

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. WONG Ngai Shan (*Chairman*)

Ms. CHAN Wai Chun (*Chief Executive Officer*)

#### Independent non-executive Directors

Ms. CHAN Yuen Ting

Mr. TSANG Siu Chun

Mr. WANG Chin Mong

### COMPLIANCE OFFICER

Mr. YU Man To Gerald Maximillian

### AUTHORISED REPRESENTATIVES

Mr. WONG Ngai Shan

Mr. YU Man To Gerald Maximillian

### COMPANY SECRETARY

Mr. YU Man To Gerald Maximillian

*B.BUS, MBA, FCPA*

### AUDIT COMMITTEE

Mr. WANG Chin Mong (*Chairman*)

Ms. CHAN Yuen Ting

Mr. TSANG Siu Chun

### REMUNERATION COMMITTEE

Mr. TSANG Siu Chun (*Chairman*)

Ms. CHAN Yuen Ting

Mr. WANG Chin Mong

Mr. WONG Ngai Shan

### NOMINATION COMMITTEE

Ms. CHAN Yuen Ting (*Chairman*)

Mr. TSANG Siu Chun

Mr. WANG Chin Mong

### COMPLIANCE COMMITTEE

Ms. CHAN Yuen Ting (*Chairman*)

Mr. TSANG Siu Chun

Mr. WANG Chin Mong

### AUDITOR

Deloitte Touche Tohmatsu

*Registered Public*

*Interest Entity Auditors*

### REGISTERED OFFICE

Cricket Square, Hutchins Drive, PO Box 2681

Grand Cayman KY1-1111, Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 24/F Crawford Tower

99-101 Jervois Street, Sheung Wan, Hong Kong

### PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive, PO Box 2681

Grand Cayman KY1-1111, Cayman Islands

### HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East, Hong Kong

### PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking  
Corporation Limited

Bank of China (Hong Kong) Limited

### STOCK CODE

08371

### COMPANY'S WEBSITE

[www.tastegourmet.com.hk](http://www.tastegourmet.com.hk)



# TASTE • GOURMET GROUP LIMITED

## 嚐 • 高美集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8371)**

### INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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

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

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

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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.*



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## BUSINESS REVIEW

### Restaurant Network

During the six months ended 30 September 2020, we opened three new restaurants: (1) Nabe Urawa at the Citygate in Tung Chung in April 2020; (2) Nabe Urawa at the Tuen Mun Town Plaza in Tuen Mun in June 2020; and (3) Wasyokuya Yamaichi at The LOHAS in Tseung Kwan O in August 2020.

The number of restaurants as at 31 March 2020, 30 September 2020 and as at the date of this report are as follows:

<b>Brands</b>	<b>31 March 2020</b>	<b>30 September 2020</b>	<b>Date of Report</b>
Nabe Urawa	6	8	9
La'taste	5	5	5
Dab-Pa	4	4	4
Rakuraku Ramen	3	3	3
Parkview	2	2	2
Say Cheese Kiosk	2	2	1
Say Cheese	1	1	1
Sweetology	1	1	1
Takano Ramen	1	1	1
Tirpse	1	1	1
Urawa	1	1	1
Wasyokuya Yamaichi	–	1	1
Xianghui*	1	1	1
<b>Total</b>	<b>28</b>	<b>31</b>	<b>31</b>

\* Xiang Hui is 40% owned by the Group and is equity accounted for in the financial statements of the Group.

The Nabe Urawa restaurant at The LOHAS in Tseung Kwan O was opened in November 2020.

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	Site Area (Sq M)
Dab-Pa	New Town Plaza, Shatin	Sun Hung Kai Properties	04.10.2024	None	Q4 2020	225.10
Shi Li Xianghui	Plaza 66, Shanghai	Hang Lung Properties	18.09.2023	None	Q4 2020	424.00
La'taste	Plaza 66, Shanghai	Hang Lung Properties	28.02.2023	None	Q2 2021	290.00

For detail of these leases, please refer to the announcements issued by the Company dated 10 August 2020 and 9 October 2020.

### PRC Joint Venture

On 30 June 2020, Taste Gourmet China Investment Limited ("**Taste Gourmet China**"), a wholly owned subsidiary of the Company entered into an agreement with Shuanghui Food and Beverage Investment Management Company Limited ("**Shuanghui F&B**") for the formation of a joint venture company (the "**JV Agreement**") in the People's Republic of China (the "**PRC**").

The joint venture company (the "**JV Company**") is owned as to 60% by Taste Gourmet China and 40% by Shuanghui F&B. The registered capital of the JV Company is RMB50 million. Taste Gourmet China will contribute a total of RMB30 million in cash and Shuanghui F&B will contribute a total of RMB20 million in cash. The JV Company was established on 5 August 2020 and became a subsidiary of Taste Gourmet China after its formation.

Shuanghui F&B is a subsidiary of Henan Shuanghui Investment and Development Company Limited ("**Shuanghui Development**"), a company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange (SZ: 000895). Shuanghui Development is a subsidiary of the WH Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00288).

For details of the JV Agreement, please refer to the announcement issued by the Company dated 30 June 2020.

## Significant Investments, Material Acquisitions or Disposals

Other than the JV Agreement, there were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2020.

## Restaurant Operations

During the six months ended 30 September 2020, a total of 1,055,279 customers patronised our restaurants (excluding Xiang Hui as it is equity accounted for in the condensed consolidated financial statements of the Group), a decrease of 294,881 customers or 21.8% when compared to the same period in 2019. The average spending per customer increased from HK\$148.9 to HK\$169.8 for the six months ended 30 September 2020 when compared to the same period in 2019 but if the kiosks and dessert businesses are excluded, the average spending per customer increased to HK\$178.0. The average spending per order for our kiosks was HK\$41.1 representing an increase of 4.9% when compared to the same period in 2019 and the average spending per customer for our dessert business was HK\$76.8 representing an increase of 15.3% when compared to the same period in 2019. The key operating information by cuisine are summarised as follows:

	Six Months Ended											
	30.09.2020						30.09.2019					
	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
<b>Vietnamese</b>	20,183	494	111,955	191,891	105.2	2.2	33,428	494	183,388	317,309	105.3	3.5
<b>Japanese</b>	87,256	1,520	554,657	437,441	199.5	1.8	88,912	974	567,442	471,135	188.7	3.1
- Nabe Urawa	63,018	1,068	381,082	275,490	228.7	1.6	59,328	602	325,390	260,171	228.0	2.4
- Ramen	15,481	217	84,595	133,290	116.1	3.4	17,653	217	176,498	171,876	102.7	7.9
- Others	8,757	235	88,980	28,661	305.6	1.2	11,931	155	65,554	39,088	305.2	1.4
<b>Chinese</b>	29,645	442	164,024	167,419	177.1	2.1	35,105	336	194,618	200,649	175.0	3.3
<b>Western</b>	37,322	413	205,257	183,263	203.7	2.4	37,298	322	203,812	243,839	153.0	4.1
	174,405	2,869	1,035,894	980,014	178.0	2.0	194,742	2,126	1,149,260	1,232,932	158.0	3.4
<b>Dessert</b>	3,520	31	20,707	45,839	76.8	8.7	4,100	31	22,403	61,541	66.6	10.8
<b>Kiosks</b>	1,211	16	6,834	29,426	41.1	10.4	2,185	16	11,939	55,687	39.2	19.0
	179,136	2,916	1,063,434	1,055,279	169.8	2.1	201,027	2,173	1,183,602	1,350,160	148.9	3.7



