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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8371)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

The board of directors (the “**Board**”) of the Taste • Gourmet Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 31 December 2018 (the “**Third Quarterly Results**”). This announcement contains full text of the third quarterly report of the Group for the nine months ended 31 December 2018 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Third Quarterly Results have been reviewed by the Board and the audit committee of the Company.

This results announcement is published on the websites of the Company at www.tastegourmet.com.hk and the Stock Exchange at www.hkexnews.hk and www.hkgem.com. The third quarterly report of the Company for the nine months ended 31 December 2018 will be delivered to the shareholders of the Company and will be available at the abovementioned websites in due course.

By Order of the Board
WONG Ngai Shan
Chairman and Executive Director

Hong Kong, 13 February 2019

As at the date of this announcement, the Board comprises:

Executive Directors:
WONG Ngai Shan (*Chairman*)
CHAN Wai Chun (*Chief Executive Officer*)

Independent Non-executive Directors:
CHAN Yuen Ting
TSANG Siu Chun
WANG Chin Mong

This Announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Announcement misleading

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s websites at www.hkexnews.hk and www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at www.tastegourmet.com.hk.



TASTE · GOURMET
GROUP LIMITED

嗜 · 高美集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8371

2018/19 **3rd** QUARTERLY
REPORT





TASTE • GOURMET
GROUP LIMITED
嚐·高美集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 8371)

CHARACTERISTICS OF “GEM” OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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*This Report, for which the directors (the “**Directors**”) of Taste • Gourmet Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 herein or this Report misleading.*

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 31 December 2018.

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the nine months ended 31 December 2018

	NOTES	Three months ended		Nine months ended	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	2	82,844	57,826	220,385	157,647
Other income		136	34	173	475
Other gains or losses, net		217	(335)	217	(335)
Fair value gain on financial asset at fair value through profit and loss		12	–	35	–
Raw materials and consumables used		(23,137)	(16,320)	(62,061)	(43,396)
Staff costs		(25,037)	(17,606)	(67,384)	(48,942)
Depreciation		(2,266)	(1,621)	(6,428)	(4,466)
Property rental and related expenses		(15,911)	(10,046)	(42,329)	(27,191)
Utilities and cleaning expenses		(2,639)	(1,992)	(7,549)	(5,785)
Other expenses		(4,846)	(2,893)	(13,114)	(7,892)
Share of loss of a joint venture		(587)	–	(611)	–
Listing expenses		–	(7,787)	–	(15,905)
Finance costs		(30)	(161)	(97)	(430)
Profit before taxation		8,756	(901)	21,237	3,780
Income tax expense	3	(1,325)	(1,341)	(3,591)	(3,373)
Profit and total comprehensive income for the period		7,431	(2,242)	17,646	407
Profit and total comprehensive income for the period attributable to					
– Owners of the Company		7,431	(2,242)	17,646	(1,156)
– Non-controlling interests		–	–	–	1,563
		7,431	(2,242)	17,646	407
Earnings per share					
– Basic (HK cents)	5	1.9	(0.7)	4.5	(0.4)

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2018

	Attributable to Owners of the Company							Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000			
At 31 March 2018 (audited)	40,000	43,908	(300)	313	-	-	19,933	103,854	-	103,854
Adjustment (Note 1)	-	-	-	-	-	-	(48)	(48)	-	(48)
At 1 April 2018 (restated)	40,000	43,908	(300)	313	-	-	19,885	103,806	-	103,806
Profit and total comprehensive income for the period	-	-	-	-	-	-	17,646	17,646	-	17,646
Share repurchased and cancelled	(647)	(4,131)	-	-	-	647	(647)	(4,778)	-	(4,778)
Recognition of equity settled share-based payment	-	-	-	-	155	-	-	155	-	155
Dividend recognised as distribution	-	(14,561)	-	-	-	-	-	(14,561)	-	(14,561)
At 31 December 2018 (unaudited)	39,353	25,216	(300)	313	155	647	36,884	102,268	-	102,268

