUTHORISED REPRESENTATIVES

Mr. Tang Chun Ho Chandler

Ms. Yim Sau Ping (*FCPA*)

COMPLIANCE OFFICER

Mr. Tang Chun Ho Chandler

COMPLIANCE ADVISER

Frontpage Capital Limited

26/F, Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

AUDITORS

D & PARTNERS CPA LIMITED
Room 2201, 22/F, West Exchange Tower
322 Des Voeux Road Central
Sheung Wan
Hong Kong
(*Appointed on 10 February 2020*)

Deloitte Touche Tohmatsu
35/F
One Pacific Place
88 Queensway
Hong Kong
(*Certified Public Accountants*)
(*Resigned on 10 February 2020*)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
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Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Boardroom Share Registrars (HK) Limited
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Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

COMPANY'S WEBSITE

www.butauramen.com

STOCK CODE

8096

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I would like to present the annual results for Tasty Concepts Holding Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020.

For the year ended 31 March 2020, the Group's total revenue was approximately HK\$81.1 million (2019: approximately HK\$108.7 million), representing a year-to-year decline of approximately 25.4%. The drop is mainly attributed to the social incidents since June 2019 as well as the outbreak of the coronavirus disease 2019 ("**COVID-19**") since the late of year 2019. Loss for the year attributable to owners of the Company was approximately HK\$56.4 million (2019: loss for the year attributable to owners of the Company approximately HK\$12.3 million). The significant increase in loss was mainly due to the drop in gross profit, impairment losses on property and equipment, right-of-use assets and intangible assets, additional professional expenses paid after the listing of the Company, start-up operating cost incurred for new outlets as well as the increase in business development costs.

In the past year, the general economy and business environment of catering industry in Hong Kong and the People's Republic of China (the "**PRC**") was unprecedentedly challenging. Numerous challenges including the uncertainties over the China-US trade relationship throughout the year, social incidents in Hong Kong began in June 2019 and the outbreak of the COVID-19 all over the world recently, resulting in a significant decline in customers visited as well as weakening consumer's spending sentiment. To cope with this, the management keeps monitoring the market conditions and to adjust the operation strategies in a timely basis. The Group would also actively negotiate with the business partners to sort out feasible measures during such unabated difficult period. The Group had promptly implemented various measures, like actively communicate with landlords for rental concessions and arrangement of leaves for employees, develop pick-up and delivery services as well as closed down restaurants located in the PRC for a temporary period to ensure the safety of our employees.

With the foreseeable worsening business environment, the Group will continuously adopt various cost control and cut-loss measures in order to maintain competitiveness and to return to profitability.

During the past year, the Group had closed down certain loss making restaurants in Hong Kong and the PRC and had switched its operation model in one of the Group's restaurants located in the PRC from generating income by operation of its own to receiving royalty income as well as consultancy fee income from a franchisee by only monitoring and providing technical assistance. Taking into account the increasingly challenging operating environment in Hong Kong and the PRC, the Group is of the view that this serves as a good opportunity for the Group to cut loss and better allocate its resources in pursuing other business opportunities.

In order to broaden the sources of income, the Group have been expanding its restaurant network by establishing outlets located strategically. New restaurant located in Nam Cheong is expected to be opened in July 2020, while our outlet located in Tseung Kwan O has commenced business in September 2019. Also, the Group had also introduced a new brand in Japanese ramen industry with its franchised restaurant opened in Shatin in October 2019.

CHAIRMAN'S STATEMENT

Besides, the Group also cooperated with certain independent online delivery platforms in Hong Kong and the PRC in order to capture the growth in demands of takeaways in the catering sector during the year. Our loyal customers can enjoy our signature ramen anywhere from now on.

Despite the foreseeable gloomy economic environment and challenges ahead, the Group maintained its focus on serving high quality "Hakata-Style" Japanese ramen and providing excellent customer services. As the Group understands that throughout the good times or bad times, quality of food and service matter to our customers. Our management team will be continuously emphasis on the quality control of ingredients sourcing, food processing and seasoning and services provided and to bring our customers unforgettable dining experiences.

Lastly, on behalf of the Board, I wish to extend my sincere appreciation to the management team and our employees for their hard work and dedication, and to express my gratitude to all shareholders, customers and business partners for their utmost and unremitting support. We will continue to strive for the greatest interest for the Group and offering better dining experiences to our valuable customers.

Tang Hing Chee

Chairman

Hong Kong, 22 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2020 and up to the date of this report, the Group has been principally engaged in operating ramen restaurants in Hong Kong and the PRC, generating revenue from provision of catering services.

Besides, the Group also generates revenue from (i) franchising the own brand to franchisees to operate ramen restaurants in Macau Special Administrative Region of the People's Republic of China ("**Macau**") and the PRC and receive royalty fee and consultancy fee income and income from sales of food and accessories products to the franchisees; (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 2020 and up to the date of this report, the Group operated 9 ramen restaurants in Hong Kong and the PRC.

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.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in the prospectus dated 27 February 2019 (the "**Prospectus**").

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors are aware, there was no material breach of non-compliance with the applicable laws and regulation by the Group during the year ended 31 March 2020.

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.

The details of ESG performance of the Group are set out in the ESG report, which can be viewed or downloaded from the website of the Stock Exchange and the Company's official website no later than three months after the publication of the Company's annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

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 25.4% from approximately HK\$108.7 million for the year ended 31 March 2019 to approximately HK\$81.1 million for the year ended 31 March 2020. The drop is mainly attributed to the social incident since June 2019 as well as the outbreak of the COVID-19 disease since the late of year 2019, which has been severely weakening consumer's spending sentiment, resulting in a significant decline in customer visited. Moreover, intense competition as well as food safety concerns from the customers in regards to consuming pork related products resulting from the outbreaks of African swine fever during the early half of year 2019 also formed challenges to the Group's business.

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

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	67,009	85,093
The PRC	9,006	17,724
Macau (Note)	5,060	5,856
	81,075	108,673

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

COST OF INVENTORIES

Cost of inventories decreased by approximately HK\$4.4 million, or approximately 19.3%, from approximately HK\$22.6 million for the year ended 31 March 2019 to approximately HK\$18.2 million for the year ended 31 March 2020. The cost of inventories sold decreased in line with the drop of the Group's revenue and amounted to approximately 20.8% and 22.5% of the Group's total revenue for the years ended 31 March 2019 and 2020, respectively. The ratio remained relatively stable as compared to that in financial year 2019.

OTHER INCOME

Other income mainly comprised of rental concession received, imputed interest income, bank interest income and other miscellaneous income. The increase in amount of approximately HK\$0.8 million was mainly attributed to the offer of rental concession received from the landlords due to the outbreak of COVID-19 during the year ended 31 March 2020 amounted to approximately HK\$0.6 million (2019: Nil).

OTHER GAINS AND LOSSES

Other gains and losses mainly represented the gain on termination of lease contracts and the net exchange gains/losses.

MANAGEMENT DISCUSSION AND ANALYSIS

STAFF COSTS

The staff costs increased by approximately 8.6% from approximately HK\$31.3 million for the year ended 31 March 2019 to approximately HK\$34.0 million for the year ended 31 March 2020, which was mainly attributable to the additional manpower employed for the newly operated restaurants. Staff costs were taken up the most significant portion of the operating costs, as a percentage of revenue, staff costs amounted to 28.8% for the year ended 31 March 2019 and 42.0% for the year ended 31 March 2020, which is mainly due to an increase in compensation levels of the staffs.

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

RENTAL AND RELATED EXPENSES

Due to the adoption of HKFRS 16 "Leases" effective from the annual periods beginning on 1 April 2019, rental and related expenses decreased significantly by approximately HK\$14.0 million or 70.8% for the year ended 31 March 2020 as compared to that in financial year 2019, instead, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$16.4 million for the year ended 31 March 2020 (2019: Nil). Rental and related expenses for the year ended 31 March 2020 represents (i) building management fee, (ii) government rent and rates, (iii) rental for machineries and (iv) other leases for which the lease term ends within twelve months or leases of which the underlying assets are of low value from the lease commencement date or of the date of initial application of HKFRS 16, i.e. 1 April 2019.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year ended 31 March 2020 represents depreciation charge for (i) leasehold improvements, (ii) fixtures and equipment, (iii) amortisation of intangible assets and (iv) depreciation of right-of-use assets of the Group upon initial application of HKFRS 16 for annual period beginning on 1 April 2019. For the year ended 31 March 2020, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$16.4 million (2019: Nil) and depreciation charges for property and equipment and amortisation expenses of intangible assets amounted to approximately HK\$8.1 million (2019: approximately HK\$6.1 million). The increase of depreciation charges for property and equipment and amortisation expenses amounted to approximately HK\$2.1 million or 33.9% owing to additional leasehold improvements acquired for newly opened restaurants and replacement of outmoded machineries and expansion in central kitchen as well as the increased amortisation expenses recognised for the newly acquired intangible assets.

OTHER EXPENSES

Other expenses mainly consist of water, electricity, gas and other utilities expenses, repair and maintenance fee, audit and professional fees, business and product development expenses, cleaning expenses and motor vehicle and logistics expenses. Other expenses increased from approximately HK\$14.1 million to approximately HK\$22.0 million from year ended 31 March 2019 to 2020, representing an increase of approximately 55.7%. The increase in amount is mainly attributed to the increase in business development costs as well as utilities and consumable expenses resulted from new restaurants commenced business as well as the increase in expenses paid to professional parties after the listing of the Company.

IMPAIRMENT LOSSES

During the year ended 31 March 2020, certain restaurants of the Group incurred losses, giving rise to indicators of impairment of property and equipment, right-of-use assets and intangible assets. Impairment losses of approximately HK\$13.7 million, HK\$14.8 million and HK\$4.0 million in respect of property and equipment, right-of-use assets and intangible assets have been recognised during the year ended 31 March 2020 (2019: Nil, Nil and Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS ON DISPOSAL OF A SUBSIDIARY

During the year ended 31 March 2020, the Group entered into a co-operation agreement with an independent third party to dispose 100% of the equity interest in Shangmian (Shanghai) Catering Management Company Limited* (賞面(上海)餐飲管理有限公司) (“**Shangmian (Shanghai)**”) at the consideration of RMB300,000 (approximately equivalent to HK\$335,000), so as to continue the Japanese ramen business operated by Shangmian (Shanghai) under the brand of “Butao” “豚王” (the “**Trademark**”) to be granted by the Group with one-time royalty fee charged for each restaurant opened and consultancy fee charged for the technical assistance to be offered by the Group. The disposal was completed on 15 December 2019 and the Group recognised a loss on disposal of a subsidiary of approximately HK\$0.4 million.

* for identification only

LISTING EXPENSES

For the year ended 31 March 2020, nil listing expenses have been incurred and recognised in profit or loss (2019: approximately HK\$23.5 million).

FINANCE COSTS

Finance costs for the year ended 31 March 2020 represents (i) interests on bank borrowings amounted to approximately HK\$0.1 million (2019: approximately HK\$0.2 million) and (ii) interests in lease liabilities recognised upon initial application of HKFRS 16 for the annual period beginning on 1 April 2019 amounted to approximately HK\$1.2 million (2019: Nil).