## Impact of COVID-19

In order to control the spread of COVID-19 in Hong Kong, the Hong Kong Government implemented certain social distancing measures for restaurant operations (the “**HK Government Social Distancing Measures**”) which includes (a) a minimum of 1.5 metres distance or some form of partition which serves as effective buffer between tables; (b) a limit on the number of customers in the restaurant as well as at each table; (c) a person must wear a mask at catering premises except when consuming food or drink; (d) body temperature screening on a person must be conducted before the person is allowed to enter the catering premises; and (e) hand sanitisers must be provided at catering premises.

These measures were relaxed in May 2020, however, as there was a spike of COVID-19 cases in July 2020, the Hong Kong Government announced further measures to prevent the infection and spreading of COVID-19:

- From 15 July 2020 onwards for an initial period of seven days and was further extended by subsequent notices until 28 July 2020. Dining-in was restricted to no more than four persons. Further, during the aforementioned seven-day period, restaurants were prohibited from providing dine-in services from 6:00 p.m. to 4:59 a.m. of the subsequent day and may only offer takeaway services and deliveries to customers.
- From 29 July 2020, onwards for an initial period of seven days until 4 August 2020, restaurants were prohibited from providing dine-in services at all times during the aforementioned seven-day period. However, on 31 July 2020, the Hong Kong Government relaxed the measures and restaurants were allowed to provide daytime dine-in services from 5:00 a.m. to 5:59 p.m. and no more than two person may be seated together at one table. On 3 August 2020, the Hong Kong Government extended measures up until 27 August 2020.
- From 28 August 2020, dine-in services was extended to 8:59 p.m. and from 4 September 2020, further extended to 9:59 p.m. From 11 September 2020, the maximum number of customers per table was relaxed to four. From 18 September 2020, dine-in services was extended to 11:59 p.m.
- From 30 October 2020, dine-in services was extended to 1:59 a.m. and the maximum number of customers per table was relaxed to six.

The impact of the HK Government Social Distancing Measures had a significant impact on the number of customers in July and August 2020.

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.

### Future Plans

The following is a comparison of the Group’s actual business progress which have not been executed by the year ended 31 March 2020 with those business plan as set out in the prospectus dated 29 December 2017 (the “**Prospectus**”):

<b>Business Strategies</b>	<b>Business plan not yet completed carried over from Previous Periods</b>	<b>Actual progress from 1 April 2019 to 30 September 2020</b>
Expand our market share and continue to expand our multi-brand dining restaurants in Hong Kong	Set up new restaurants in Hong Kong, which will incur: <ul style="list-style-type: none"> <li>(i) the rental, utilities and management fee deposits for a new Was yokuya Yamaichi Restaurant at The LOHAS in Tseung Kwan O.</li> </ul>	The actual progress are as follows: <ul style="list-style-type: none"> <li>(i) Funds have been fully utilised.</li> </ul>

All business plans as set out in the Prospectus and any modifications or reallocation of proceeds have been fully executed.



## Use of Proceeds

The net proceeds from the share offer as disclosed in the Prospectus had been applied as follows:

	Unutilised as at 1 April 2020 HK\$ Millions	Change in the use of proceeds as disclosed in 18 May 2020 Announcement HK\$ Millions	Utilised as at 30 September 2020 HK\$ Millions	Unutilised as at 30 September 2020 HK\$ Millions
<b>Expand our restaurants in Hong Kong</b>				
– Wasyokuya Yamaichi (The LOHAS)	–	5.0	(5.0)	–
	–	5.0	(5.0)	–
<b>Enhance our brand recognition</b>				
– Renovation of Restaurants	5.0	(5.0)	–	–
	5.0	(5.0)	–	–
<b>Total Use of Proceeds</b>	5.0	–	(5.0)	–

## Proposed Transfer of Listing to the Main Board

On 5 August 2020, the Company submitted a formal application to the Stock Exchange in respect of the proposed transfer of listing from GEM to the Main Board of the Stock Exchange (the “**Proposed Transfer**”), for details, please refer to the announcement issued by the Company dated 5 August 2020.

## Placing of existing Shares and top-up subscription for new Shares under general mandate

On 3 November 2020, the Company, IKEAB Limited and Kingsway Financial Services Group Limited (the **"Placing Agent"**) entered into a placing and subscription agreement (the **"Placing and Subscription Agreement"**), pursuant to which (i) IKEAB Limited has agreed to appoint the Placing Agent, and the Placing Agent has agreed on a several basis, to act as agent for the purpose of procuring, the placees to purchase, on a best effort basis, 7,200,000 placing Shares (the **"Placing Shares"**) at the placing price (the **"Placing Price"**) of HK\$1.33 per Share (the **"Placing"**); and (ii) IKEAB Limited has agreed to subscribe for, and the Company has agreed to issue to IKEAB Limited, 7,200,000 subscription Shares (the **"Subscription Shares"**) at the subscription price of HK\$1.33 per Share (being the same as the Placing Price) (the **"Subscription"**). The Directors consider that the Placing and the Subscription (the **"Top-up Placing"**) will strengthen the capital base of the Company.

On 3 November 2020, the Placing Shares was successfully placed at the Placing Price by the Placing Agents to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, pursuant to the terms and conditions of the Placing and Subscription Agreement. As all the conditions of the Subscription have been fulfilled, the Company allotted and issued 7,200,000 Subscription Shares to IKEAB Limited at HK\$1.33 per Subscription Share on 10 November 2020. The Subscription Shares represent approximately 1.90% of the then issued share capital of the Company as at 10 November 2020.

The Placing Price represented:

1. a discount of approximately 4.32% to the closing price of HK\$1.39 per Share as quoted on the Stock Exchange on 3 November 2020, being the date of the Placing and Subscription Agreement; and
2. a discount of approximately 5.14% to the average closing price of approximately HK\$1.402 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Placing and Subscription Agreement.

The gross proceeds from the Subscription were approximately HK\$9,576,000 and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) were approximately HK\$9,326,000. On such basis, the net price per Subscription Share was approximately HK\$1.30.