	Attributable to Owners of the Company							Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000			
At 1 April 2017 (audited)	-	-	-	313	-	-	11,899	12,212	5,263	17,475
Profit and total comprehensive income for the period	-	-	-	-	-	-	(1,156)	(1,156)	1,563	407
Issue of new shares by the Company and acquisition of non-controlling interests pursuant to Group reorganisation	300	-	(300)	-	-	-	6,826	6,826	(6,826)	-
At 31 December 2017 (unaudited)	300	-	(300)	313	-	-	17,569	17,882	-	17,882

Notes:

- i. The special reserve represents the differences between the nominal amount of the share capital issued by the Company pursuant to the Group Reorganisation and the issued share capital of BVHK Limited when the Company became the holding company of the Group upon completion of the group reorganisation on 23 June 2017.
- ii. Other reserve represents the aggregate amount of:
 - (1) the differences between the considerations received and the proportionate share of the carrying amount of the net assets attributable to the relevant interest upon the deemed disposal of partial interest in subsidiaries during the year ended 31 March 2016; and
 - (2) the difference between the consideration paid and the proportionate share of the carrying amount of the net assets attributable to the relevant interests upon the deemed acquisition of additional interest in a subsidiary during the year ended 31 March 2017.

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2018

1. General Information, Basis of Preparation and Accounting Policies

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Cayman Companies Law on 26 May 2017, and changed its name from Taste Gourmet Group Limited to Taste • Gourmet Group Limited on 14 July 2017. The address of the registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and the principal activities of its subsidiaries are operating restaurants in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company and its subsidiaries.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (HKFRS(s)) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2018.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 have been prepared on the historical cost basis.

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurements of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 28	As part of Annual Improvements to HKFRS 2014–2016 Cycle
Amendments to HKFRS 40	Transfer of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amount reported and/or disclosures. For details of changes in each of the above new and amendments to HKFRSs, please refer to the interim report of the Company dated 14 November 2018 (the "**Interim Report 2018**").

2. Revenue

Revenue represents amounts received and receivable from restaurant operations, net of discounts, during the period.

3. Taxation

Taxation represents Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profit for the relevant periods.

4. Dividends

The Board has resolved and paid an interim dividend of HK\$0.015 per ordinary share of the Company (the "**Shares**") for the six months ended 30 September 2018 (2017: Nil). The Board has resolved not to recommend the payment of an interim dividend for the three months ended 31 December 2018.

5. Earnings per Share

The basic earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares for the relevant periods on the assumption that the Group's reorganisation and capitalisation issue of the Shares had been effective on 1 April 2015.

	Three months ended		Nine months ended	
	31.12.2018 (unaudited)	31.12.2017 (unaudited)	31.12.2018 (unaudited)	31.12.2017 (unaudited)
Earnings				
Earnings (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) and diluted earnings per Share (HK\$'000)	7,431	(2,242)	17,646	(1,156)
Number of ordinary Shares				
Weighted average number of ordinary shares for the purpose of basic earnings per Share ('000)	393,528	245,089	395,585	245,089

The computation of diluted earnings per share for the nine months ended 31 December 2018 does not assume the exercise of share options granted by the Company, since the exercise price was higher than the average market price of the Shares for the nine months ended 31 December 2018.

Business Review

During the nine months ended 31 December 2018, the Group (i) opened Nabe Urawa Restaurant at the Uptown Plaza in Tai Po ("**Uptown Nabe Urawa**") in April 2018; (ii) acquired a dessert restaurant, Sweetology which was completed on 1 April 2018; (iii) opened the Dab-Pa Jing Chuan Hu at the Metroplaza in Kwai Fong ("**Metroplaza Dab-Pa**") in July 2018; and (iv) opened our first Japanese ramen restaurant under our own brand, Rakuraku Ramen in Lee Tung Avenue in Wanchai ("**Wanchai Rakuraku**").