TAXATION

Income tax credits amounted to approximately HK\$0.2 million for the year ended 31 March 2020 (2019: income tax expenses approximately HK\$2.5 million), which is mainly because a loss was recorded for the year ended 31 March 2020 whereas profits were recorded, excluding listing expenses (which is non-deductible expenses for tax purpose), in financial year 2019 as well as the deferred tax credited to profit or loss resulting from the tax impacts on temporary difference between the tax base of property and equipment, intangible assets, net of the right-of-use assets and lease liabilities and their carrying amounts arising from impairment losses recognised and initial application of HKFRS 16 for the year ended 31 March 2020.

LOSS FOR THE YEAR

The Group recorded a loss of approximately HK\$56.4 million for the year ended 31 March 2020, whereas a loss of approximately HK\$11.3 million for the year ended 31 March 2019. The increase in loss was primarily due to the impairment losses on property and equipment, right-of-use assets and intangible assets, the decrease in gross profits, additional professional expenses paid after the listing of the Company and start-up operation cost incurred for new restaurants during the year ended 31 March 2020.

LIQUIDITY AND FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

The Group financed its business with internally generated cash flows, borrowings and the proceeds received from the initial listing of the issued shares on GEM of the Stock Exchange by way of public offer and placing in March 2019 (the “**Listing**”). As at 31 March 2020, the Group’s bank balances and cash amounting to approximately HK\$37.7 million, representing a decrease of approximately HK\$46.8 million from approximately HK\$84.5 million as at 31 March 2019. Most of the Group’s bank deposits and cash were denominated in Hong Kong dollars and Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2020, the Group recorded interest-bearing bank borrowings of approximately HK\$2.6 million (31 March 2019: approximately HK\$3.4 million) and lease obligation of approximately HK\$27.7 million (31 March 2019: Nil). The interest-bearing bank borrowings were unsecured, repayable on demand and denominated in Hong Kong dollar and bore variable interest rate at Hong Kong dollar Best Lending Rate minus 0.5% per annum. The Group did not use any financial instrument for hedging purpose.

As at 31 March 2020, the Group's total current assets and current liabilities were approximately HK\$47.2 million (31 March 2019: approximately HK\$92.4 million) and approximately HK\$24.5 million (31 March 2019: approximately HK\$19.6 million) respectively. The Group's current ratio, calculated by dividing the total current assets over the total current liabilities, was approximately 1.9 times (31 March 2019: approximately 4.7 times). The Group's gearing ratio, calculated as percentage of bank borrowings to the total equity attributable to owners of the Company, was approximately 7.6% as at 31 March 2020 (31 March 2019: approximately 3.7%).

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 2020, most of the transactions of the Group were denominated and settled in Hong Kong dollar and Renminbi. The Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of the capital controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes both domestically and internationally, and also from the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against the Hong Kong dollar may have an impact on the Group's results. The Group has currently not implemented any foreign currency hedging policy but the management will closely monitor the exposure and consider hedging against significant foreign exchange exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group that is likely to have a material and adverse effect on the Group's business, financial condition or results of operations.

CHARGE OF ASSETS

As at 31 March 2020, a motor vehicle with carrying amount of approximately HK\$2.3 million was acquired under lease arrangement of which the rights to the leased asset are reverted to the lessor in the event of default of lease liabilities by the Group.

DIVIDEND

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of final dividend for the year ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the year ended 31 March 2020, the Group entered into a co-operation agreement with an independent third party to dispose 100% of the equity interest in Shangmian (Shanghai) at the consideration of RMB300,000 (approximately equivalent to HK\$335,000), so as to continue the Japanese ramen business operated by Shangmian (Shanghai) under the Trademark to be granted by the Group with one-time royalty fee charged for each restaurant opened and consultancy fee charged for the technical assistance to be offered by the Group. The disposal was completed on 15 December 2019 and the Group recognised a loss on disposal of a subsidiary of approximately HK\$0.4 million.

Despite the abovementioned, the Group did not have any significant investment, material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2020.

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. The Share Option Scheme enables the Company to grant share options to any director, employee or other stakeholders to the Company or any of its subsidiaries, as incentives or rewards for their contributions to the Group. As at the date of this report, there was no outstanding share option granted under the Share Option Scheme.

Details of the Company’s Share Option Schemes are set out in Note 36 to the consolidated financial statements.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 6 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 2020.

COMMITMENT

The details of the Group’s commitments as at 31 March 2020 are set out as below:

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Capital expenditure in respect of the acquisition, installation and construction in progress of property and equipment contracted for but not provided in the consolidated financial statements	2,250	—

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 133 employees (31 March 2019: 185). The staff costs (included Directors' emoluments) were approximately HK\$34.0 million for the year ended 31 March 2020 (2019: approximately HK\$31.3 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 employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. 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 LISTING

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

Business objective and strategy	Approximately % of net proceeds %	Planned amount HK\$'000	Actual amount utilised as at 31 March 2020 HK\$'000	Unutilised net proceeds up to 31 March 2020 HK\$'000	Notes
Setting up of new outlets in Hong Kong	60.6	27,964	7,355	20,609	<p>New outlet located in Nam Cheong is expected to be opened in July 2020. The outlet located in Tseung Kwan O was opened in September 2019.</p> <p>The Group is in the progress to identify and negotiate for suitable locations which match with the expansion business plan for new restaurants. The management would be cautious for selection of location as well as the timing for opening new restaurant by continuously assessing the development of market environment.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

Business objective and strategy	Approximately % of net proceeds %	Planned amount HK\$'000	Actual amount utilised as at 31 March 2020 HK\$'000	Unutilised net proceeds up to 31 March 2020 HK\$'000	Notes
Expansion of existing central kitchen in Hong Kong	20.0	9,229	4,024	5,205	<p>Expansion of existing central kitchen by renting extra premises in June 2019.</p> <p>Certain leasehold improvement constructions in central kitchen like expansion of storage areas, upgrading the electrical connection systems were completed and put into production since February 2020, while some other constructions were still under progress as at 31 March 2020, which were expected to be ready for use by September 2020.</p> <p>Additional equipments such as, water filter system, food depositing machine and food transfer pump, were acquired and put into production.</p>
Further enhancement of brand recognition	5.2	2,400	2,147	253	<p>Promotion campaigns and other marketing activities launched throughout the financial year of 2020.</p> <p>The Group is in the progress to sort out appropriate social platforms and marketing systems.</p>
Enhancement of operational capability and efficiency	4.4	2,030	1,648	382	<p>Upgraded the existing equipments and systems at back office in August 2019.</p> <p>Keep on recruiting potential and capable staffs including, the newly recruited industrial experts/consultants, district managers, human resources assistant to strengthen the operational capability and efficiency.</p>
General working capital	9.8	4,523	4,523	—	
	100.0	46,146	19,697	26,449	

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.

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.

Given considered the gloomy prospect of the business environment in catering industry caused by the COVID-19 outbreak, the management will keep on monitor the market development and to react in a timely basis. Besides, the management would be continuously evaluating the appropriateness of the timing and selection of locations for the business expansion.

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 AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTOR

Mr. Tang Chun Ho Chandler (鄧振豪) (“**Mr. C Tang**”), aged 35, is the founder, executive Director, Chief Executive Officer and one of the controlling shareholders 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 on 28 August 2018. 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 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 9 years of experience in the Japanese ramen restaurant industry gained from the operation of the Group.

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.

Mr. C Tang is the son of Mr. Tang Hing Chee.

NON-EXECUTIVE DIRECTOR

Mr. Tang Hing Chee (鄧慶治) (“**Mr. HC Tang**”), aged 64, joined the Group as a director of a subsidiary of the Group on 1 January 2016 and resigned on 31 March 2017. Mr. HC Tang was appointed as the Chairman and non-executive Director on 28 August 2018. Mr. HC Tang is also one of the controlling shareholders. Mr. HC Tang is responsible for formulating overall business development strategy of the Group. He is also the chairman of the nomination committee of the Company (the “**Nomination Committee**”).

Prior to joining the Group, Mr. HC Tang worked at Canon Hongkong Company Limited, whose principal business is the provision of digital imaging products in Hong Kong and Macau, from May 1998 to October 2017, during which Mr. HC Tang was promoted from sales manager to his last position as executive adviser. Prior to that he was the sales manager in Jardine Photo System from February 1978 to May 1998.

Mr. HC Tang completed his secondary education at Wilson College in Hong Kong in July 1974.

Mr. HC Tang has been a member of the fundraising committee of Heifer Hong Kong, a charity founded in 2000 to help impoverished families in Mainland China become self-reliant by providing livestock and animal husbandry training, since 2011.

Mr. HC Tang is the father of Mr. C Tang.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Koon Tak (李冠德) (**"Mr. Lee"**), aged 49, was appointed as the independent non-executive Director on 21 February 2019. Mr. Lee is also the chairman of the audit committee of the Company (the **"Audit Committee"**) and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Lee has over 21 years of experience in accounting and finance. From May 1993 to December 1996, Mr. Lee worked as an accountant at CarnaudMetalbox (Hong Kong) Limited whose principal business was manufacturing of packaging products. From January 1997 to November 1997, Mr. Lee worked as a chief accountant at GEC Alsthom Transport Hong Kong Limited, a company principally engaged in offering rolling stock to infrastructure, as well as signaling, maintenance and integrated transport systems. From August 1997 to September 2017, Mr. Lee was appointed by Canon Hongkong Company Limited, which is primarily engaged in offering a comprehensive range of digital imaging products in Hong Kong and Macau, as a vice president where he was responsible for finance and accounting, information technology, supply chain management, legal and compliance and customer delight divisions of the company. Since October 2017, Mr. Lee has been appointed as the Vice President of Canon India Private Limited, which is primarily engaged in offering a comprehensive range of digital imaging products in India, where he is responsible for supervising the finance and taxation, legal and corporate planning divisions at the company.

Mr. Lee obtained a bachelor degree of business administration in applied economics from Hong Kong Baptist College (now known as Hong Kong Baptist University) in December 1992. In November 2012, he obtained a Master of Business Administration (Executive) degree from The Chinese University of Hong Kong. Mr. Lee has been a fellow member of The Association of Chartered Certified Accountants Hong Kong since July 2001 and a member of the Hong Kong Institute of Certified Public Accountants since April 1997.

Mr. Ho Lai Chuen (何麗全) (**"Mr. Ho"**), aged 65, 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 and Nomination Committee.

Mr. Ho has over 31 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.

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai Man Hin, SBS, FSDSM, FSMSM (黎文軒) (**"Mr. Lai"**), aged 60, was appointed as the independent non-executive Director on 31 January 2020. Mr. Lai is also the member of the Audit Committee.

Mr. Lai had served in the Hong Kong Fire Services Department for over 37 years. Mr. Lai first joined the Hong Kong Fire Services Department in June 1979 as Assistant Station Officer. Mr. Lai was promoted to the post of Deputy Chief Fire Officer in December 2004, Chief Fire Officer in March 2007 and to Deputy Director of Fire Services in April 2012. Mr. Lai held the position of Director of the Hong Kong Fire Services Department from June 2014 until his retirement in August 2016.