The Board intends to use the net proceeds for general corporate purposes and to fund the expansion of the restaurant business, including capitalising on revenue opportunities in the PRC. The strengthened financial position following the Placing and Subscription will significantly enhance the likelihood of the Company to capitalise on these opportunities. The Board expects the net proceeds will be utilised during the next twelve months.

The expected timeline for utilising the net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

For further details, please refer to the announcements of the Company dated 3 November 2020 and 10 November 2020.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 September 2020, the Group recorded revenue of approximately HK\$179,136,000, representing a decrease of 10.9% when compared to the same period last year.

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 during the relevant periods.

	Six months ended				Changes
	30.09.2020		30.09.2019		
	HK\$'000 (unaudited)	% of Revenue	HK\$'000 (unaudited)	% of Revenue	
Vietnamese	20,183	11.3%	33,428	16.6%	-39.6%
Japanese	87,256	48.7%	88,912	44.2%	-1.9%
Chinese	29,645	16.5%	35,105	17.5%	-15.6%
Western	37,322	20.8%	37,298	18.6%	0.1%
Dessert	3,520	2.0%	4,100	2.0%	-14.1%
Kiosks	1,211	0.7%	2,185	1.1%	-44.6%
<b>Total revenue</b>	<b>179,136</b>	<b>100.0%</b>	201,027	100.0%	-10.9%

The decrease in revenue is mainly attributable to the impact of the social distancing measures imposed by the Hong Kong Government as explained under the paragraph "Impact of COVID-19" above, however the decrease was off-set by the opening of: (1) Nabe Urawa at the Citygate in Tung Chung in April 2020; (2) Nabe Urawa at the Tuen Mun Town Plaza in Tuen Mun in June 2020; and (3) Wasyokuya Yamaichi at The LOHAS in Tseung Kwan O in August 2020 and those restaurants that opened during the year ended 31 March 2020 but without full year of operations during the year ended 31 March 2020: (1) Nabe Urawa at the Park Central in Tseung Kwan O (opened in April 2019); (2) Rakuraku Ramen Restaurant at the MegaBox in Kowloon Bay (opened in April 2019); (3) Rakuraku Ramen restaurant at the Kornhill Plaza in Taikoo (opened in May 2019); (4) Takano Ramen Restaurant at the K11 MUSEA in Tsim Sha Tsui (opened in August 2019); (5) Nabe Urawa at the Nina Mall in Tsuen Wan (opened in November 2019); (6) Dab-Pa Restaurant at the Citygate in Tung Chung (opened in December 2019); and (7) Tirpse at the K11 MUSEA in Tsim Sha Tsui (opened in December 2019).

The impact of the HK Government Social Distancing Measures on our monthly revenue, based on the June 2020 revenue as the baseline, is as follows:

	FY2020		Baseline	FY2021					
	"Excluding Feb & Mar 2020"		June 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020
	Full Year								
<b>Average revenue per restaurant per day</b>	90%	99%	100%	59%	88%	100%	60%	45%	92%

We used June 2020 as the baseline as all social distancing measures for restaurant operations were lifted. August 2020 recorded the lowest revenue due to the stringent restrictions on dine-ins, however as the restrictions were relaxed, our revenue rebounded significant in September 2020.

### Subsidies from the Hong Kong Government

The Group applied for the first and second tranches of the Employment Support Scheme provided by the Government announced in April and August 2020, respectively. In June 2020, the Group received subsidy amounted to HK\$10.6 million as compensation to the Group's salary costs for June to August 2020. In October 2020, the Group received the second tranche of subsidy amounted to HK\$10.6 million as compensation to the Group's salary costs for September to November 2020. We expect to receive a further subsidy of approximately HK\$3.4 million in November 2020 in relation to the third phase of the Anti-epidemic Fund.

### Rental Concessions


During the six months ended 30 September 2020, we received approximately HK\$4.7 million in rental concessions from our landlords which were booked as other income following the adoption of HKFRS16 Amendment.

## Major Cost Components

	Six months ended				Changes
	30.09.2020		30.09.2019		
	HK\$'000 (unaudited)	% of Revenue	HK\$'000 (unaudited)	% of Revenue	
Raw materials and consumables used	<b>54,382</b>	<b>30.4%</b>	54,690	27.2%	(0.6%)
Staff costs	<b>48,386</b>	<b>27.0%</b>	56,909	28.3%	(15.0%)
Depreciation of property, plant and equipment	<b>8,610</b>	<b>4.8%</b>	5,766	2.9%	49.3%
Depreciation of Right-of-use Assets ("ROU Assets")	<b>35,707</b>	<b>19.9%</b>	29,042	14.4%	22.9%
Property rental and related expenses	<b>10,718</b>	<b>6.0%</b>	8,417	4.2%	27.3%
Utilities and cleaning expenses	<b>6,000</b>	<b>3.3%</b>	6,462	3.2%	(7.1%)
Other expenses	<b>11,133</b>	<b>6.2%</b>	10,687	5.3%	4.2%
Listing expenses	<b>15,750</b>	<b>8.8%</b>	–	0.0%	100.0%
Finance Costs	<b>3,037</b>	<b>1.7%</b>	2,488	1.2%	22.1%

**Raw materials and consumables used** was approximately the same for the six months ended 30 September 2020 compared to the same period last year. As a percentage of revenue increased by 3.2% to 30.4% was primarily due to: (i) the opening of new Nabe Urawa restaurants as they have higher food costs compared to our other restaurants; and (ii) the offering of more expensive ingredients to attract customers in order to mitigate the social distancing measures imposed by the Hong Kong Government, especially at our Nabe Urawa restaurants

**Staff costs** decreased for the six months ended 30 September 2020 compared to the same period last year was primarily due to the decrease in revenue as the result of the social distancing measures imposed by the Hong Kong Government. As a percentage of revenue decreased from 28.3% to 27.0% when compared to the same period in 2019 is primarily due to: (i) the increase in the number of restaurants that require fewer staff such as our Nabe Urawa restaurants and Rakuraku Ramen restaurants; (ii) taking of no-pay leave by our staff; (iii) the management of staff roster during the strict social distancing restriction period such as operating one shift by closing the restaurant one hour early at 5:00 p.m. when dine-ins were forbidden after 6:00 p.m.; and (iv) the benefits of scale economy on head office costs as more new restaurants are opened. 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 by approximately 27.3% for the six months ended 30 September 2020 when compared to the same period last year. The increase was primarily due to more restaurants were in operations during the six months ended 30 September 2020. As a percentage of revenue, property rental and related expenses increased from 4.2% to 6.0% was primarily due to decrease in revenue from the impact of COVID-19 as property rental and related expenses now only includes expenses such as turnover rents, building management fees and rates, which are mostly fixed expenses in nature.