The Fiat Caffé ("**TFC**") was closed down at the end of August but has since reopened in October as Madam Saigon, a modern Vietnamese Restaurant. Madam Saigon, together with The Pho are both 50% owned by the Group and 50% owned by the Lubuds Food and Beverage Group (the "**Lubuds Group**"), details of which is discussed under the heading "Long Sea Limited" below.

During the period, we also entered into an agreement to acquire three restaurants from an independent third party (the "**Parkview Acquisition**") operated under the brand "Parkview" (the "**Parkview Restaurants**"), details of the acquisition are discussed under the heading "The Parkview Acquisition" below. The Parkview Acquisition was completed on 31 October 2018.

The number of restaurants as at 31 March 2018, 31 December 2018 and as at the date of this Report are as follows:

Restaurant	31 March 2018	31 December 2018	Date of this Report
La'taste	5	5	5
Nabe Urawa	3	4	4
Dab-Pa	2	3	3
Parkview	–	3	3
Say Cheese Kiosk	2	2	2
Fiat Caffé	1	–	–
Say Cheese	1	1	1
Sweetology	–	1	1
Urawa	1	1	1
Rakuraku Ramen	–	1	1
Madam Saigon*	–	1	1
The Pho*	–	1	1
Total	15	23	23

* 50% owned by the Group.

Confirmed leases for the opening of new restaurants are as follows:

Restaurant	Location	Mall Operator	Lease Expiry Date	Option to Renew (Yrs)	Expected Commencement Date	Seats	Site Area (Sq M)
Nabe Urawa	Park Central, TKO	Sun Hung Kai	31/08/2022	2	Q1 2019	140	306.58
Dab-pa	Citygate, Tung Chung	Swire Group	31/09/2023	None	Q2 2019	120	236.90
Rakuraku Ramen	MegaBox, Kowloon Bay	Kerry Group	28/02/2023	None	Q2 2019	60	98.94
Rakuraku Ramen	Kornhill Plaza	Hang Lung	23/04/2022	2	Q2 2019	40	96.60
Nabe Urawa	Nina Tower II	Chinachem	TBC (6 Years)	None	Q3 2019	120	250.80

The expected commencement date of the Nabe Urawa restaurant at the Park Central in Tseung Kwan O (“TKO”) was disclosed in our Interim Report 2018 to open during the second quarter of 2019, however we are pleased to report that renovation is underway and it is expected to commence business during March 2019.

As for the Dab-pa restaurant at the Citygate in Tung Chung which was previously disclosed in the Interim Report 2018 to open in the first quarter of 2019, due to the continued delay in the construction of the property at the Citygate, we do not expect the hand-over of the site until the second quarter of 2019.

Long Sea Limited

On 31 August 2018, we subscribed shares (the “**Subscription**”) equivalent to 50% equity interest in the enlarged share capital of Long Sea Limited (“**Long Sea**”), an independent third party. The remaining 50% equity interest in Long Sea is owned by the Lubuds Group, also an independent third party. The consideration for the Subscription was HK\$1,202,907, of which HK\$1,149,121 was settled using the assets (the “**Fiat Caffé Assets**”) of TFC, which is the same as the net book value of the Fiat Caffé Assets as at 31 August 2018 (the “**TFC Disposal**”) and HK\$53,786 in cash. On the same day, TFC ceased operations but has since reopened as Madam Saigon in October 2018, a modern Vietnamese Cuisine at the same location at the Mira Place in Tsim Sha Tsui.

In addition to Madam Saigon, Long Sea own and operate “The Pho”, a Vietnamese food kiosk situated in the food court in Hysan Place, Causeway Bay. Long Sea is a jointly controlled entity with one board representation each from the Company and the Lubuds Group and is equity accounted for in the accounts of the Company.

For details of the Subscription, please refer to the announcement issued by the Company dated 7 September 2018.