Mr. Lai became a Graduate of The Institution of Fire Engineers (Hong Kong Branch) in March 1982 and went on to become a Member and Fellow of The Institution of Fire Engineers (Hong Kong Branch) since March 1983 and November 1996, respectively. In recognition of his outstanding achievements, Mr. Lai was awarded an Honorary Fellowship by the University of Central Lancashire, United Kingdom in November 2014.

Mr. Lai was awarded the Hong Kong Fire Services Medal for Meritorious Service in 2004 and was further awarded with the Hong Kong Fire Services Medal for Distinguished Service in 2009. In 2016, Mr. Lai received the Silver Bauhinia Star.

Mr. Lai completed a Diploma Course in Business Management at The Chinese University of Hong Kong in October 1986. Mr. Lai obtained a Diploma in Management Studies from The Chinese University of Hong Kong in October 1994 and a Higher Diploma in Legal Studies from the City University of Hong Kong in November 1997. Mr. Lai completed a semester of studies in Public Organization and Public Management at the Graduate School of Public Policy at the University of California Berkeley in December 1997 and later the Divisional Command Course at The Fire Service College of the United Kingdom in October 1999. Mr. Lai received a Certificate of Higher Education in Law from the University of Wolverhampton through long distance learning in July 2002 and a Master of Arts in Public Policy and Management from the City University of Hong Kong in November 2004. Mr. Lai completed the Senior Executive Fellows programme at Harvard University's John F. Kennedy School of Government in June 2006.

SENIOR MANAGEMENT

Ms. Kwan Ka Ying (關稼瑩) (**"Ms. Kwan"**), aged 32, the Chief Financial Officer, who has joined the Group since 16 May 2018. She is responsible for the overall management of financial and financial reporting of the Group.

Prior to joining the Group, Ms. Kwan worked at assurance department of BDO Limited, whose principal business is the provision of independent assurance services including financial statement audits, from September 2011 to May 2018. Ms. Kwan was engaged initially as an associate and was promoted to her last position as a manager to oversee and monitor the whole audit process.

Ms. Kwan obtained a bachelor degree of business administration in accounting from Hong Kong Baptist University in November 2011. Ms. Kwan has been a member of the Hong Kong Institute of Certified Public Accountants since January 2016.

Mr. Lee Man Fung (李敏豐) (**"Mr. Lee"**), aged 36, the Chief Operations Officer. Mr. Lee has joined the Group since 8 June 2015. Mr. Lee is responsible for the marketing and brand management of the Group.

Prior to joining the Group, Mr. Lee worked as a creative director at Dudz Production House Co., Limited, whose principal business is the provision of professional design services, from August 2006 to June 2015. He was responsible for providing promotional materials, directing layout, design and copy writing and determining and monitoring production schedules.

Mr. Lee received a bachelor degree of multimedia (networks and computing) from Swinburne University of Technology, Australia in December 2006.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Wing Yu (廖穎宇) (**“Mr. Liu”**), aged 35, is the Chief Procurement Officer, who has joined the Group since 3 October 2016. Mr. Liu is responsible for the overseeing of delivery of products and research for market data.

Prior to joining the Group, Mr. Liu worked as an account manager by EZY Digital, whose principal business is wholesale and export of computer electronics devices, from June 2010 to February 2017, responsible for exploring new sales channels and handling key clients and suppliers, as well as assisting with preparation of monthly sales forecast and monthly sales reports. From June 2005 to June 2010, Mr. Liu worked as an account manager in Muse Digital Limited, whose principal business is the wholesale, retail and export of computers, electronic devices and computer peripherals, responsible for the communication with local and overseas customers.

Mr. Liu obtained a bachelor degree of commerce in marketing and electronic commerce from Curtin University of Technology, Australia in February 2006.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏) (**“Ms. Yim”**), aged 37, was appointed as the company secretary of the Group on 22 February 2019.

Prior to joining the Group, Ms. Yim worked for Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on the GEM as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of seven companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow member of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017, respectively. She has accumulated more than 11 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

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 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are the restaurant chain operator selling Japanese ramen in Hong Kong and the PRC under the brand “豚王”. Details of the principal activities of its subsidiaries are set out in Note 38 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;

DIRECTORS' REPORT

- 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;
- 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.

Pursuant to the Code Provision E.1.5 under Appendix 15 Corporate Governance Code and Corporate Governance Report, the Company should disclose the policy on payment of dividend in the annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 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 2020 are set out in the consolidated statement of financial position and Note 37 to the consolidated financial statements respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 7 August 2020 (the "**2020 AGM**"). For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 4 August 2020 to Friday, 7 August 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Boardroom Share Registrar (HK) Limited, at 2013B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Monday, 3 August 2020.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 104 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 15 to the consolidated financial statements.

DONATION

During the year ended 31 March 2020, the Group did not make any charitable donations. (2019: Nil)

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 37 to the consolidated financial statements respectively.

SHARE OPTION SCHEMES

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 36 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 2020 are set out in Note 35 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.

DISTRIBUTABLE RESERVES

At 31 March 2020, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately HK\$17.3 million.

DIRECTORS' REPORT

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 2020.

During the year ended 31 March 2020, the percentage of the Group's purchase amount attributable to the Group's largest supplier was approximately 17.2% 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 51.1% 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 DIRECTOR

Mr. Tang Chun Ho Chandler ^{Note} (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTOR

Mr. Tang Hing Chee (*Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chun Yin Steven

(Resigned on 31 January 2020)

Mr. Ho Lai Chuen

Mr. Lee Koon Tak

Mr. Lai Man Hin

(Appointed on 31 January 2020)

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 shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting 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.

Note: Mr. C Tang was appointed as the Director on 23 July 2018 and re-designated as the executive Director on 28 August 2018.

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' REPORT

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 35 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 2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section "Directors' Report – Related Party Transaction and Connected Transaction" above and in the section headed "Relationship with Controlling Shareholders" in the Prospectus, 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.

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 36 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' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 14 to 17 of this report.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in Note 11 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 2020 are set out in Note 11(B) to the consolidated financial statements.

The emoluments of the senior management of the Group for the year ended 31 March 2020 falls within the following band:

Emolument Band	Number of Senior Management
Up to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	2

DIRECTORS' REPORT

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 2020 are set out in Note 31 to the consolidated financial statement.

MANAGEMENT CONTRACTS

Save for the service agreements (for executive Director, non-executive Director 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 2020.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Frontpage Capital Limited (the "**Compliance Adviser**"), save as the compliance adviser agreement entered into between the Company and Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "**SFO**")) which are required 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), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

Long positions in shares

Name	Capacity/Nature of interest	Number of shares held/interested	Percentage of shareholding
Mr. C Tang ^(Note)	Interest in a controlled corporation	341,250,000	68.25%
Mr. HC Tang ^(Note)	Interest in a controlled corporation/Interest of spouse	341,250,000	68.25%

DIRECTORS' REPORT

Note: *Brilliant Trade Enterprises Limited ("Brilliant Trade") is owned as to 35% and 35% by Mr. C Tang and Mr. HC Tang, each of whom by virtue of the SFO is deemed to be interested in 68.25% of the issued share capital of the Company in which Brilliant Trade is interested in.*

Save as disclosed above, as at 31 March 2020, 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.

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

As at 31 March 2020, the following persons/entities (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
Brilliant Trade	Beneficial owner	341,250,000	68.25%
Ms. Tai Shiu Bun Mariana ^(Note 1)	Interest of spouse	341,250,000	68.25%
Ms. Lee Wai Yu Giselle ^(Note 2)	Interest of spouse	341,250,000	68.25%

Notes:

- (1) *Ms. Tai Shiu Bun Mariana is the spouse of Mr. HC Tang. Accordingly, Ms. Tai Shiu Bun Mariana is deemed, or taken to be, interested in the shares in which Mr. HC Tang is interested for the purpose of the SFO.*
- (2) *Ms. Lee Wai Yu Giselle is the spouse of Mr. C Tang. Accordingly, Ms. Lee Wai Yu Giselle is deemed, or taken to be, interested in the shares in which Mr. C Tang is interested for the purpose of the SFO.*

Save as disclosed above, as at 31 March 2020, 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.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Reorganisation as disclosed in Note 2 to the consolidated financial statements, 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 2020.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company (the "**Controlling Shareholders**") 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 2020.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. C Tang, Mr. HC Tang, Ms. Tai Shiu Bun Mariana, Ms. Tang Wing Shan Ariel and Brilliant Trade (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition (the "**Deed of Non-competition**") with the Company (for itself and for the benefit of each other member of the Group) on 21 February 2019. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the core business of the Group (the "**Restricted Business**") or own any rights or interests in such business.

The Covenantors have further irrevocably undertaken that during the Restricted Period (as defined below), they will and will procure their close associates (except any member of the Group) (the Controlling Shareholders and their close associates together, "**Offeror**") to offer new business opportunities to the Company first in the following manner when any business, investment or other business opportunities (the "**New Business Opportunities**") related to the Restricted Business become available to the Offeror:

- i. The Offeror will make referral of the New Business Opportunities to the Company, and will as soon as possible inform the Company in writing (the "**Offer Notice**") about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for the Company to consider (a) whether the relevant New Business Opportunities will compete with the Group's business and (b) whether taking up the New Business Opportunities is in the interest of the Group.
- ii. Upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of the Group, and whether they are in the best interest of the shareholders. The Company must inform the Offeror in writing within 20 business days after receipt of the Offer Notice about the Company's decision on whether the New Business Opportunities will be pursued.
- iii. Only when (a) the Offeror has received the Company's notice to reject the New Business Opportunities and the Company's confirmation that the relevant New Business Opportunities are not considered to be able to compete with the Restricted Business; or (b) the Offeror has not received the relevant notice from the Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by the Company, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favourable than those specified in the Offer Notice issued to the Company.

DIRECTORS' REPORT

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to the Company by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the Deed of Non-competition are not applicable in the following circumstances:

- (i) the Covenantors and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of the Group; or
- (ii) the Covenantors and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than the Group, with the following conditions being satisfied:
 - i. the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and
 - ii. the Controlling Shareholders and/or their close associates (except any member of the Group) hold in aggregate not more than 10% of the issued share capital of the relevant class of shares of such company, and the Controlling Shareholders and/or their close associates (except any member of the Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the Deed of Non-competition, the restricted period (the "**Restricted Period**") refers to the period commencing from the Listing Date and ending on the following dates (whichever occurs first):

- (i) the date on which the shares cease to be listed on the Stock Exchange; or
- (ii) the date on which the Covenantors and their close associates, jointly and severally, cease to be Controlling Shareholders (having the meaning ascribed to it in the GEM Listing Rules) of the Company.

Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with Controlling Shareholders – Non-competition Undertakings" in the Prospectus.

During the year, the Company has received a declaration from each Controlling Shareholders of the Company in respect of him/her/it and his/her/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 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 2020.