**Depreciation of property, plant and equipment and Depreciation of ROU Assets** increased by approximately 45.3% and approximately 22.9%, respectively when compared to the same period last year, primarily due to more restaurants were in operations during the six months ended 30 September 2020. As a percentage of revenue, depreciation of property, plant and equipment and depreciation of ROU Assets increased from 2.9% to 4.8% and from 14.4% to 19.9% was primarily due to decrease in revenue from the impact of COVID-19 as these assets are depreciated on a straight-line basis.

**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\$11,133,000, representing an increase of approximately HK\$446,000 or 4.2% when compared to the same period last year. The increase was primarily due to: (1) increase in air-conditioning expenses as such expenses are not included as part of building management fees for some of our new restaurants; (2) increase in delivery charges; and (3) royalty fees in relation to the Tirpse franchise. However, the increase was off-set by a decrease in entertainment and credit card charges due to the decrease in revenue from the impact of COVID-19.

As a percentage of revenue, other expenses accounted for approximately 6.2% of revenue, a significant increase compared to the 5.3% recorded during the same period last year primarily due to the reason explained above.

**Listing expenses** are expenses incurred in relation to the Proposed Transfer.



## **Net Profit and Profit Attributable to Owners of the Company**

For the six months ended 30 September 2020, net profit and profit attributable to owners of the Company amounted to approximately HK\$4,419,000 and HK\$4,514,000, respectively. Net profit decreased by approximately HK\$17,875,000 or 80.2% and net profit attributable to owners of the Company decreased by approximately HK\$17,780,000 or 79.8% from approximately HK\$22,294,000 recorded during the same period last year. However, adjusted for the impact of listing expenses, net profit decreased by approximately HK\$2,125,000 or 9.5% and net profit attributable to owners of the Company decreased by approximately HK\$2,030,000 or 9.1%. The decreases are the result of the cumulative effect of the above factors.

## **Financial Resources and Position**

As at 30 September 2020, total borrowings amounted to approximately HK\$1.4 million, representing a decrease of 31.1% compared to 31 March 2020. Our bank borrowing carry variable-rate at Hong Kong Dollar Best Lending Rate less 2.5% per annum. The bank borrowing is secured by the corporate guarantee of the Company.

Cash and cash equivalents amounted to HK\$71.9 million as at 30 September 2020 which are mostly denominated in Hong Kong Dollars with approximately HK\$14.3 million equivalent denominated in Renminbi. Although the Group has entered into the JV Agreement which will be subject to the exchange rate exposure of the Renminbi, the Group's main businesses are still conducted in Hong Kong, therefore the Group does not expect to be exposed to any material foreign exchange risks in the next twelve months.

As at 30 September 2020, the Group was in a net cash position (net debt divided by equity attributable to owners of the Company plus net debt).

## **Staff Training and Development**

As at 30 September 2020, the Group had a total of 561 employees, majority of whom are situated in Hong Kong. In addition to offering competitive remuneration packages to employee discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, determined the emoluments of the Directors. None of the Directors or any of his/her associates, and executive, is involved in dealing in his/her own remuneration.



### **Contingent Liabilities**

As at 30 September 2020, the Group did not have any significant contingent liabilities.

### **Capital Commitments**

As at 30 September 2020, the Group's outstanding capital commitments were approximately HK\$4,444,000 (2019: HK\$535,000).

### **Interim Dividend**

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (FY2020 Interim: HK\$0.015 per Share).

## **FUTURE PROSPECTS**

The strict social distancing measures imposed by the Hong Kong Government have a significant negative impact on our revenue for the months of July and August, however, with COVID-19 under control at the moment and the relaxation of the social distancing measures, significant rebound in revenue was seen in September and October. We will continue to improve of the quality of our food together with the highest standard of services, improve sales efficiency as well as control costs. Value-for-money is the key to our success, customers need to feel that they are getting their money's worth by providing a dining experience that matches their expectation, it is therefore imperative for us to deliver this philosophy during these difficult times.

As for our PRC expansion, we are leveraging on the strength of the joint venture partner in supply of fresh food ingredients, local knowledge of the PRC as well as nationwide logistics network for product delivery, we believe that we will be able to replicate our successful strategy from Hong Kong by opening restaurants in high footfall traffic shopping malls and creating a value-for-money dining experience. Our first restaurant at the Plaza 66 in Shanghai is expected to commence operations in December 2020.



## 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 30 September 2020, 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	260,302,000	68.549%
Ms. Chan Wai Chun ("Ms. Chan")	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
Mr. Tsang Siu Chun	Beneficial owner	20,000	0.005%

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 Enterprises 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 9,984,000 Shares held by Elite China as at 30 September 2020 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 30 September 2020, 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 30 September 2020, 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	260,302,000	68.549%
Ms. Chan	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
IKEAB Limited	Beneficial owner	250,318,000	65.920%

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 9,984,000 Shares held by Elite China as at 30 September 2019 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 30 September 2020, 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020 and up to the date of this report.



## Share Option Scheme

Pursuant to the Company's share option scheme adopted by the Shareholders on 20 December 2017 (the "**SOS**"), the Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "**Executive**"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, or any advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the GEM Listing Rules) of any of the foregoing persons (together, the "**Eligible Persons**" and each an "**Eligible Person**").

The purpose of the SOS is to motivate Eligible Persons to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS will remain in force for a period of 10 years commencing on 17 January 2018.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the Listing Date without prior approval from the Shareholders. No option may be granted in any 12-month period to any one Eligible Person which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Each grant of share options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates under the Share Option Scheme shall be approved by Independent Non-executive Directors of our Company (excluding the Independent Non-executive Director of our Company who is the proposed grantee of the share options). Where any grant of share options to a substantial Shareholder or an Independent Nonexecutive Director of our Company or any of their respective associates would result in the securities issued and to be issued upon exercise of all share options already granted and which may be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of share options must be approved by our Shareholders.

The Company shall send a circular to our Shareholders containing the information required under Rule 23.04 of the GEM Listing Rules. The relevant Eligible Person, his associates and all core connected persons of our Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such share options must be taken on a poll.

Share options granted under the SOS must be taken up within the time period to be stated on the letter containing the offer of the grant of the share options, upon payment of HK\$1.00 per grant.