The Parkview Acquisition

On 26 September 2018, we entered into an agreement with an independent third party to acquire three of their restaurants under the “Parkview” brand for a total consideration of HK\$5,500,000. The Parkview Restaurants are situated at the Metroplaza in Kwai Fong, New Town Plaza in Shatin and the PopWalk in TKO (the “**TKO Parkview**”). The Parkview Acquisition was completed on 31 October 2018 and we have been granted a perpetual, unlimited and unrestricted licence to use the “Parkview” brand. For details of the Parkview Acquisition, please refer to the announcement issued by the Company dated 26 September 2018. In addition to the total consideration, we were required to provide rental and management fee deposits to the landlords upon the signing of the novation agreements which amount to approximately HK\$3,000,000. Therefore, total commitment for the Parkview Acquisition amounted to approximately HK\$8,500,000.

Licensing of a Japanese Ramen Brand

On 13 July 2018, we entered into a licensing agreement (the “**Licensing Agreement**”) with an independent third party from Japan (the “**Licensor**”) to license the rights to the exclusive and unlimited usage for all countries outside of Japan of a Japanese ramen brand “多賀野” or “Takano” (the “**License**”).

We are currently looking for a suitable location to open our first “多賀野” ramen restaurant.

For details of the licensing agreement, please refer to the announcement issued by the Company dated 23 July 2018.

United Mind Limited

On 24 January 2019, we entered into an agreement to subscribed for shares (the “**UML Subscription**”) in a newly Hong Kong incorporated company, United Mind Limited (the “**UML**”) equivalent to 40% equity interest in the share capital of UML. The remaining 60% equity interest in UML is owned by HN Spicy Hot Restaurant Management Limited (湖南軒湘味坊餐飲管理有限公司), an independent third party of which 30% is owned by Hunan Sunshine International Limited (三湘國際有限公司) which is a subsidiary of Hunan Sunshine Holdings Limited (三湘集團有限公司), a Hunan Provincial Government sanctioned company incorporated in Hong Kong in 1985. The consideration for the UML Subscription was HK\$4,000. UML will take-over the TKO Parkview and will be converted into a Hunan Provincial cuisine restaurant under a new brand “Xiang Hui” or “湘薈”. A new lease will commence on 1 March 2019. The funding of renovation costs and the deposits for the new lease and working capital will be through shareholders’ loan proportionate to our shareholding in UML (the “**UML SH Loans**”). Our portion of the UML SH Loan amounts to approximately HK\$800,000. For details of the UML Subscription, please refer to the announcement issued by the Company dated 25 January 2019.

Significant Investments, Material Acquisitions or Disposals

Other than the Subscription, the TFC Disposal, the Parkview Acquisition and the Licensing Agreement, there were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the nine months ended 31 December 2018.

Restaurant Operations

During the nine months ended 31 December 2018, a total of 1,523,300 customers patronized our restaurants (excluding Madam Saigon and The Pho as they are equity accounted for in the consolidated financial statements of the Group), an increase of 501,726 customers or 49.1% when compared to the same period in 2017. The average spending per customer decreased from HK\$154.3 to HK\$144.7 for the nine months ended 31 December 2018 compared to the same period in 2017 but if the kiosks and the dessert business are excluded, the average spending per customer increased to HK\$161.3 from HK\$154.7 when compared to the same period in 2017. The average spending per order for our kiosks was HK\$38.6 and the average spending per customer for our dessert business was HK\$52.4. The key operating information by cuisine are summarized as follows:

	Nine Months Ended 31 December											
	2018						2017					
	Revenue HK\$'000	Number of Seats	Average Daily Sales HK\$	Number of Customers	Average Spending per Customer HK\$	Daily Seating Turnover Rate	Revenue HK\$'000	Number of Seats	Average Daily Sales HK\$	Number of Customers	Average Spending per Customer HK\$	Daily Seating Turnover Rate
Vietnamese	50,827	494	184,825	492,188	103.3	3.6	53,299	494	194,644	505,004	105.5	3.7
Japanese	94,735	660	370,262	390,186	242.8	2.3	67,502	533	287,965	287,785	234.6	2.3
Chinese	45,551	336	195,881	272,163	167.4	3.5	28,289	168	102,870	172,742	163.8	3.7
Western	19,071	519	208,775	148,657	128.3	3.1	8,393	173	52,763	52,565	159.7	1.9
	210,184	2,009	959,743	1,303,194	161.3	3.0	157,483	1,368	638,242	1,018,096	154.7	3.0
Dessert	6,455	31	23,473	123,102	52.4	14.4	-	-	-	-	-	-
Kiosks	3,746	16	13,623	97,004	38.6	22.0	164	16	12,663	3,478	47.2	16.8
	220,385	2,056	996,839	1,523,300	144.7	3.4	157,647	1,384	650,906	1,021,574	154.3	3.0

We strive to uphold our core values of "Food Quality and Customer Satisfaction" through providing to our diversified customer base a pleasant experience with quality dishes and attentive services at affordable price. We believe our multi-brand strategy enables us to capture a diversified group of customers with different taste and allow us to benefit from a wide source of revenue. Given the dynamic market and changing taste of customers in general, we endeavour to maintain a diversified portfolio of brands in order to maintain our competitiveness towards our customers.

Share Repurchase

From 19 June 2018 to 6 July 2018, we purchased from the market a total of 6,472,000 Shares which were subsequently cancelled on 2 August 2018. We believe that the current trading price of the Shares does not reflect the intrinsic value and that the share repurchase reflects the Company's confidence in its long-term business prospects and would ultimately benefit the Company and create value for Shareholders.

Grant of Share Options

On 29 June 2018, a total of 2,810,000 share options were granted to eligible employees of the Company to subscribe for 2,810,000 Shares at an exercise price of HK\$0.92 per Share (the "**Share Options**"). The Share Options granted represent approximately 0.70% of the total issued capital of the Company as at date of the grant. No Share Options were granted to any of the Directors. For details of the grant of Share Options, please refer to the announcement issued by the Company dated 29 June 2018.

Change in the Use of Proceeds

On 26 September 2018, the Board resolved to change the use of proceeds for from the share offer of the Company dated 29 December 2017 (the "**Share Offer**") to fund the Total Commitment of the Parkview Acquisition. Project number 5 under the "Business" section on page 95 of the prospectus of the Share Offer (the "**Prospectus**") was allocated HK\$13.0 million for the opening of a La'taste Vietnamese Restaurant in the third quarter of 2018 (the "**Project**"). The Project was conducted through an open tender to lease a location at a food court and with our initial tender not being successful, the Board has decided not to submit another tender, therefore HK\$8.5 million of which will be reallocated to fund the Parkview Acquisition (the "**Reallocation**") with the remaining HK\$4.5 million to be allocated to the opening of the Rakuraku Ramen Restaurants.

The net proceeds from the Shares Offer after deducting underwriting fees, commissions and other expenses in connection with the Listing (the “**Net Proceeds**”) amounted to approximately HK\$66.8 million. After the Reallocation, the Net Proceeds will be applied in the following manner:

- Approximately HK\$37.0 million, representing approximately 55.3% of the Net Proceeds will be used for the setup of new restaurants;
- Approximately HK\$8.5 million, representing approximately 12.7% of the Net Proceeds will be used for the Parkview Acquisition;
- Approximately HK\$8.0 million, representing approximately 12.0% of the Net Proceeds will be used for upgrading our existing restaurants by way of renovation and refurbishment;
- Approximately HK\$0.3 million, representing approximately 0.5% of the Net Proceeds will be used for upgrading our information technology system;
- Approximately HK\$6.7 million, representing approximately 10.0% of the Net Proceeds will be used for repayment of bank loans; and
- Approximately HK\$6.3 million, representing approximately 9.5% of the Net Proceeds will be used for working capital and general corporate purposes.

Financial Review

Revenue

For the nine months ended 31 December 2018, the Group recorded revenue of approximately HK\$220,385,000, representing an increase of 39.8% when compared to the same period in 2017.