DIRECTORS' REPORT

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 independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

On 10 February 2020, Deloitte Touche Tohmatsu resigned and D & PARTNERS CPA LIMITED was appointed as the auditor of the Group. Details of the change of auditor were set out in the announcement of the Company dated 10 February 2020.

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

The consolidated financial statements of the Group for the year ended 31 March 2020 were audited by D & PARTNERS CPA LIMITED. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint D & PARTNERS CPA LIMITED as auditor of the Company.

ON BEHALF OF THE BOARD
Tasty Concepts Holding Limited
Tang Chun Ho Chandler
Executive Director

Hong Kong, 22 June 2020

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 emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 March 2020, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Required Standard of Dealing**"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and there was no event of non-compliance during the year ended 31 March 2020.

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 under renewal up to the date of this report by the Company with coverage for any legal liabilities which may arise in the course of performing their duties. The Directors take the view that the Company shall support Directors arising from corporate activities.

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.

BOARD COMPOSITION

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

EXECUTIVE DIRECTOR

Mr. Tang Chun Ho Chandler (*Chief Executive Officer*)

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTOR

Mr. Tang Hing Chee (*Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chun Yin Steven (Resigned on 31 January 2020) (Note 1)

Mr. Ho Lai Chuen

Mr. Lee Koon Tak

Mr. Lai Man Hin (Appointed on 31 January 2020) (Note 2)

Note:

(1) *Mr. Ho Chun Yin Steven resigned from his role as an independent non-executive Director with effect from 31 January 2020. For further details, please refer to the announcement of the Company dated 31 January 2020.*

(2) *Mr. Lai Man Hin appointed as an independent non-executive Director with effect from 31 January 2020. For further details, please refer to the announcement of the Company dated 31 January 2020.*

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 14 to 17 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**”) before Listing Date, 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.

3. SELECTION CRITERIA

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 Board’s composition is disclosed in this annual report of the Company.

CORPORATE GOVERNANCE REPORT

4. MONITORING AND REVIEW OF THE BOARD DIVERSITY POLICY

- 4.1 The Nomination Committee will monitor the implementation of the Board Diversity Policy.
- 4.2 The Nomination Committee will from time to time review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the policy.

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.

NOMINATION POLICY

The Board has adopted a nomination policy (the "**Nomination Policy**") before Listing Date, 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.

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.

CORPORATE GOVERNANCE REPORT

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 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.

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.

CORPORATE GOVERNANCE REPORT

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

8.1 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.

8.2 In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

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 financial 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 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Director, non-executive Director and independent non-executive Directors has entered into a service contract with the Company on 21 February 2019 or corresponding effective date. The service contracts with the executive Director, non-executive Director and independent non-executive Directors are for an initial fixed term of three years commencing from the Listing 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.

CORPORATE GOVERNANCE REPORT

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 vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Mr. Ho Lai Chuen, Mr. Lee Koon Tak and Mr. Lai Man Hin will retire from office at the forthcoming annual general meeting of the Company to be held on 7 August 2020. Mr. Ho Lai Chuen, Mr. Lee Koon Tak and Mr. Lai Man Hin, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Ho Lai Chuen, Mr. Lee Koon Tak and Mr. Lai Man Hin.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

The initial term of office of each of the non-executive Directors (including independent non-executive Directors) is three years, subject to re-election.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The role of Chairman remains separate from that of the Chief Executive Officer to enhance their respective independence, accountability and responsibility. Mr. Tang Hing Chee is the Chairman of the Board. Mr. Tang Chun Ho Chandler is the Chief Executive Officer of the Company.

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 2020, the Company has provided and all Directors have attended training courses on the updates of 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.

CORPORATE GOVERNANCE REPORT

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.butaoamen.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.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 February 2019. The chairman of the Remuneration Committee is Mr. Ho Lai Chuen, the independent non-executive Director, and other members includes Mr. Lee Koon Tak, the independent non-executive Director and Mr. C Tang, the executive Director. 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. 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 has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2020. No Director or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 21 February 2019. The chairman of the Nomination Committee is Mr. HC Tang, the Chairman and non-executive Director, and other members included Mr. Mr. Lee Koon Tak and Mr. Ho Lai Chuen, 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 and makes recommendations to the Board on appointment of new Directors of the Company. 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee was established on 21 February 2019. The chairman of the Audit Committee is Mr. Lee Koon Tak, the independent non-executive Director, and other members included Mr. Ho Lai Chuen and Mr. Lai Man Hin, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

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

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

During the year, the Audit Committee held five meetings to review and comment on the Company's 2019 annual results, 2019 interim results, quarterly results, change of auditor as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2020 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 2020 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, 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 2020 are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2019 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Director					
Mr. Tang Chun Ho Chandler	9/9	—	3/3	—	1/1
Non-executive Director					
Mr. Tang Hing Chee	9/9	—	—	2/2	1/1
Independent non-executive Directors					
Mr. Ho Chun Yin Steven <i>(Resigned on 31 January 2020)</i>	6/9	3/5	—	—	1/1
Mr. Ho Lai Chuen	9/9	5/5	3/3	2/2	1/1
Mr. Lee Koon Tak	9/9	5/5	3/3	2/2	1/1
Mr. Lai Man Hin <i>(Appointed on 31 January 2020)</i>	1/9	1/5	—	—	—

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.

The Company engages an external service provider, Ms. Yim as its Company Secretary. Ms. Yim possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. C Tang, the executive Director, is the primary contact person who Ms. Yim contacts.

For the year ended 31 March 2020, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biography of Ms. Yim is set out in the section headed “Biographical Details of the Directors and Senior Management” of this report.

INDEPENDENT AUDITORS' REMUNERATION

The fee paid and payable in respect of audit services and non-audit services amounted to approximately HK\$0.5 million and nil respectively for the year ended 31 March 2020.

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.

CORPORATE GOVERNANCE REPORT

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (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 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.

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 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 2020 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 C.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.

CORPORATE GOVERNANCE REPORT

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.

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 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.

Since the Listing Date, there is no significant change in the memorandum and articles of association of the Company.

INDEPENDENT AUDITOR'S REPORT



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 103, which comprise the consolidated statement of financial position as at 31 March 2020, 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 a summary of significant accounting policies.

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 2020, 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 (“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 (“HKSA”) 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 MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue from operation of restaurants</p> <p>We identified revenue from operation of restaurants as a key audit matter, due to the significance of revenue from operation of restaurants to the consolidated statement of profit or loss and other comprehensive income.</p> <p>The accounting policy for revenue recognition in relation to revenue from operation of restaurants is disclosed in note 4 to the consolidated financial statements. For the year ended 31 March 2020, revenue from operation of restaurants amounted to HK\$75,861,000 (2019: HK\$102,777,000) with details set out in note 6 to the consolidated financial statements.</p> <p>As the vast majority of revenue was settled in cash, electronic or mobile payments, we focused on the reconciliation of daily sales report to cash receipts and electronic or mobile settlements.</p>	<p>Our procedures in relation to revenue from operation of restaurants included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the Group's revenue recognition policy for the operation of restaurants; • Obtaining an understanding of the revenue business processes and key controls, and testing the key manual and information technology controls for revenue recognition in relation to revenue from operation of restaurants; • Testing the revenue from operation of restaurants by tracing revenue recognised for restaurant operations to daily sales reports and cash receipts and electronic or mobile settlements, on a sample basis; and • Using data analytic tools to identify any unusual patterns of revenue from operation of restaurants, and obtaining appropriate evidence in order to understand the unusual patterns identified, if any.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Impairment of property and equipment, right-of-use assets and intangible assets

We identified the impairment of property and equipment, right-of-use assets and intangible assets as a key audit matter due to significant management judgements involved in the impairment assessment.

During the year ended 31 March 2020, certain restaurants of the Group underperformed and incurred losses, which indicated that property and equipment, right-of-use assets and intangible assets of those restaurants may be impaired.

Determining whether property and equipment, right-of-use assets and intangible assets were impaired required an estimation of the value in use of each cash-generating unit ("CGU") to which the property and equipment, right-of-use assets and intangible assets belong. The management considers each restaurant as an individual CGU as each restaurant generates independent cash flows, which are largely independent of the cash flows generated by other assets. The value in use of each CGU was determined by the management based on the operating cash flows forecast of the individual CGU. The evaluation process is inherently subjective, and dependent on a number of estimates such as the revenue growth rate and discount rate.

During the year ended 31 March 2020, impairment losses of HK\$13,680,000, HK\$14,766,000 and HK\$4,042,000 in respect of property and equipment, right-of-use assets and intangible assets have been recognised respectively.

The significant accounting judgements and estimates and disclosure of balance of property and equipment, right-of-use assets and intangible assets are included in notes 5, 15, 16 and 17 respectively to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to the impairment of property and equipment, right-of-use assets and intangible assets included:

- Understanding how management performs impairment assessment on property and equipment, right-of-use assets and intangible assets;
- Evaluating the reasonableness of the operating cash flows forecast and the key assumptions used, including evaluating the reasonableness of the budgeted revenue, budgeted gross margins, expected growth rate with reference to the past performance and management's expectation, and evaluating the suitability of the discount rate used;
- Evaluating the historical accuracy of the cash flow forecast and actual performance for the year and future prospect from the CGU; and
- Evaluating the potential impact of the impairment assessment based on sensitivity analysis of the budgeted revenue.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 21 June 2019.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 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.

As part of an audit in accordance with HKSAAs, we exercise professional judgment 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.

INDEPENDENT AUDITOR'S REPORT

- 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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters 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.

D & PARTNERS CPA LIMITED

Certified Public Accountants

Yeung Chun Yue, David

Practising Certificate Number: P05595

Hong Kong

22 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	Year ended 31 March	
		2020 HK\$'000	2019 HK\$'000
Revenue	6	81,075	108,673
Cost of inventories		(18,229)	(22,586)
Other income	7	881	123
Other gains and losses	7	311	(12)
Staff costs		(34,019)	(31,326)
Rental and related expenses		(5,778)	(19,804)
Depreciation and amortisation		(24,530)	(6,059)
Other expenses		(22,009)	(14,139)
Impairment losses	8	(32,488)	—
Loss on disposal of a subsidiary	30	(449)	—
Listing expenses		—	(23,500)
Finance costs	9	(1,381)	(171)
Loss before taxation	10	(56,616)	(8,801)
Taxation	12	180	(2,472)
Loss for the year		(56,436)	(11,273)
Other comprehensive expense for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations		(232)	(323)
Total comprehensive expense for the year		(56,668)	(11,596)
Loss for the year attributable to:			
Owners of the Company		(56,436)	(12,261)
Non-controlling interests		—	988
		(56,436)	(11,273)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(56,668)	(12,573)
Non-controlling interests		—	977
		(56,668)	(11,596)
Loss per share			
Basic (HK cents)	14	(11.29)	(3.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	As at 31 March	
		2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property and equipment	15	6,907	13,880
Right-of-use assets	16	11,752	—
Intangible assets	17	23	47
Deposits	19	4,762	3,558
Deferred tax assets	25	1,608	1,150
		25,052	18,635
Current assets			
Inventories	18	1,294	1,657
Trade and other receivables, deposits and prepayments	19	5,609	5,503
Tax recoverable		2,529	665
Bank balances and cash	21	37,733	84,535
		47,165	92,360
Current liabilities			
Trade and other payables and accruals	22	6,679	15,251
Tax payable		—	927
Bank borrowings	23	2,638	3,395
Lease liabilities	24	15,184	—
		24,501	19,573
Net current assets		22,664	72,787
Total assets less current liabilities		47,716	91,422
Non-current liabilities			
Lease liabilities	24	12,480	—
Provisions	26	380	255
Deferred tax liabilities	25	30	—
		12,890	255
Net assets		34,826	91,167
Capital and reserves			
Share capital	27	5,000	5,000
Reserves		29,826	86,167
Total equity		34,826	91,167