As at 30 September 2020, the Company had 4,470,000 share options outstanding under the SOS, representing approximately 1.2% of the issued share capital of the Company. Details of the share options outstanding as at the date of this report are as follows:

<b>Option Type</b>	<b>Date of Grant</b>	<b>Exercisable Period</b>	<b>Exercise Price (HK\$)</b>
2018 Options	29 June 2018	29 June 2019 to 28 June 2028	0.92
	29 June 2018	29 June 2020 to 28 June 2028	0.92
	29 June 2018	29 June 2021 to 28 June 2028	0.92
2019 Options	9 August 2019	9 August 2020 to 8 August 2029	0.85
	9 August 2019	9 August 2021 to 8 August 2029	0.85
	9 August 2019	9 August 2022 to 8 August 2029	0.85

The following table discloses movements in the share options of the Company during the period:

Eligible Person	Options Type	Date of Grant	Exercisable Period	Exercise Price (HK\$)	Number of Shares subject to the outstanding options as at 01.04.2020	Granted during the period	Exercised during the period	Lapsed during the period	Number of Shares outstanding options as at 30.09.2020	Weighted average closing price of Shares
										immediately before the date on which the options were exercised
Category 1: Employees	2018 Options	29 June 2018	29 June 2019 to 28 June 2028	0.92	834,000	-	-	(69,000)	765,000	-
			29 June 2020 to 28 June 2028	0.92	834,000	-	-	(69,000)	765,000	-
			29 June 2021 to 28 June 2028	0.92	1,112,000	-	-	(92,000)	1,020,000	-
	2019 Options	9 August 2019	9 August 2020 to 8 August 2029	0.85	576,000	-	-	-	576,000	-
			9 August 2021 to 8 August 2029	0.85	576,000	-	-	-	576,000	-
			9 August 2022 to 8 August 2029	0.85	768,000	-	-	-	768,000	-
Total					4,700,000	-	-	(230,000)	4,470,000	

No share options were granted during the six months ended 30 September 2020.

During the six months ended 30 September 2020, approximately HK\$127,000 of the Options Fair Value was amortised in the accounts of the Company.

### Corporate Governance

During the six months ended 30 September 2020, 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 30 September 2020, 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 six months ended 30 September 2020.



## **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 November 2020 to review the unaudited condensed consolidated financial statements of the Group for six months ended 30 September 2020 and is of the opinion that such financials complied with the applicable accounting standards, legal and disclosure requirements applicable to the Group. Deloitte Touche Tohmatsu, the Group’s external auditor, had carried out a review of the unaudited condensed financial statements for the six months ended 30 September 2020 in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **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 November 2020



## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

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### TO THE BOARD OF DIRECTORS OF TASTE • GOURMET GROUP LIMITED

*(incorporated in the Cayman Islands with limited liability)*

#### Introduction

We have reviewed the condensed consolidated financial statements of Taste • Gourmet Group Limited (the “**Company**”) and its subsidiaries set out on pages 24 to 48, which comprise the condensed consolidated statement of financial position as of 30 September 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

#### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

13 November 2020



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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	NOTES	For the three months ended		For the six months ended	
		30 September		30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	80,927	102,229	179,136	201,027
Other income		12,864	276	19,693	633
Other gains and losses, net		14	7	27	25
Impairment losses under expected credit loss ("ECL") model		-	(214)	-	(464)
Raw materials and consumables used		(25,652)	(27,363)	(54,382)	(54,690)
Staff costs		(23,141)	(28,991)	(48,386)	(56,909)
Depreciation of property, plant and equipment		(4,438)	(2,879)	(8,610)	(5,766)
Depreciation of right-of-use assets		(18,117)	(15,285)	(35,707)	(29,042)
Property rentals and related expenses		(5,419)	(4,191)	(10,718)	(8,417)
Utilities and cleaning expenses		(2,890)	(3,276)	(6,000)	(6,462)
Other expenses		(5,298)	(5,371)	(11,133)	(10,687)
Listing expense		(12,050)	-	(15,750)	-
Finance costs		(1,537)	(1,248)	(3,037)	(2,488)
(Loss) profit before tax	4	(4,737)	13,694	5,133	26,760
Income tax credit (expense)	5	771	(2,323)	(714)	(4,466)
(Loss) profit for the period		(3,966)	11,371	4,419	22,294
<b>Other comprehensive income:</b>					
Item that may be reclassified subsequently to profit or loss:					
- Exchange difference on translation of foreign operation		40	-	40	-
Total comprehensive (expense) income for the period		(3,926)	11,371	4,459	22,294



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	NOTES	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	55,004	47,437
Right-of-use assets	8	198,294	173,319
Interest in a joint venture		–	–
Interest in an associate		–	–
Goodwill		3,051	3,051
Intangible assets		1,425	1,538
Financial asset at fair value through profit or loss	15	1,647	1,620
Rental and utilities deposits		26,135	19,782
Prepayment and other deposits		1,174	1,752
Loan to an associate		–	–
Amount due from a joint venture		–	–
Deferred tax assets		2,300	901
		<b>289,030</b>	249,400
<b>CURRENT ASSETS</b>			
Inventories		8,385	10,923
		980	516
Trade and other receivables	9	14,620	12,133
Amounts due from directors		144	–
Amount due from a shareholder		44	44
Amount due from an associate		13	54
Income tax recoverable		302	620
Bank balances and cash		71,870	64,202
		<b>87,973</b>	77,569

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2020

	NOTES	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	35,473	18,747
Contract liabilities		721	–
Amount due to a shareholder		272	195
Bank borrowing	11	1,411	2,048
Lease liabilities		58,734	59,560
Tax payable		3,348	699
		<b>99,959</b>	81,249
<b>NET CURRENT LIABILITIES</b>			
		<b>(11,986)</b>	(3,680)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>277,044</b>	245,720
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		145,907	121,657
Provision for reinstatement costs		2,202	1,802
Provision for long service payments		336	291
Deferred tax liabilities		540	903
		<b>148,985</b>	124,653
<b>NET ASSETS</b>			
		<b>128,059</b>	121,067
<b>CAPITAL AND RESERVES</b>			
Share capital	12	8,385	10,923
Reserves		37,973	37,973
		83,341	83,094
Equity attributable to owners of the Company		121,314	121,067
Non-controlling interest		6,745	–
<b>TOTAL EQUITY</b>			
		<b>128,059</b>	121,067