We derive our revenue from the sales of food and beverages at our restaurants in Hong Kong. The following tables sets forth the breakdown of our revenue by cuisine and the number of restaurants in operations by cuisine during the relevant periods.

	Nine months ended				Changes
	31.12.2018		31.12.2017		
	HK\$'000 (unaudited)	% of Revenue	HK\$'000 (unaudited)	% of Revenue	
Vietnamese	50,827	23.1%	53,299	33.8%	-4.6%
Japanese	94,735	43.0%	67,502	42.8%	40.3%
Chinese	45,551	20.7%	28,289	17.9%	61.0%
Western	19,071	8.7%	8,393	5.3%	127.2%
Dessert	6,455	2.9%	–	0.0%	100.0%
Kiosks	3,746	1.7%	164	0.1%	100.0%
Total revenue	220,385	100.0%	157,647	100.0%	39.8%

The increase in revenue is attributable to the opening of: (i) Uptown Nabe Urawa; (ii) Nabe Urawa restaurant in Hysan Place in Causeway Bay in September 2017; (iii) Say Cheese restaurant in Park Central in TKO in November 2017; (iv) two Say Cheese Kiosks in Olympian City, West Kowloon and in Metroplaza, Kwai Fong in December 2017; (v) Metroplaza Dab-Pa in July 2018; (vi) Wanchai Rakuraku in November 2018; (vii) the acquisition of Sweetology in Metroplaza, Kwai Fong in April 2018; (viii) the acquisition of the Parkview Restaurants in November 2018; and (ix) the overall increase from existing restaurants as at the nine months ended 31 December 2018 ("**Existing Shops**") amounted to HK\$922,000 or 0.6% when compared to the nine months ended 31 December 2017. However, the increase was partially off-set by decrease in revenue due to the closure of TFC on 31 August 2018.

Major Cost Components

	Nine months ended				Changes
	31.12.2018		31.12.2017		
	HK\$'000 (unaudited)	% of Revenue	HK\$'000 (unaudited)	% of Revenue	
Raw materials and consumables used	62,061	28.2%	43,396	27.5%	43.0%
Staff costs	67,384	30.6%	48,942	31.0%	37.7%
Depreciation and Amortisation	6,428	2.9%	4,466	2.8%	43.9%
Property rental and related expenses	42,329	19.2%	27,191	17.2%	55.7%
Utilities and cleaning expenses	7,549	3.4%	5,785	3.7%	30.5%
Other expenses	13,114	6.0%	7,892	5.0%	66.2%

Raw materials and consumables used, staff costs, depreciation and amortisation, property rentals and related expenses and utilities and cleaning expenses have recorded increases of 43.0%, 37.7%, 44.9%, 55.7% and 30.5%, respectively when compared to the same period in 2017. The reason for such increases are the same as for revenue increase discussed above. As a percentage of revenue, depreciation and utilities and cleaning expenses are stable during the two periods.

Raw materials and consumables used increased from 27.5% to 28.2% is primarily due to: (i) the initially purchases for the opening of Uptown Nabe Urawa, Sweetology, Metroplaza Dab-Pa, the Parkview Restaurants and Wanchai Rakuraku; (ii) the higher food costs as a percentage of revenue for our Uptown Nabe Urawa as it is an all-you-can eat Japanese Shabu Shabu concept.

As a percentage of revenue, staff costs continued to improve with a decrease of 0.1 percentage point when compared to the same period in 2017. The reason for the decrease is primarily due to the number of staffs required for our Nabe Urawa restaurants and Say Cheese outlets are less compared to our other restaurant operations. With the increasing difficulty in hiring operational staff, the shift in operations that require fewer staff is essential in controlling staff costs as well as relieving pressure on our operational staff.