The consolidated financial statements on pages 44 to 103 were approved and authorised for issue by the Board of Directors on 22 June 2020 and are signed on its behalf by:

Tang Chun Ho Chandler
Director

Tang Hing Chee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share Premium HK\$'000	Other reserve HK\$'000 (Note i)	Statutory reserve HK\$'000 (Note ii)	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000		
At 1 April 2018	9	—	2,050	66	222	24,699	27,046	—	27,046
(Loss) profit for the year	—	—	—	—	—	(12,261)	(12,261)	988	(11,273)
Other comprehensive expense for the year	—	—	—	—	(312)	—	(312)	(11)	(323)
Total comprehensive (expense) income for the year	—	—	—	—	(312)	(12,261)	(12,573)	977	(11,596)
Issue of shares (note 2(ii))	71	—	—	—	—	—	71	—	71
Issue of shares (note 2(ii))	—*	—	—	—	—	—	—*	—	—*
Issue of shares (note 2(iii))	7	—	5,993	—	—	—	6,000	—	6,000
Change in shareholding in Butao Global Limited (" Butao Global ") without losing control (note (iii))	—	—	(2,799)	—	—	—	(2,799)	2,799	—
Transfer upon Reorganisation on 21 February 2019 (note 2(v))	(87)	—	3,863	—	—	—	3,776	(3,776)	—
Issue of shares on 15 March 2019	1,250	86,250	—	—	—	—	87,500	—	87,500
Capitalisation issue (note 27(iii))	3,750	(3,750)	—	—	—	—	—	—	—
Transaction costs attributable to issue of shares	—	(17,854)	—	—	—	—	(17,854)	—	(17,854)
Transfer to statutory reserve	—	—	—	43	—	(43)	—	—	—
At 31 March 2019	5,000	64,646	9,107	109	(90)	12,395	91,167	—	91,167
Loss for the year	—	—	—	—	—	(56,436)	(56,436)	—	(56,436)
Other comprehensive expense for the year	—	—	—	—	(232)	—	(232)	—	(232)
Total comprehensive expense for the year	—	—	—	—	(232)	(56,436)	(56,668)	—	(56,668)
Transfer upon disposal of a subsidiary (note 30)	—	—	—	(83)	327	83	327	—	327
At 31 March 2020	5,000	64,646	9,107	26	5	(43,958)	34,826	—	34,826

* less than HK\$1,000

Notes:

- (i) On 31 July 2014, Butao Ramen Limited ("**Butao Ramen**"), a wholly-owned subsidiary of the Company, which owned 60% equity interest of Butao Ramen International Holdings Limited ("**Butao Ramen BVI**"), acquired 40% equity interest in Butao Ramen BVI from an independent non-controlling shareholder at a cash consideration of HK\$1 and resulting a surplus of HK\$2,050,000 crediting to other reserve. Upon the completion of transaction, Butao Ramen BVI became the wholly-owned subsidiary of Butao Ramen until 31 March 2015, Butao Ramen disposed of 100% interests of Butao Ramen BVI to Mr. Tang Chun Ho Chandler ("**Mr. C Tang**").
- (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) On 3 July 2018, the Pre-IPO Investor (as defined in note 2) subscribed 900 new shares of Butao Global for a cash consideration of HK\$6,000,000. Following the completion of share subscription, Butao Global was owned as to 91% by Brilliant Trade Enterprises Limited ("**Brilliant Trade**") and 9% by the Pre-IPO Investor and a non-controlling interests of HK\$2,799,000 is recognised accordingly.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(56,616)	(8,801)
Adjustments for:		
Gain on termination of lease contract	(305)	—
Imputed interest income	(161)	—
Bank interest income	(48)	(57)
Amortisation of intangible assets	182	24
Loss on written-off of property and equipment	388	—
Loss on disposal of a subsidiary	449	—
Finance costs	1,381	171
Impairment loss on intangible assets	4,042	—
Depreciation of property and equipment	7,928	6,035
Impairment loss on property and equipment	13,680	—
Impairment loss on right-of-use assets	14,766	—
Depreciation of right-of-use assets	16,420	—
Operating cash flows before movements in working capital	2,106	(2,628)
Decrease (increase) in inventories	323	(374)
Increase in trade and other receivables, deposits and prepayments	(645)	(264)
(Decrease) increase in trade and other payables and accruals	(6,522)	8,489
Increase in provisions	72	30
Cash (used in) generated from operations	(4,666)	5,253
Hong Kong Profits Tax and PRC Enterprise Income Tax ("EIT") paid	(2,959)	(4,482)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(7,625)	771
INVESTING ACTIVITIES		
Purchases of property and equipment	(15,771)	(7,277)
Purchase of intangible asset	(4,200)	—
Payment for rental deposits, net of refund	(1,479)	—
Advances to related parties	—	(2,221)
Withdrawal of pledged bank deposits	—	1,900
Repayments from related parties	—	2,975
Net proceed from disposal of a subsidiary	20	—
Bank interest received	48	57
NET CASH USED IN INVESTING ACTIVITIES	(21,382)	(4,566)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(15,411)	—
Interests paid	(1,381)	(171)
Repayments of bank borrowings	(757)	(2,926)
Shares issuance cost paid	—	(17,854)
Repayments to related parties	—	(3,715)
Advances from related parties	—	297
New bank borrowings raised	—	4,000
Issue of shares	—	93,571
NET CASH USED IN FINANCING ACTIVITIES	(17,549)	73,202
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(46,556)	69,407
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	84,535	15,129
Effect of foreign exchange rate changes	(246)	(1)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	37,733	84,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

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

The Company acts as an investment holding company and its subsidiaries are principally engaged in operation of Japanese ramen restaurants in Hong Kong and the PRC. Details of the principal activities of its subsidiaries are set out in note 38.

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

- (i) On 14 June 2018, Butao Global was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 ordinary shares at a par value of United States Dollar (“**USD**”) 1 each. On the same day, 9,090 shares of Butao Global were allotted and issued to Brilliant Trade.
- (ii) On 27 June 2018, Butao Global acquired entire equity interests of Butao Ramen from Brilliant Trade in consideration of issuing 10 shares of Butao Global to Brilliant Trade. Upon the completion of the transfer, Butao Ramen is the wholly-owned subsidiary of Butao Global.
- (iii) On 3 July 2018, a pre-IPO investor (“**Pre-IPO Investor**”), who is an independent third party, subscribed for 900 new shares of Butao Global for a cash consideration of HK\$6,000,000. Upon the completion of the subscription, Brilliant Trade and the Pre-IPO Investor hold equity interest of Butao Global amounting to 91% and 9%, respectively.
- (iv) On 23 July 2018, the Company was incorporated in the Cayman Islands as a limited liability company with an authorised share capital of 1,000,000 ordinary shares at a par value of HK\$0.01 each. On the same date, 1 share of the Company was allotted and issued to the first subscriber, who is an independent third party, and then transferred to Brilliant Trade at par in cash.
- (v) On 21 February 2019, the Company acquired 91% and 9% equity interests of Butao Global from Brilliant Trade and the Pre-IPO Investor in consideration of issuing 9,099 and 900 shares of the Company to Brilliant Trade and Pre-IPO Investor, respectively. Upon the completion of the transfer, Butao Global is the wholly-owned subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

HKFRS 16 "Leases" (continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate applied by the relevant group entities ranges from 3.55% to 4.18%.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	22,120
Less: Recognition exemption – short-term leases or leases with low-value underlying assets	(2,029)
Lease liabilities relating to operating lease recognised upon application of HKFRS 16 and as at 1 April 2019	20,091
Lease liabilities discounted at relevant incremental borrowing rates	18,734
Analysed as:	
Current	10,079
Non-current	8,655
	18,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

HKFRS 16 "Leases" (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	NOTES	Right-of-use assets HK\$'000
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16		18,734
Restoration and reinstatement costs	(a)	155
Adjustments on rental deposits as at 1 April 2019	(b)	140
Less: Accrued lease liabilities (net of prepayment) relating to rent free period as at 1 April 2019	(c)	(1,379)
		17,650

Notes:

- (a) In relation to the leases of restaurants, office premises and kitchen that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property and equipment amounting to HK\$72,000 as at 1 April 2019 were included as right-of-use assets. In addition, the Group recognised HK\$83,000 right-of-use assets and provisions for which no reinstatement cost had been previously provided.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under deposits and other receivables. Based on the definition of lease payment under HKFRS 16, such deposits are not payment relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$140,000 was adjusted to right-of-use assets from refundable deposit paid.
- (c) Rent free period

These relate to accrued lease liabilities and prepayment for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities and receivables under trade and other payables and trade and other receivable as at 1 April 2019 was adjusted to right-of-use assets at transition.

The initial application of HKFRS 16 as a lessor has no material impact on the Group's consolidated financial position as at 1 April 2019 and its consolidated statement of profit or loss and other comprehensive income and statements of cash flow for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

HKFRS 16 "Leases" (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Property and equipment	13,880	(72)	13,808
Right-of-use assets	—	17,650	17,650
Deposits	3,558	(140)	3,418
Current asset			
Other receivables, deposits and prepayment	4,488	(212)	4,276
Current liabilities			
Other payables and accruals	12,964	(1,591)	11,373
Lease liabilities	—	10,079	10,079
Provisions	255	83	338
Non-current liability			
Lease liabilities	—	8,655	8,655

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

Amendment to HKFRS early adopted by the Group

The Group has early adopted the following amendment to HKFRS, which are relevant to its operations.

Amendments to HKFRS 16	COVID-19-related rent concessions
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Amendments to HKFRS 16 "COVID-19-related rent concessions" allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 And HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

New and amendments to HKFRSs in issue but not yet effective (continued)

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, “the Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from operation of the restaurants

The Group recognises revenue from the operation of the restaurants which provides catering services. Revenue from catering services is recognised at a point in time when the services are rendered. A receivable is recognised by the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

Sales of food and related products to a franchisee

Revenue from food and related products to a franchisee is recognised at a point in time when control of the goods has been transferred, being when the goods have been shipped to the franchisee'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

License fee income from a licensee is recognised as a performance obligation satisfied over time using output method. 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:

- (a) the subsequent usage occurs; and
- (b) 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

Royalty fee income from a franchisee is recognised as a performance obligation satisfied over time using 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:

- (a) the subsequent sale occurs; and
- (b) the performance obligation to which the sales-based royalty has been allocated has been satisfied (i.e. granting the use of sales-based royalty to the franchisee).