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Other reserve	Share options reserve	Capital redemption reserve	Treasury share reserve	Translation reserve	Retained profits	Sub-total	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	39,353	25,216	(300)	313	232	647	(9,864)	-	46,490	102,087	-	102,087
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	-	22,294	22,294	-	22,294
Shares cancelled (Note 12)	(1,380)	(8,484)	-	-	-	1,380	9,864	-	(1,380)	-	-	-
Recognition of equity settled share-based payment	-	-	-	-	138	-	-	-	-	138	-	138
Dividends recognised as distribution (Note 6)	-	(5,696)	-	-	-	-	-	-	-	(5,696)	-	(5,696)
At 30 September 2019 (unaudited)	37,973	11,036	(300)	313	370	2,027	-	-	67,404	118,823	-	118,823
At 31 March 2020 (audited)	<b>37,973</b>	<b>5,340</b>	<b>(300)</b>	<b>313</b>	<b>528</b>	<b>2,027</b>	-	-	<b>75,186</b>	<b>121,067</b>	-	<b>121,067</b>
Adjustment (Note 2)	-	-	-	-	-	-	-	-	1,278	1,278	-	1,278
At 1 April 2020 (restated)	<b>37,973</b>	<b>5,340</b>	<b>(300)</b>	<b>313</b>	<b>528</b>	<b>2,027</b>	-	-	<b>76,464</b>	<b>122,345</b>	-	<b>122,345</b>
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	24	4,514	4,538	(79)	4,459
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	6,824	6,824
Recognition of equity settled share-based payment	-	-	-	-	127	-	-	-	-	127	-	127
Lapse of share option	-	-	-	-	(38)	-	-	-	38	-	-	-
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	-	-	(5,696)	(5,696)	-	(5,696)
At 30 September 2020 (unaudited)	<b>37,973</b>	<b>5,340</b>	<b>(300)</b>	<b>313</b>	<b>617</b>	<b>2,027</b>	-	<b>24</b>	<b>75,320</b>	<b>121,314</b>	<b>6,745</b>	<b>128,059</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities		
Profit before tax	<b>5,133</b>	26,760
Adjustments for:		
Depreciation of property, plant and equipment	<b>8,610</b>	5,766
Depreciation of right-of-use assets	<b>35,707</b>	29,042
Amortisation of intangible assets	<b>113</b>	95
Impairment loss on amount due from a joint venture	<b>–</b>	464
Share-based payment expenses	<b>127</b>	138
Finance costs	<b>3,037</b>	2,488
Interest income	<b>(278)</b>	(224)
Covid-19-related rent concessions	<b>(4,665)</b>	–
Fair value gain on financial asset at fair value through profit or loss	<b>(27)</b>	(25)
Operating cash flows before movements in working capital	<b>47,757</b>	64,504
Increase in trade and other payables	<b>17,931</b>	5,843
(Increase) decrease in trade and other receivables, prepayments and other deposits and rental and utilities deposits	<b>(5,428)</b>	1,258
Other operating activities	<b>617</b>	(521)
	<b>60,877</b>	71,084

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	<b>For the six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash used in investing activities:		
Interest received	<b>1</b>	6
Purchase of property, plant and equipment	<b>(15,838)</b>	(8,265)
Repayment from a joint venture	–	127
Repayment from an associate	<b>41</b>	245
Payments for right-of-use assets	–	(1,668)
Payments for rental deposits	<b>(3,558)</b>	(902)
Advance to a shareholder	–	(7)
Deposits paid for acquisition of property, plant and equipment	<b>(1,174)</b>	(619)
Deposit paid for acquisition of an intangible asset	–	(109)
Placement of time deposit	–	(5,000)
	<b>(20,528)</b>	(16,192)
Net cash used in financing activities:		
Repayment of bank borrowing	<b>(637)</b>	(617)
Interest paid on bank borrowing	<b>(24)</b>	(45)
Interest paid on lease liabilities	<b>(3,013)</b>	(2,443)
Repayments of lease liabilities	<b>(30,175)</b>	(25,333)
Dividends paid	<b>(5,696)</b>	(5,696)
Contribution from non-controlling shareholder in respect of incorporation of a subsidiary	<b>6,824</b>	–
	<b>(32,721)</b>	(34,134)
Net increase in cash and cash equivalents	<b>7,628</b>	20,758
Cash and cash equivalents at the beginning of the period	<b>64,202</b>	55,271
Effect of foreign exchange rate changes	<b>40</b>	–
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>71,870</b>	76,029

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

## 1. BASIS OF PREPARATION

Taste • Gourmet Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, and the shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 17 January 2019.

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$11,986,000 as at 30 September 2020. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations. Taking into account of the unutilised available banking facilities amounting to HK\$29,500,000, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.



## 1A. Significant events and transactions in the current interim period

### (a) *Impact of Coronavirus Disease (“Covid-19”) to the Group*

The outbreak of Covid-19 and the subsequent quarantine and distancing measures imposed by the Government of Hong Kong Special Administrative Region (the “**Government**”) have had a negative impact on the operations of the Group. Although the financial performance of the restaurants might not be fully returned to the level before the Covid-19 in the upcoming financial year, the operating performance of the restaurants in September 2020 is gradually improving.

In addition, the Group applied for the first and second tranches of the Employment Support Scheme provided by the Government announced in April and August 2020, respectively. In June 2020, the Group received the subsidy amounted to HK\$10,601,000 as compensation to the Group’s salary costs for June to August 2020. In September 2020, the Group has received the confirmation notice from the Government for the second tranche of subsidy amounted to HK\$10,617,000 as compensation to the Group’s salary costs for September to November 2020.

Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company consider that the financial effects on the Group’s condensed consolidated financial statements cannot be reasonably estimated as at the date of the report, but are expected to affect the consolidated results for the financial year ending 31 March 2021.

### (b) *Incorporation of a subsidiary*

Taste Gourmet China Investment Limited (“**Taste Gourmet China**”), a wholly owned subsidiary of the Company, entered into a joint venture agreement with Shuanghui Food and Beverage Investment Management Company Limited (“**Shuanghui F&B**”), an independent third party, for the formation of a limited company incorporated in the People’s Republic of China, which became a subsidiary of the Company after its formation with its principal activity as restaurant operation. The subsidiary was incorporated on 5 August 2020 and being inactive during the six months ended 30 September 2020.

Pursuant to the joint venture agreement, the equity interests of the newly incorporated company owned as to 60% by Taste Gourmet China and 40% by Shuanghui F&B. The registered capital were RMB50 million (equivalent to HK\$55 million). During the six months ended 30 September 2020, RMB6 million (equivalent to HK\$6.8 million) as capital injection from Shuanghui F&B and RMB9 million (equivalent to HK\$10.2 million) were injected by the Company.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

### 2.1 Application of amendments to HKFRSs

During the six months ended 30 September 2020, the Group has applied Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## **2.2 Impacts and accounting policies on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions**

### **2.2.1 Accounting policies**

#### *Leases*

#### Covid-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification 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; and
- there is no substantive change to other terms and conditions of the lease.

A lessee 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 *Leases* if the changes were not a lease modification. 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.

### **2.2.2 Transition and summary of effects**

The Group has early applied the amendment to HKRS 16 in accordance with transition provisions set out in the amendment to the HKFRS 16, i.e. applied the measurement requirements retrospectively at 1 April 2020 (date of initial application). The difference between the carrying amounts at 31 March 2020 and 1 April 2020 are recognised in the opening retained earnings without restating comparative information.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2020. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 March 2020 HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>Carrying amounts under HKFRS 16 at 1 April 2020 HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Right-of-use assets	173,319	1,531	174,850
Deferred tax assets	901	(154)	747
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	903	99	1,002
<b>CAPITAL AND RESERVES</b>			
Reserves	83,094	1,278	84,372

At the date of initial application, the Group's rental concession of HK\$1,531,000 received during February and March 2020 considered as lease modifications in accordance with HKFRS 16 was adjusted to right-of-use assets and the related deferred tax were recognised with corresponding adjustments to retained profits as at 1 April 2020.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable from restaurant operations, net of discounts, during the periods ended 30 September 2020 and 2019.