Property rental and related expenses increased from 17.2% to 19.2% as a percentage of revenue primarily due to; (i) rental increases for some of our Existing Shops; and (ii) the amortization of deferred rent to the income statement without having any corresponding revenue during the rent-free periods prior to the commencement of operations of our new restaurants. The biggest impact was the rental charges of our Dab-pa Jing Chuan Hu restaurant with deferred rent, management fees and rates of approximately HK\$838,000 charged to the income statement without having a corresponding revenue to cover such costs prior to its opening.

Other expenses

Other expenses include items such as advertising expenses, credit card charges, delivery fees, entertainment expenses, insurance, printing and stationery, medical expenses and repairs and maintenance. Other expenses amounted to approximately HK\$13,114,000, representing an increase of approximately 66.2% when compared to the same period in 2017. As a percentage of revenue, other expenses accounted for 6.0% of revenue for the nine months ended 31 December 2018, a sizable increase compared to the 5.0% recorded during the same period in 2017. The increase was primarily due to additional provision made for audit fees and a general increase in expenses such as credit card charges, repairs and maintenance, medical expenses and printing and stationery expenses as more restaurants were in operations during the period.

Share of Results of a Jointly Controlled Company

Long Sea became a jointly controlled company on 1 September 2018 which operates The Pho and Madam Saigon. Madam Saigon underwent renovation and did not open until October 2018. Share of results of Long Sea amounted to a loss of approximately HK\$611,000 during the period from 1 September 2018 to 31 December 2018.

Net Profit and Profit Attributable to Owners of the Company

For the nine months ended 31 December 2018, net profit amounted to approximately HK\$17,646,000, an increase of approximately HK\$17,239,000 from approximately HK\$407,000 recorded during the same period in 2017. However, adjusted for the impact of listing expenses incurred during the nine months ended 31 December 2017 of approximately HK\$15,905,000, the adjusted net profit amounted to approximately HK\$16,312,000 for the nine months ended 31 December 2017. Compared with the adjusted net profit, net profit for the nine months ended 31 December 2018 increased by approximately HK\$1,334,000 or 8.2%.

Profit attributable to owners of the Company is the same as the net profit amount as there is no non-controlling interests in our subsidiaries during the nine months ended 31 December 2018, which represents an increase of approximately HK\$18,802,000 when compared to the same period in 2017. However, profit attributable to owners of the Company adjusted for the impact of the listing expenses was approximately HK\$14,749,000 for the nine months ended 31 December 2017, therefore representing an increase of approximately 19.6% during the nine months ended 31 December 2018. The main reason for the increase was due to the decrease in the non-controlling interests of the subsidiaries during June 2017.

Financial Resources and Position

As at 31 December 2018, total borrowings amounted to approximately HK\$3.6 million, representing a decrease of 78.9% compared to the same period in 2017. Our bank borrowing carry variable-rate at Hong Kong Dollar Best Lending Rate less 2.2% per annum. The bank borrowing is secured by the corporate guarantee of the Company.

As at 31 December 2018, obligations under finance leases amounted to approximately HK\$0.2 million which are secured by two motor vehicles of the Company with a net book value of approximately HK\$0.5 million.

Cash and cash equivalents amounted to HK\$72.4 million as at 31 December 2018 which are mostly denominated in Hong Kong Dollars. As the Group's businesses are conducted in Hong Kong, therefore the Group does not expect to be exposed to any material foreign exchange risks.

As at 31 December 2018, the Group had a current ratio of 2.6 times and net cash position (net debt divided by equity attributable to owners of the Company plus net debt).

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2018.

Capital Commitments

The Group had no material capital commitments as at 31 December 2018.

Future Prospects

In addition to the leases committed so far, there are ample opportunities in the Hong Kong food and beverage sector for premium shopping mall locations. We now operate 23 outlets compared to 15 outlets as at 31 March 2018, representing a 53.3% increase. In addition, we have committed four new leases thus far and we will continue to discuss with shopping mall landlords for new potential locations.

With value-for-money being our core philosophy, we believe our customers will feel that they are getting their money's worth of quality food as well as high standard of services, thus providing a platform for our sustainable growth.