Over time revenue recognition: measurement of progress towards complete satisfaction of performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

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.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of some restaurants, warehouses, office and director's quarter that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“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.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Borrowing costs

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

Retirement benefits costs

Payments to defined contribution plans including state-managed benefit scheme and the Mandatory Provident Fund Scheme ("**MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because 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 these consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. 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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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 assets to be recovered.

Deferred tax assets and liabilities are measured 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 (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than assets under installation and construction in progress. 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.

Assets under installation and construction in progress for production, supply and administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Assets under installation and construction in progress are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful life is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment loss on property and equipment, right-of-use assets and intangible assets with finite useful lives

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGU, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGU, with the recoverable amount of the group of CGU. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGU. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGU. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Reinstatement provisions

Provision for the costs to restore leased assets to their original conditions, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the management's best estimate of the expenditure that would be required to restore the assets, estimate are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

Amortised cost and interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets

The Group recognises a loss allowance under expected credit loss ("ECL") model on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables and measures the lifetime ECL on individual basis as part of the Group's refined credit risk management with consideration of factors that are specific to the debtors and general economic conditions.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as 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.

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

- 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, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- 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 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 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) 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).

The Group considers that default has occurred when the instrument 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.

(iii) 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 the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer of the borrower; or
- A breach of contract, such as a default or past due event; or
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year 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 when appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

(v) 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 for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Generally, 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 effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the correspondence adjustment is recognised through a loss allowance account.

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 date 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.

Derecognition of financial assets

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and certain other payables and accruals and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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 is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgments, 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.

The following are 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 within the next financial year.

Estimated impairment of property and equipment, right-of-use assets and intangible assets

Property and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make 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 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 2020, in view of impairment indicators, the Group performed impairment assessment on property and equipment with carrying amount of HK\$6,907,000, right-of-use assets of HK\$11,752,000 and intangible assets of HK\$23,000, respectively. Impairment losses of HK\$13,680,000, HK\$14,766,000 and HK\$4,042,000 in respect of property and equipment, right-of-use assets and intangible assets have been recognised respectively. Details of the impairment assessment of property and equipment, right-of-use assets and intangible assets are disclosed in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. REVENUE AND SEGMENT INFORMATION

Revenue

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

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Recognised at a point in time:		
Operation of restaurants in Hong Kong	66,981	85,053
Operation of restaurants in the PRC	8,880	17,724
Sales of food and related products to a franchisee	4,080	4,770
Recognised over time:		
Royalty fee income from franchisees (<i>note i</i>)	1,006	1,086
License fee income from a licensee (<i>note ii</i>)	28	40
Consultancy fee income from a franchisee	100	—
	81,075	108,673

Notes:

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

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

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

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

Segment information

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	Year ended 31 March		Non-current assets (note 1) As at 31 March	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	67,009	85,093	23,040	12,272
The PRC	9,006	17,724	404	5,213
Macau Special Administrative Region of the People's Republic of China ("Macau") (note)	5,060	5,856	—	—
	81,075	108,673	23,444	17,485

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

Note 1: Non-current assets excluded deferred tax assets.

Information about major customers

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

7. OTHER INCOME/OTHER GAINS AND LOSSES

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
<u>Other income:</u>		
Rental concession	574	—
Imputed interest income	161	—
Bank interest income	48	57
Others	98	66
	881	123
<u>Other gains and losses:</u>		
Gain on termination of lease contracts	305	—
Net exchange gains (losses)	6	(12)
	311	(12)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

8. IMPAIRMENT LOSSES

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Impairment losses, (net of reversal) on:		
– property and equipment	13,680	—
– right-of-use assets	14,766	—
– intangible assets	4,042	—
	32,488	—

9. FINANCE COSTS

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Interests on lease liabilities	1,241	—
Interests on bank borrowings	140	171
	1,381	171

10. LOSS BEFORE TAXATION

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	520	950
Directors' remuneration (<i>note 11</i>)	3,471	1,038
Other staff costs:		
– salaries, bonuses and allowances	28,869	28,383
– retirement benefits schemes contributions	1,679	1,905
Total staff costs	34,019	31,326
Depreciation of property and equipment	7,928	6,035
Depreciation of right-of-use assets	16,420	—
Amortisation of intangible assets	182	24
Loss on written-off of property and equipment	388	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the directors of the Company and the chief executive of the Company (including emoluments for services as employees or directors of the Group prior to becoming the directors or the chief executive of the Company) by the Group, 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 2020				
Executive director				
Mr. C Tang	—	2,336	18	2,354
Non-executive director				
Mr. HC Tang	—	555	16	571
Independent non-executive directors				
Mr. Ho Chun Yin Steven (note i)	—	150	8	158
Mr. Ho Lai Chuen	—	173	9	182
Mr. Lai Man Hin (note ii)	—	23	1	24
Mr. Lee Koon Tak	—	173	9	182
	—	3,410	61	3,471

Notes:

(i) Mr. Ho Chun Yin Steven resigned as independent non-executive director of the Company on 31 January 2020.

(ii) Mr. Lai Man Hin was appointed as independent non-executive director of the Company on 31 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2019				
Executive director				
Mr. C Tang	—	980	18	998
Non-executive director				
Mr. HC Tang (note i)	—	16	—	16
Independent non-executive directors				
Mr. Ho Chun Yin Steven (note ii)	—	8	—	8
Mr. Ho Lai Chuen (note iii)	—	8	—	8
Mr. Lee Koon Tak (note iv)	—	8	—	8
	—	1,020	18	1,038

Notes:

- (i) Mr. HC Tang was appointed as non-executive director of the Company on 28 August 2018.
- (ii) Mr. Ho Chun Yin Steven was appointed as independent non-executive director of the Company on 21 February 2019.
- (iii) Mr. Ho Lai Chuen was appointed as independent non-executive director of the Company on 21 February 2019.
- (iv) Mr. Lee Koon Tak was appointed as independent non-executive director of the Company on 21 February 2019.

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 prior to becoming the chief executive of the Company.

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

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

No emoluments were 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 both years.

None of the directors of the Company has waived any emoluments for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(B) EMPLOYEES' EMOLUMENTS

One of the five individuals with the highest emolument in the Group (2019: one) is a director of the Company for the year ended 31 March 2020 whose emoluments are included in the disclosure above. The emoluments of the remaining four (2019: four) individuals are as follows:

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Salaries and allowances	2,531	1,908
Discretionary bonus (note)	1,181	—
Retirement benefits schemes contributions	54	68
	3,766	1,976

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 bands is as follows:

	Number of employees Year ended 31 March	
	2020	2019
Nil to HK\$1,000,000	2	4
HK\$1,000,001 to HK\$1,500,000	2	—
	4	4

No emoluments were paid by the Group to any of the employees of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

None of the employees has waived any emoluments for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. TAXATION

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
The taxation comprises:		
Hong Kong Profits Tax:		
Charge for the year	190	2,637
Under(over) provision in prior years	58	(83)
	248	2,554
Deferred tax credit (<i>note 25</i>)	(428)	(82)
	(180)	2,472

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the year ended 31 March 2020 and 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000 of that subsidiary. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. TAXATION (CONTINUED)

The taxation 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	
	2020 HK\$'000	2019 HK\$'000
Loss before taxation	(56,616)	(8,801)
Tax at the Hong Kong Profits Tax rate of 16.5%	(9,342)	(1,452)
Tax effect of incomes not taxable for tax purpose	(347)	(9)
Tax effect of expenses not deductible for tax purpose	5,841	4,004
Under(over) provision in prior years	58	(83)
Utilisation of tax losses previously not recognised	(8)	(7)
Tax effect of tax losses not recognised	3,774	273
Income tax at concessionary rate (note)	(60)	(150)
Tax effect on two-tiered tax rate	(50)	(165)
Others	(46)	61
Taxation (credit) charge	(180)	2,472

Note: The tax concession for Hong Kong Profits Tax is reduced by 100% (2019: 100%), subject to a ceiling of HK\$20,000 (2019: HK\$20,000) for each HK company for the year ended 31 March 2020.

Since 1 January 2018, PRC entities with assessable profits of Renminbi ("RMB") 1,000,000 or lower are taxed at 10%.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended 31 March 2020 nor has any dividend been proposed since the end of the reporting period (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. LOSS PER SHARE

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

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Loss		
Loss for the year attributable to the Owners of the Company for the purpose of basic loss per share	(56,436)	(12,261)
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	500,000,000	380,821,918

For the year ended 31 March 2019, the weighted average number of ordinary shares for the purpose of calculating loss earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 April 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST					
At 1 April 2018	22,229	9,035	887	—	32,151
Additions	5,363	2,003	—	—	7,366
Exchange realignment	(493)	(88)	—	—	(581)
At 31 March 2019	27,099	10,950	887	—	38,936
Adjustments upon application of HKFRS 16 (note 3)	(150)	—	—	—	(150)
At 1 April 2019	26,949	10,950	887	—	38,786
Additions	7,745	3,978	—	4,048	15,771
Eliminated on disposal	—	—	(847)	—	(847)
Eliminated on written off	(4,437)	(556)	—	—	(4,993)
Eliminated upon disposal of a subsidiary (note 30)	(2,462)	(654)	—	—	(3,116)
Exchange realignment	(353)	(73)	—	—	(426)
At 31 March 2020	27,442	13,645	40	4,048	45,175
DEPRECIATION AND IMPAIRMENT					
At 1 April 2018	12,695	5,698	887	—	19,280
Provided for the year	4,483	1,552	—	—	6,035
Exchange realignment	(211)	(48)	—	—	(259)
At 31 March 2019	16,967	7,202	887	—	25,056
Adjustments upon application of HKFRS 16 (note 3)	(78)	—	—	—	(78)
At 1 April 2019	16,889	7,202	887	—	24,978
Provided for the year	6,175	1,753	—	—	7,928
Eliminated on disposal	—	—	(847)	—	(847)
Eliminated on written off	(4,244)	(361)	—	—	(4,605)
Eliminated upon disposal of a subsidiary (note 30)	(2,018)	(575)	—	—	(2,593)
Impairment loss recognised	8,677	5,003	—	—	13,680
Exchange realignment	(223)	(50)	—	—	(273)
At 31 March 2020	25,256	12,972	40	—	38,268
CARRYING AMOUNTS					
At 31 March 2020	2,186	673	—	4,048	6,907
At 31 March 2019	10,132	3,748	—	—	13,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation is provided to write off the cost of items of property and equipment over their estimate useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the lease terms
Fixtures and equipment	20%
Motor vehicles	30%

During the year ended 31 March 2020, as certain restaurants in Hong Kong and the PRC underperformed and incurred losses, the management of the Group concluded there was an indication for impairment and conducted impairment assessment on recoverable amounts of property and equipment, right-of-use assets and intangible assets regarding franchise rights of relevant restaurants. The Group estimated the recoverable amount of these restaurants, each represents an individual CGU, to which the asset belongs when it is not possible to estimate the recoverable amount individually. Accordingly, a total recoverable amount of HK\$11,713,000 was estimated and in which certain CGUs would not generate net cash inflow. As the recoverable amount of certain CGUs are lower than the respective carrying amounts of property and equipment, right-of-use assets and intangible assets, a total impairment loss of HK\$13,680,000, HK\$14,766,000 and HK\$4,042,000 were recognised in the consolidated income statement for the year ended 31 March 2020 so arising from these CGU, respectively.