The principal activities of the Group are operating restaurants serving different kinds of cuisine in Hong Kong during the periods ended 30 September 2020 and 2019.

The Group's revenue from external customers by cuisine is as follow:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Vietnamese	9,150	16,486	20,183	33,428
Japanese	40,734	48,031	87,256	88,912
Western	13,619	17,671	34,458	37,298
Chinese	12,355	16,978	29,645	35,105
Dessert	1,637	1,968	3,520	4,100
Kiosk	3,432	1,095	4,074	2,184
	80,927	102,229	179,136	201,027

Information reported to Mr. Wong Ngai Shan (“**Mr. Wong**”) and Ms. Chan Wai Chun (“**Ms. Chan**”) (collectively as the “**Controlling Shareholders**”), being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and performance assessment, focuses on types of goods or services delivered or provided. The CODM has determined that the Group has only one reportable segment which includes all the restaurants serving different kinds of cuisine in Hong Kong, each of which is considered a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment as they are all full-service restaurants which target the mid-to-high-end customers in Hong Kong.

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external sales	<b>80,927</b>	102,229	<b>179,136</b>	201,027
Segment profit	<b>10,283</b>	17,709	<b>27,082</b>	34,574
Unallocated other gain and losses, net	<b>14</b>	7	<b>27</b>	25
Unallocated expenses	<b>(15,034)</b>	(3,808)	<b>(21,976)</b>	(7,375)
Impaired loss under ECL model	-	(214)	-	(464)
(Loss) profit before tax	<b>(4,737)</b>	13,694	<b>5,133</b>	26,760

Segment profit represents the profit earned by the reportable segment excluding unallocated other gain and losses (i.e. fair value gain on financial asset at fair value through profit or loss ("FVTPL")), impairment loss under ECL model and without allocation of central administration costs and listing expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

The Group's customer base is diversified and no individual customer had contributed more than 10% of the Group's revenue during the relevant periods.

Segments assets and liabilities are not regularly provided to CODM to review.

#### 4. (LOSS) PROFIT BEFORE TAX

	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) profit before tax has been arrived at after charging (crediting):				
Share-based payment expenses (included in staff costs)	47	77	127	138
Amortisation of intangible assets (included in other expenses)	57	47	113	95
Fair value gain on financial asset at FVTPL (included in other gains and losses)	(14)	(7)	(27)	(25)
Covid-19-related rent concessions (included in other income) (Note 8)	(1,725)	–	(4,665)	–
Government subsidies (included in other income) (note)	(10,606)	–	(14,340)	–

Note:

During the six months ended 30 September 2020, the Food and Environmental Hygiene Department of the Government is operating the Food Licence Holders Subsidy Scheme (the "Scheme") under the Anti-epidemic Fund and the Scheme is now open to applications from eligible food licence holders for a grant of one-off subsidy. A one-off subsidy of HK\$200,000 will be provided to eligible licence holders of the premises in operation including general restaurants, marine restaurants and factory canteens and a subsidy of HK\$80,000 will be provided to eligible licence holders of the premises in operation including light refreshment restaurants, fresh provision shops, food factories, bakeries and siu mei and lo mei shops. For the six months ended 30 September 2020, the Group has received government subsidies of HK\$200,000, given that the conditions attached to the Scheme are compiled at the date of receipt and recognised as other income.

In addition, the Group received first round government grants of HK\$10,601,000 in June 2020 and the second round of government grants of HK\$10,617,000 has been confirmed in September 2020 in respect of the Employment Support Scheme from the Government for subsidising the salary costs incurred from June to August 2020 and September to November 2020, respectively. Out of which HK\$14,140,000 has been recognised as other income during the six months ended 30 September 2020 in relation to the subsidy for the salary costs incurred from June to September 2020. The second round government grants of HK\$10,617,000 has become subsequently received in October 2020.

## 5. INCOME TAX (CREDIT) EXPENSE

	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The tax (credit) charge				
comprises Hong Kong				
Profits Tax:				
– Current tax	<b>648</b>	2,463	<b>2,729</b>	4,856
– Deferred taxation	<b>(1,419)</b>	(140)	<b>(2,015)</b>	(390)
	<b>(771)</b>	2,323	<b>714</b>	4,466

## 6. DIVIDENDS

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2020 Final – HK1.5 cents		
(2019: 2019 Final – HK1.5 cents) per share	<b>5,696</b>	5,696

Subsequently to the end of the current interim period, the directors of the Company has resolved not to declare any interim dividend for the six months ended 30 September 2020 (2019: HK1.5 cents per share amounting to HK\$5,696,000 in total).



## 7. (LOSS) EARNINGS PER SHARE

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

	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(Loss) earnings</b>				
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share				
– (loss) profit for the period attributable to owners of the Company	<b>(3,871)</b>	11,371	<b>4,514</b>	22,294
	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>379,732</b>	379,732	<b>379,732</b>	379,732
Effect of dilute potential ordinary shares:				
Share options (note)	<b>(3,871)</b>	11,371	<b>4,514</b>	22,294
	–	–	<b>523</b>	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>379,732</b>	379,732	<b>380,255</b>	379,732

## 7. (LOSS) EARNINGS PER SHARE (CONTINUED)

Note: The computation of diluted earnings per share for the six months ended 30 September 2019 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 of the Company.

As the Group incurred losses for the three months period ended 30 September 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the three months period 30 September 2020 is the same as basic loss per share.

## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

- (a) During the six months ended 30 September 2020, the Group acquired property, plant and equipment of HK\$16,177,000 (six months ended 30 September 2019: HK\$11,180,000).
  
- (b) During the six months ended 30 September 2020, the Group entered into several new lease agreements and lease modifications for its restaurants with lease terms ranged from 1 to 6 years. The Group is required to make fixed monthly payments and additional variable payments that are based on 11% to 15% of monthly sales and minimum monthly lease payment that are fixed over the terms, whichever is higher. On lease commencement, the Group recognised right-of-use assets of HK\$45,009,000 (six months ended 30 September 2019: HK\$47,325,000) and lease liabilities of HK\$44,070,000 (six months ended 30 September 2019: HK\$44,264,000).

During the six months ended 30 September 2020, lessors of certain restaurants provided rent concessions to the Group through rent reductions ranging from 10% to 70% over one to two months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the six months ended 30 September 2020, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$4,665,000 were recognised as negative variable lease payments included in "other income".

## 9. TRADE AND OTHER RECEIVABLES

The revenue from sales of food and beverages are generally on cash or credit card settlement. The Group allows a credit period of 30 days to its trade receivables arising from sales of food and beverages through food delivery service agents.