Other Information

Directors' and Chief Executive's Interests and Short positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 December 2018, the interests and short positions of the Directors and chief executive 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 the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were 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 are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long Positions in Shares

Name of Directors	Capacity/Nature of interest	Number of Shares Held	Approximate Percentage of Shareholding
Mr. Wong Ngai Shan ("Mr. Wong")	Interest in controlled corporation and interest of spouse	259,002,000	65.815%
Ms. Chan Wai Chun ("Ms. Chan")	Interest in controlled corporation and interest of spouse	259,002,000	65.815%

Notes:

- IKEAB limited is owned by Mr. Wong as to 70% and Ms. Chan as to 30%. As such Mr. Wong and Ms. Chan are deemed to be interested in the Shares owned by IKEAB Limited by virtue of the SFO.
- Elite China Enterprise Limited ("Elite China") is owned by Mr. Wong as to 50% and Ms. Chan as to 50%. As such Mr. Wong and Ms. Chan are deemed to be interested in 8,684,000 Shares held by Elite China as at 31 December 2018 by virtue of the SFO.
- Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

Interests and Short Position of Substantial Shareholders' and Other Person in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2018, the interests and short positions of substantial shareholders and other persons (other than a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions in Shares

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares Held	Approximate Percentage of Shareholding
Mr. Wong	Interest in controlled corporation and interest of spouse	259,002,000	65.815%
Ms. Chan	Interest in controlled corporation and interest of spouse	259,002,000	65.815%
IKEAB Limited	Beneficial owner	250,318,000	63.609%
Mr. Chua Sai Men	Beneficial owner	24,320,000	6.180%

Notes:

1. IKEAB Limited is owned by Mr. Wong as to 70% and Ms. Chan as to 30%. As such Mr. Wong and Ms. Chan are deemed to be interested in the Shares owned by IKEAB Limited by virtue of the SFO.
2. Elite China is owned by Mr. Wong as to 50% and Ms. Chan as to 50%. As such Mr. Wong and Ms. Chan are deemed to be interested in 8,684,000 Shares held by Elite China as at 31 December 2018 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any interests and short positions owned by any parties (other than a Director) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

The Company repurchased Shares on the market as follows:

Period	Number of Shares Repurchased
1 April 2018 to 6 July 2018	6,472,000

The total of 6,472,000 Shares repurchased were cancelled on 2 August 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2018 and up to the date of this Report.

Corporate Governance

During the nine months ended 31 December 2018, the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules.

Competing Interests

As at 31 December 2018, none of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

Directors' Securities Transactions

The Company has adopted written guidelines regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard of dealings during the nine months ended 31 December 2018.

Interests of Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, Dongxing Securities (Hong Kong) Company Limited has been appointed as the compliance adviser of the Company (the "**Compliance Adviser**"). As confirmed by the Compliance Adviser, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 23 June 2017, none of the Compliance Adviser or its directors, employees or close associates (as defined under GEM Listing Rules) has or may have any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Audit Committee

The Company has an audit committee (the "**Audit Committee**") which was established in accordance with the requirements of the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control procedures. As at the date of this report, the Audit Committee comprises Mr. Wang Chin Mong (Chairman of the Audit Committee), Mr. Tsang Siu Chun and Ms. Chan Yuen Ting, all of whom are independent non-executive Directors.

An Audit Committee meeting was held on 13 February 2019 to review the unaudited condensed consolidated quarterly financial statements of the Group for nine months ended 31 December 2018 and is of the opinion that such financials complied with the applicable accounting standards, legal and disclosure requirements applicable to the Group.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the period. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board

WONG Ngai Shan

Chairman and Executive Director

Hong Kong, 13 February 2019

As at the date of this report, the Board comprises:

Executive Directors:

WONG Ngai Shan (*Chairman*)

CHAN Wai Chun (*Chief Executive Officer*)

Independent Non-executive Directors:

CHAN Yuen Ting

TSANG Siu Chun

WANG Chin Mong