The recoverable amount of the CGUs are determined based on a value in use calculation covering a 5-year period. The revenue growth rates during the 5-year period range from 10-15% which is based on the management's estimation regarding service capacity and existing table turnover rate of respective restaurants. Cash flows beyond the 5-year period are extrapolated using a steady 2.3% growth rate and the cash flows are discounted using a discount rate of 17.8%. The discount rate used is pre-tax and reflects specific risks relating to the CGUs. Other key assumptions for the value in use calculation relate to the estimations of cash inflows/outflows which include gross margin and operating expenses, such estimations are based on the CGUs' past performance and management's expectations for the market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
As at 1 April 2019			
Carrying amount	17,650	—	17,650
As at 31 March 2020			
Carrying amount	9,405	2,347	11,752
For the year ended 31 March 2020			
Depreciation charge	15,787	633	16,420
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			2,393
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets			233
Variable lease payments not included in the measurement of lease liabilities			351
Total cash outflow for leases			19,629
Additions to right-of-use assets			28,062

For both years, the Group leases various restaurants, central kitchen, warehouse, office premises, staff dormitories and a director's quarter for its operations. Except for short-term leases or leases of low-value assets, lease contracts are entered into for fixed term of 21 months to 5 years, but may have extension 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.

The Group regularly entered into short-term leases for equipments. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term expense included in rental and related expenses and disclosed in above.

As at 31 March 2020, no new leases contracts have been entered by the Group which have not yet commenced.

Details of the impairment assessment of the Group's right-of-use assets are disclosed in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. RIGHT-OF-USE ASSETS (CONTINUED)

EXTENSION OPTIONS

The Group has extension option in a number of leases for restaurants. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise are summarised below:

	Lease liabilities recognised as at 31 March 2020 HK\$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK\$'000
Restaurants	4,023	6,720

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 March 2020, there is no such triggering event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INTANGIBLE ASSETS

	Franchise rights HK\$'000	Trademark HK\$'000	Total HK\$'000
COST			
At 1 April 2018 and 31 March 2019	—	119	119
Addition	4,200	—	4,200
At 31 March 2020	4,200	119	4,319
AMORTISATION AND IMPAIRMENT			
At 1 April 2018	—	48	48
Provided for the year	—	24	24
At 31 March 2019	—	72	72
Provided for the year	158	24	182
Impairment loss recognised	4,042	—	4,042
At 31 March 2020	4,200	96	4,296
CARRYING VALUES			
At 31 March 2020	—	23	23
At 31 March 2019	—	47	47

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. 5 years). 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 trademarks, 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.

The franchise rights has finite useful lives and is amortised on a straight-line basis over the term as agreed in the Franchise Agreement (i.e. 20 years).

An impairment loss of HK\$4,042,000 (2019: HK\$ nil) is recognised for the franchise rights. Details of the impairment assessment are set out in note 15.

18. INVENTORIES

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Food and beverages, at cost	1,294	1,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Trade receivables from restaurant operations	300	526
Trade receivables from franchisees	215	483
Trade receivables from a licensee	28	6
Rental deposits	6,147	5,518
Utilities and other deposits	1,286	1,132
Deposits paid for acquisition of property and equipment	397	—
Other receivables	1,141	422
Prepayments	857	974
Total trade and other receivables, deposits and prepayments	10,371	9,061
Analysed for reporting purposes as:		
Non-current assets	4,762	3,558
Current assets	5,609	5,503
	10,371	9,061

There was no credit period granted to individual customers for the restaurant operations.

The Group's trading terms with its customers are mainly by cash, electronic or mobile payments. Electronic or mobile payments will normally be settled within 7 to 21 days after trade date. Trade receivables also include royalty fee and consultancy fee income and sales income receivables from franchisees and license fee income receivable from a licensee with credit periods up to 30 - 90 days.

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

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
0 - 30 days	300	526

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For the year ended 31 March 2020

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
0 - 30 days	120	470
31 - 60 days	31	1
61 - 90 days	31	—
Over 90 days	33	12
	215	483

As at 31 March 2020, trade receivables from the franchisees with aggregate carrying amount of HK\$95,000 (2019: HK\$13,000) were past due more than 30 days but less than 90 days. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information of the franchisee, the directors of the Company do not consider credit risks have increased significantly as the franchisees have a good business relationship with the Group and recurring overdue records of the franchisees with satisfactory settlement history.

The ageing analysis of the trade receivables from a licensee, based on the invoice date, which approximate the revenue recognition date, is either within the banding of 0 - 30 days or 31 - 60 days as at 31 March 2020 and 2019.

Details of impairment assessment of trade and other receivables and deposits as at 31 March 2020 are set out in note 33.

20. AMOUNT DUE FROM A RELATED PARTY

The amounts were non-trade nature, unsecured, interest-free and repayable on demand.

	As at 31 March		Maximum amount outstanding during the year ended 31 March	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Ideal Butao Limited ("Ideal Butao") (note i)	—	—	—	754

Note:

(i) Ideal Butao was owned as to 51% by Mr. C Tang prior to its deregistration on 8 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging of 0.01% to 0.44% (2019: 0.12% to 0.3%) per annum as at 31 March 2020.

Details of impairment assessment of bank balances as at 31 March 2020 are set out in note 33.

22. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Trade payables	893	2,287
Salary payables	928	1,919
Effective rent payable and accrued rent	—	1,671
Accrual for listing expenses	—	6,257
Construction fee payable	1,048	—
Other payables and accruals	3,810	3,117
	6,679	15,251

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

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
0 - 30 days	893	2,269
31 - 60 days	—	18
	893	2,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. BANK BORROWINGS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Unsecured and guaranteed bank borrowings	2,638	3,395
The carrying amounts are repayable*:		
Within one year	792	756
Within a period of more than one year but not more than two years	829	792
Within a period of more than two years but not more than five years	1,017	1,847
	2,638	3,395
Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities	(2,638)	(3,395)
Amounts shown under non-current liabilities	—	—

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

The unsecured and guaranteed bank borrowings as at 31 March 2020 and 2019 is guaranteed by the Company and certain subsidiaries of the Group.

As at 31 March 2020, the bank borrowings of the Group carry variable interest rate at Hong Kong Dollar Best Lending Rate minus 0.5% (2019: minus 0.5%) per annum.

24. LEASE LIABILITIES

	As at 31 March 2020 HK\$'000
Lease liabilities payable:	
Within one year	15,184
Within a period of more than one year but not more than two years	7,578
Within a period of more than two years but not more than five years	4,902
	27,664
Less: Amount due for settlement within one year shown under current liabilities	(15,184)
Amount due for settlement after one year shown under non-current liabilities	12,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	1,608	1,150
Deferred tax liabilities	(30)	—
	1,578	1,150

The following is the deferred tax assets (liabilities) recognised and movements thereon during the year.

	Tax losses HK\$'000	Accelerated accounting depreciation HK\$'000	Leasing (note) HK\$'000	Total HK\$'000
At 1 April 2018	—	1,068	—	1,068
Credit to profit or loss (note 12)	—	82	—	82
At 31 March 2019	—	1,150	—	1,150
Credit to profit or loss (note 12)	—	211	217	428
At 31 March 2020	—	1,361	217	1,578

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 unused tax losses of HK\$24,326,000 (2019: HK\$2,847,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of HK\$24,326,000 (2019: HK\$2,847,000) due to unpredictability of future profit streams. Included in unused tax losses of HK\$5,474,000 (2019: HK\$1,647,000) that can be carried forward for five years from the year in which the losses arose and HK\$18,852,000 (2019: HK\$1,200,000) may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26. PROVISIONS

	Provisions for reinstatement cost HK\$'000
As at 1 April 2018	225
Additions	30
As at 31 March 2019	255
Adjustment upon application of HKFRS 16 (note 3)	83
As at 1 April 2019	338
Additions	135
Reversal upon disposal of a subsidiary	(27)
Utilisation of provisions	(63)
Exchange realignment	(3)
As at 31 March 2020	380

The provisions of 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.

27. SHARE CAPITAL

The share capital as at 1 April 2018 represented the share capital of Butao Ramen.

The share capital as at 31 March 2019 and 2020 represented the share capital of the Company.

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

	Number of shares	Amount HK\$'000
Authorised:		
At 23 July 2018 (date of incorporation), 31 March 2019 and 2020	1,000,000	10
Issued and paid:		
At 23 July 2018 (date of incorporation)	1	—*
Issue of shares on 21 February 2019 (note i)	9,999	—*
Issue of shares on 15 March 2019 (note ii)	125,000,000	1,250
Capitalisation issue (note iii)	374,990,000	3,750
At 31 March 2019 and 2020	500,000,000	5,000

* less than HK\$1,000

Notes:

- (i) On 21 February 2019, 9,099 and 900 shares of the Company was allotted and issued to Brilliant Trade and Pre-IPO Investor, respectively.
- (ii) The shares of the Company have been listed on GEM of the Stock Exchange by way of public offer and placing on 15 March 2019. 125,000,000 shares of the Company of HK\$0.01 each were issued at offer price of HK\$0.7 per share.
- (iii) On 15 March 2019, 374,990,000 shares of the Company were issued through capitalisation of HK\$3,749,999 standing to the credit of share premium account of the Company.

The new shares issued during year ended 31 March 2019 rank pari passu in all aspects with existing shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

28. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

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

	As at 31 March 2019 HK\$'000
Within one year	12,625
In the second to fifth year inclusive	9,495
	22,120

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

29. CAPITAL COMMITMENT

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Capital expenditure in respect of the acquisition, installation and construction in progress of property and equipment contracted for but not provided in the consolidated financial statements	2,250	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

30. DISPOSAL OF A SUBSIDIARY

On 19 November 2019, Butao China Limited (“**Butao China**”), an indirect wholly-owned subsidiary of the Company, entered a co-operation agreement (the “**Agreement**”) with Shanghai Yingshu Asset Management Company Limited* (上海盈屬資產管理有限公司) (“**Shanghai Yingshu**”), an independent third party, pursuant to which, Butao China, as vendor agreed to sell and the Shanghai Yingshu, as purchaser, agreed to buy 100% of the equity interest in Shangmian (Shanghai) Catering Management Company Limited* (賞面(上海)餐飲管理有限公司) (“**Shangmian (Shanghai)**”) at the consideration of RMB300,000 (approximately equivalent to HK\$335,000) so as to continue the Japanese ramen business by Shangmian (Shanghai).

The disposal was completed on 15 December 2019 and the Group recognised a loss on disposal of a subsidiary of approximately HK\$449,000.