As at 30 September 2020 and 31 March 2020, the Group's trade receivables includes receivables from financial institutions in relation to the payments settled by credit cards by customers of which the settlement period is normally within 2 days from the trade date, and receivables from the food delivery agents of which the settlement period is within 30 days from the invoice date.

All trade receivables as at 30 September 2020 of HK\$1,695,000 (31 March 2020: HK\$517,000) are aged within 30 days as at the end of each reporting date with no impairment loss being recognised. All trade receivables are not past due and settled subsequent to the end of the reporting period. None of the trade receivables are past due but not impaired as at 30 September 2020 and 31 March 2020.

## 10. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
Trade payables – aged within 30 days (based on invoice date)	<b>11,873</b>	5,093

The credit period granted by suppliers on purchase of goods is 0 to 30 days. No interest is charged by the trade creditors.

## 11. BANK BORROWING

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
Bank loan, secured and guaranteed	<b>1,411</b>	2,048
Carrying amount repayable (according to scheduled repayment term as set out in the loan agreements):		
– Within one year	<b>1,301</b>	1,283
– More than one year, but not exceeding two years	<b>110</b>	765
	<b>1,411</b>	2,048
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	<b>1,411</b>	2,048

The Group's bank borrowing carries variable-rate interest at Hong Kong Dollar Best Lending Rate ("HKDBLR") less 2.5% per annum (31 March 2020: HKDBLR less 2.2% per annum).

The effective interest rates (which are also equal to contractual interest rates) on the Group's borrowing is as follows:

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
Effective interest rate (per annum):		
Variable-rate borrowing	<b>2.50%</b>	2.87%

As at 30 September 2020 and 31 March 2020, the borrowing is secured by (1) the life insurance policy for Mr. Wong, an executive director of the Company held by the Group; (2) blanket counter indemnity and counter indemnity to a bank provided by the subsidiaries of the Company; and (3) corporate guarantee of the Company.

## 12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2019 (audited), 30 September 2019 (unaudited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2019 (audited)	393,528,000	39,353
Shares cancelled (note)	(13,796,000)	(1,380)
At 30 September 2019 (unaudited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	379,732,000	37,973

Note:

In March 2019, the Company repurchased in total 13,796,000 shares through the Stock Exchange at prices ranging from HK\$0.71 to HK\$0.72 per share at a total consideration of HK\$9,864,000 (net of transaction cost of HK\$35,000). The shares repurchased are cancelled in April 2019. The premium of HK\$8,484,000 paid on the repurchase of such shares was debited to the share premium account and an amount of HK\$1,380,000 was transferred from retained profits of the Company to the capital redemption reserve.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## 13. CAPITAL COMMITMENTS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Contracted for but not provided:		
– Acquisition of property, plant and equipment	4,444	535

## 14. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the condensed consolidated statement of financial position and other details disclosed elsewhere in the condensed consolidated financial statements, the Group also entered into the following transactions with related parties during the periods:

Name of related parties	Nature of transactions	For the six months ended	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Chiu Kee (note a)	Purchases of food ingredients	1,401	2,967
Controlling shareholders	Payment of lease liabilities (note b)	–	492
	Payments for right-of-use assets - prepaid rentals (note b)	–	1,668
	Payments relating to short-term leases (note c)	55	7
Long Sea Limited	Management fee income	–	103

Notes:

- (a) This related party is owned by a non-controlling shareholder of subsidiaries who became a shareholder of the Company since 23 June 2017 following the Group Reorganisation as set out in Note 2 to the consolidated financial statements included in the Group's annual report for the year ended 31 March 2020.
- (b) The Group entered into several lease agreements for the use of office premises, warehouses and directors' quarter for one year for the six months ended 30 September 2019. For the six months ended 30 September 2019, the Group made payment of lease liabilities of HK\$492,000 for the existing leases and the contractual sum of rental of new lease amounting to HK\$1,668,000 has been fully paid in advance. For the six months ended 30 September 2020, no payment was made for those leases.

As at 1 April 2019, the Group recognised right-of-use assets of HK\$368,000 and lease liabilities of HK\$368,000 for aforementioned premises. During the six months ended 30 September 2019, the Group entered into a lease modification for its office premise with lease term of one year, the Group recognised right-of-use assets of HK\$220,000 and lease liabilities of HK\$220,000 and made payments for right-of-use assets of HK\$1,668,000 for the directors' quarter with new lease term of one year.

- (c) The Group has entered into short-term lease agreements for leases of car park spaces for one year and the corresponding rental payments have been fully paid during the six months ended 30 September 2020 and 2019.

## 14. RELATED PARTY TRANSACTIONS (CONTINUED)

### Compensation of key management personnel

The remuneration of senior management personnel including executive directors' remuneration during the periods is as follows:

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	2,762	3,346
Post-employment benefits	45	54
	<b>2,807</b>	3,400

## 15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Fair value measurement and valuation processes

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group performed discounted cash flow to derive the present value of the financial asset. The management of the Group reports the findings to the directors of the Company every half year to explain the cause of fluctuations in the fair value of the assets and liabilities.

The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

**Fair value measurement of the Group's financial asset that are measured at fair value on a recurring basis**

Financial asset	Fair value as at		Fair value hierarchy	Valuation techniques and key input
	30 September 2020	31 March 2020		
	HK\$'000 (Unaudited)	HK\$'000 (Audited)		
Financial asset at FVTPL	1,647	1,620	Level 3	Discounted cash flows – reference to expected cash flows and applied appropriate discount rate (Note)

Note: The unobservable significant input is discount rate and if the discount rate increases, the fair value decreases and vice versa.

There is no transfer between Level 1, 2 and 3 for both periods.

### Reconciliation of Level 3 fair value measurements of financial asset

	HK\$'000
At 1 April 2019 (audited)	1,569
Net gains in profit or loss	25
At 30 September 2019 (unaudited)	1,594
At 1 April 2020 (audited)	1,620
Net gains in profit or loss	27
At 30 September 2020 (unaudited)	1,647

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.





## 16. EVENT AFTER THE END OF REPORTING PERIOD

On 3 November 2020, the Company entered into a placing and top-up subscription agreement with a placing agent (the “**Placing Agent**”) and IKEAB Limited (“**IKEAB**”), a company owned by the Controlling Shareholders of the Company, whereby IKEAB agreed to appoint the Placing Agent to procure not less than six placees for up to 7,200,000 shares of the Company at HK\$1.33 per placing shares and IKEAB has agreed to subscribe for up to 7,200,000 shares of the Company at HK\$1.33 per subscription share.

A total of 7,200,000 shares of the Company were successfully placed on 5 November 2020 and a total of 7,200,000 shares of the Company were allotted and issued to IKEAB at HK\$1.33 on 10 November 2020. The new shares rank pari passu with the existing shares in all respects.

The net proceeds from the placing is approximately HK\$9,326,000 after deduction of commission and other related expenses of placing from the gross proceeds of approximately HK\$9,576,000.