	15 December 2019 HK\$'000
Consideration received	
Cash received	335
<hr/>	
	15 December 2019 HK\$'000
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	523
Right-of-use assets	1,375
Trade and other receivables	83
Inventories	33
Bank balances and cash	315
Trade and other payables	(340)
Provisions	(27)
Tax payable	(73)
Lease liabilities	(1,432)
Net assets disposed of	457
Loss on disposal of a subsidiary:	
Consideration received	335
Net assets disposed of	(457)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(327)
Loss on disposal	(449)
Net cash inflow arising from disposal	
Cash consideration	335
Less: bank balances and cash disposal of	(315)
	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

31. RETIREMENT BENEFITS SCHEMES

The Group operates MPF Scheme for all qualified employees in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum mandatory contribution per employee is 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 2020, the retirement benefit schemes contribution arising from the MPF Scheme charged to profit or loss is HK\$1,203,000 (2019: HK\$1,210,000).

The eligible employees of the Company's subsidiaries in PRC are members of pension schemes operated by local government of the PRC (the "**PRC Scheme**"). The subsidiaries 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 year ended 31 March 2020, the retirement benefit schemes attribution to the PRC Scheme charged to profit or loss is HK\$537,000 (2019: HK\$713,000).

At 31 March 2020 and 2019, there were 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.

32. 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 borrowings (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Financial assets		
Amortised cost	46,850	87,104
Financial liabilities		
Amortised cost	9,317	16,975
Lease liabilities	27,664	—

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade and other receivables, deposits, bank balances and cash, trade and other payables and accruals, bank borrowings and lease liabilities as at 31 March 2020 and 2019. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

INTEREST RATE RISK

The Group is exposed to fair value interest rate risk which arise from lease liabilities (note 24). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 21) and bank borrowings (note 23) as at 31 March 2020 and 2019. The management of the Group considers the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on Hong Kong Dollar Best Lending Rate quoted by a bank in Hong Kong arising from the Group's bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

INTEREST RATE RISK (CONTINUED)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year and 100 basis points (2019: 100 basis points) increase or decrease are used. The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates have been 100 basis points (2019: 100 basis points) higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2020 would increase/decrease by HK\$22,000 (2019: post-tax loss would increase/decrease by HK\$28,000).

CREDIT RISK AND IMPAIRMENT ASSESSMENT

As the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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.

In view of the business nature, the management of the Group considers that the credit risks of trade receivables are insignificant after considering the credit quality and financial ability of the relevant financial institutions, the franchisees and the licensee and there is no history of default in settlement by them or recurring overdue records of these debtors with satisfactory settlement history. In the opinion of the management of the Group, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant and thus no impairment loss allowance was recognised. As at 31 March 2020, the gross carrying amount of trade receivables is HK\$543,000 (2019: HK\$1,015,000). During the year ended 31 March 2020, no impairment allowance was provided for trade receivables as the amount is insignificant.

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33. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

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 2020, the gross carrying amount of other receivables and deposits is HK\$8,574,000 (2019: HK\$1,554,000). During the year ended 31 March 2020, no impairment allowance was provided for other receivables and deposits as the amount is insignificant.

Bank balances

The credit risk on liquid funds are limited as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies. The Group has balances with three banks, in which the latest available ratings are A1, Aa2 and Aa3 as at 31 March 2020 according to Moody's Rating Scaling. There has been no history of default in relation to these banks and thus the risk of default is regard as low. No loss allowance provision for bank balances was recognised upon application of HKFRS 9 and during the year ended 31 March 2020 (2019: nil) as the amount is insignificant. As at 31 March 2020, the gross carrying amount of bank balances is HK\$37,533,000 (2019: HK\$83,740,000).

LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

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. Specially, bank borrowings 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 3 months HK\$'000	3 months- 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
As at 31 March 2020								
Non-derivative financial liabilities								
Trade and other payables and accruals	N/A	–	6,679	–	–	–	6,679	6,679
Bank borrowings	4.5	2,638	–	–	–	–	2,638	2,638
		2,638	6,679	–	–	–	9,317	9,317
Lease liabilities	4.28	–	4,288	11,860	7,964	5,036	29,148	27,664
As at 31 March 2019								
Non-derivative financial liabilities								
Trade and other payables and accruals	N/A	–	13,580	–	–	–	13,580	13,580
Bank borrowings	4.5	3,395	–	–	–	–	3,395	3,395
		3,395	13,580	–	–	–	16,975	16,975

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amount of these bank borrowings is HK\$2,638,000 (2019: HK\$3,395,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

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33. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

For the purpose of managing liquidity risk, the management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings 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 borrowings with a repayable on demand clause						
As at 31 March 2020	4.5	896	895	1,045	2,836	2,638
As at 31 March 2019	4.5	895	895	1,939	3,729	3,395

FAIR VALUE

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values.

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For the year ended 31 March 2020

34. 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.

	Accrued shares issuance costs HK\$'000	Amount due to a related party HK\$'000	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2018	—	3,418	2,321	—	5,739
Financing cash flows (note)	(17,854)	(3,418)	903	—	(20,369)
Issued cost accrued	17,854	—	—	—	17,854
Finance costs recognised	—	—	171	—	171
At 31 March 2019	—	—	3,395	—	3,395
Adjustment upon adoption of HKFRS 16 (note 3)	—	—	—	18,734	18,734
At 1 April 2019	—	—	3,395	18,734	22,129
Financing cash flows (note)	—	—	(897)	(16,652)	(17,549)
Finance costs recognised	—	—	140	1,241	1,381
Net cash used in financing cash flows	—	—	(757)	(15,411)	(16,168)
New lease entered or modified	—	—	—	27,682	27,682
Termination of leases	—	—	—	(1,429)	(1,429)
Disposal of a subsidiary	—	—	—	(1,432)	(1,432)
Exchange realignment	—	—	—	(480)	(480)
At 31 March 2020	—	—	2,638	27,664	30,302

Note: The financing cash flow are in relation to payments for amount due to a related party, bank borrowings, lease liabilities, shares issuance cost and finance costs.

35. RELATED PARTY TRANSACTIONS

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

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Short-term benefits	6,371	2,510
Post-employment benefits	115	68
	6,486	2,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 21 February 2019 ("**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 500,000,000 shares in issue. 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 options 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 2020 and 2019, 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 2020

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 March 2020 HK\$'000	As at 31 March 2019 HK\$'000
Non-current asset		
Investment in a subsidiary	—*	—*
Current assets		
Amounts due from subsidiaries	2,331	—
Other receivables and prepayments	183	75
Bank balances	30,647	70,992
	33,161	71,067
Current liabilities		
Other payables and accruals	30	6,257
Amounts due to subsidiaries	10,823	18,750
	10,853	25,007
Net assets	22,308	46,060
Capital and reserves		
Share capital	5,000	5,000
Reserves	17,308	41,060
	22,308	46,060

* less than HK\$1,000

MOVEMENT IN THE RESERVES OF THE COMPANY

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 23 July 2018 (date of incorporation)	—	—	—
Issue of shares	86,250	—	86,250
Capitalisation issue	(3,750)	—	(3,750)
Transaction costs attributable to issue of shares	(17,854)	—	(17,854)
Loss for the period	—	(23,586)	(23,586)
At 31 March 2019	64,646	(23,586)	41,060
Loss for the year	—	(23,752)	(23,752)
At 31 March 2020	64,646	(47,338)	17,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. 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/ establishment	Place of operation	Issued and full paid share capital/ registered capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2020 %	2019 %	
Directly held						
Butao Global	BVI	Hong Kong	USD10,000	100	100	Investment holding
Indirectly held						
Butao Ramen	Hong Kong	Hong Kong	HK\$8,720	100	100	Investment holding
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 (2018: HK\$500,000)	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 (China) Limited	Hong Kong	Hong Kong	HK\$100	100	100	Investment holding
Butao International Limited	Hong Kong	Hong Kong	HK\$100	100	100	Japanese ramen restaurant operations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and full paid share capital/ registered capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2020 %	2019 %	
Indirectly held						
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	Japanese ramen restaurant operations
Butao (TKO) Limited	Hong Kong	Hong Kong	HK\$10,000	100	—	Japanese ramen restaurant operations
賞面(上海)餐飲管理有限公司 (note i)	The PRC	The PRC	RMB2,000,000	— (note ii)	100	Japanese ramen restaurant operations
廣州嘗面餐飲管理有限公司 (note i)	The PRC	The PRC	RMB2,000,000	100	100	Japanese ramen restaurant operations
深圳嘗面餐飲管理有限公司 (note i)	The PRC	The PRC	RMB1,503,000	100	100	Japanese ramen restaurant operations

Note i: these subsidiaries are registered as wholly foreign owned enterprises under the law of the PRC.

Note ii: details of the disposal of the subsidiary are set out in note 30.

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

None of the subsidiaries had issued any debt securities at the end of year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

39. EVENT AFTER THE REPORTING PERIOD

Following the outbreak of the coronavirus disease 2019 (“**COVID-19**”) since the late of year 2019, a series of precautionary and control measures have been and continued to be implemented over the world, among which mostly related to the Group’s operation, including maintaining social distancing, restrictions on number of group gathering at catering business, controls over tourists and the emphasis of hygiene requirements.

Subsequent to 31 March 2020 and up to now, the Group’s restaurants operation have gradually resumed as the situation in areas whereby the Group operates gradually improve. However, the pandemic had caused certain level of disruption to the Group’s restaurants operation and business development plan, which adversely affects the Group’s business, operation and financial performance. The Group has been actively implementing various measures including actively communicate with landlords for rental concessions, arrangement of leave for employees, closed down certain restaurants for a temporary period and closely monitoring the market situation and timely adjusting the business strategies in view of the development of the pandemic. Up to the date of this report authorised for issue, the Group keep an eye on monitoring the impacts of the COVID-19 outbreak on the Group’s ongoing performance and is currently unable to estimate the quantitative impacts to the Group.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March			
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	81,075	108,673	99,637	83,832
Cost of inventories	(18,229)	(22,586)	(21,198)	(17,660)
Other income	881	123	10	11
Other gains and losses	311	(12)	14	(135)
Staff costs	(34,019)	(31,326)	(27,174)	(26,439)
Rental and related expenses	(5,778)	(19,804)	(16,578)	(13,671)
Depreciation and amortisation	(24,530)	(6,059)	(6,231)	(4,808)
Other expenses	(22,009)	(14,139)	(12,967)	(13,230)
Impairment losses	(32,488)	—	—	—
Loss on disposal of a subsidiary	(449)	—	—	—
Listing expenses	—	(23,500)	—	—
Finance costs	(1,381)	(171)	(159)	(207)
(Loss) profit before taxation	(56,616)	(8,801)	15,354	7,693
Taxation	180	(2,472)	(2,382)	(1,459)
(Loss) profit for the year	(56,436)	(11,273)	12,972	6,234
(Loss) profit for the year attributable to:				
Owners of the Company	(56,436)	(12,261)	12,972	6,234
Non-controlling interests	—	988	—	—
	(56,436)	(11,273)	12,972	6,234

ASSETS AND LIABILITIES

	As at 31 March			
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	72,217	110,995	42,354	36,699
Total liabilities	37,391	19,828	15,308	12,085
Total equity	34,826	91,167	27,046	24,614