



**TASTE · GOURMET
GROUP LIMITED**

嗜 · 高美餐飲集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8371

QUARTERLY REPORT

2020/2021 3RD QUARTER





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REPORT OF THE THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

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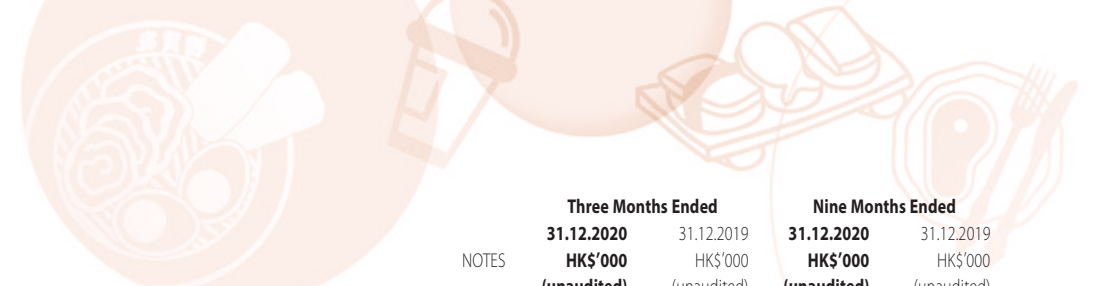
*This Report, for which the directors (the “**Directors**”) of Taste • Gourmet Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the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

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 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

	NOTES	Three Months Ended		Nine Months Ended	
		31.12.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (unaudited)
Revenue	2	103,428	94,093	282,564	295,120
Other Income		12,261	602	31,954	1,235
Other gains or losses, net		13	(433)	40	(872)
Raw materials and consumables used		(30,512)	(25,934)	(85,894)	(80,624)
Staff costs		(29,117)	(28,287)	(77,503)	(85,196)
Depreciation of property, plant and equipment		(4,543)	(3,473)	(13,153)	(9,239)
Depreciation of right-of-use assets ("ROU Assets")		(19,444)	(16,369)	(55,151)	(45,411)
Property rental and related expenses		(6,411)	(4,202)	(17,129)	(12,619)
Utilities and cleaning expenses		(3,597)	(3,240)	(9,597)	(9,702)
Other expenses		(6,465)	(5,001)	(17,598)	(15,688)
Listing Expenses		(498)	-	(16,248)	-
Finance costs		(1,845)	(1,382)	(4,882)	(3,870)
Profit before taxation		13,270	6,374	17,403	33,134
Income tax expense	3	(39)	(961)	(753)	(5,427)
Profit for the period		13,231	5,413	16,650	27,707
Other comprehensive income:					
Item that may be reclassified subsequently to profit and loss:					
Exchange difference on translation of foreign operation		779	-	819	-
Total comprehensive income for the period		14,010	5,413	17,469	27,707



NOTES	Three Months Ended		Nine Months Ended	
	31.12.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (unaudited)
Profit for the period attributable to:				
– Owners of the Company	13,794	5,413	17,308	27,707
– Non-controlling interest	(563)	–	(658)	–
	13,231	5,413	16,650	27,707
Total comprehensive income for the period attributable to:				
– Owners of the Company	14,261	5,413	17,799	27,707
– Non-controlling interest	(251)	–	(330)	–
	14,010	5,413	17,469	27,707
Earnings per share				
– Basic (HK cents)	5	3.6	4.5	7.3
– Diluted (HK cents)	5	3.6	4.5	7.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

	Attributable to Owners of the Company											
	Share capital	Share premium	Special reserve	Other reserve	Share option 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 31 March 2020 (audited)	37,973	5,340	(300)	313	528	2,027	-	-	75,186	121,067	-	121,067
Adjustment (Impact of amendments to HKFPS 16)	-	-	-	-	-	-	-	-	1,278	1,278	-	1,278
At 1 April 2020 (restated)	37,973	5,340	(300)	313	528	2,027	-	-	76,464	122,345	-	122,345
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	491	17,308	17,799	(330)	17,469
Shares issuance	720	8,607	-	-	-	-	-	-	-	9,327	-	9,327
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	6,823	6,823
Recognition of equity settled share-based payment	-	-	-	-	166	-	-	-	-	166	-	166
Lapsed of share options	-	-	-	-	(38)	-	-	-	38	-	-	-
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(5,696)	(5,696)	-	(5,696)
At 30 June 2019 (unaudited)	38,693	13,947	(300)	313	656	2,027	-	491	88,114	143,481	6,493	150,434

	Attributable to Owners of the Company											
	Share capital	Share premium	Special reserve	Other reserve	Share option 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 31 March 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	-	-	-	-	-	-	-	-	27,707	27,707	-	27,707
Shares repurchase and cancelled	(1,380)	(8,484)	-	-	-	1,380	9,864	-	(1,380)	-	-	-
Recognition of equity settled share-based payment	-	-	-	-	223	-	-	-	-	223	-	223
Lapsed of share options	-	-	-	-	(4)	-	-	-	4	-	-	-
Dividend recognised as distribution	-	(5,696)	-	-	-	-	-	-	(5,696)	(11,392)	-	(11,392)
At 31 December 2019 (unaudited)	37,973	11,036	(300)	313	451	2,027	-	-	67,125	118,625	-	118,625

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 BW-HK 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 2020

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 Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the shares of the Company ("**Shares**") have been listed on GEM since 17 January 2018. Its parent is IKEAB Limited ("**IKEAB**"), a private company incorporated in the British Virgin Islands ("**BVI**"). The address of its registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is located at Unit B, 24/F Crawford Tower, 99-101 Jervois Street, Sheung Wan, Hong Kong. Its ultimate controlling parties are Mr. Wong Ngai Shan ("**Mr. Wong**") and Ms. Chan Wai Chun ("**Ms. Chan**") who are also the executive Directors.

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 and all values are rounded to the nearest thousands (HK\$'000) except when otherwise indicated.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (HKFRS) 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 Hong Kong HKFRSs, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 December 2020 are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2020.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKFRS 3	Definition of Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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.

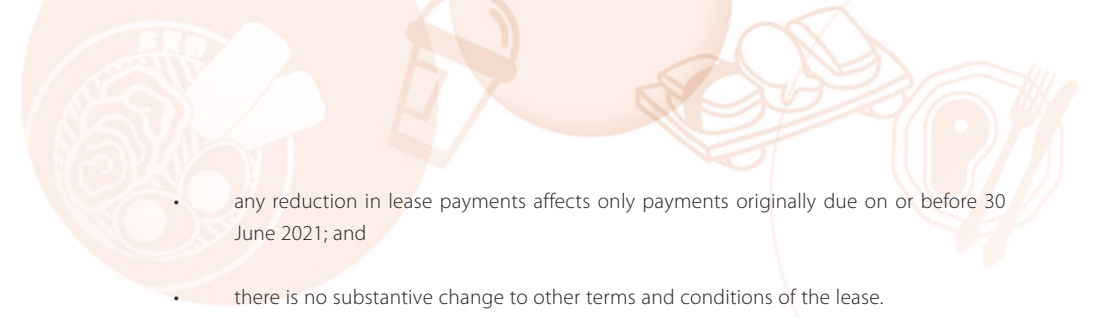
Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendment to HKFRS 16 Covid-19-Related Rent Concessions (“HKFRS16 Amendment”)

The amendment was issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued.

The amendment introduces a new practical expedient for lessees to elect not to assess whether the Novel Coronavirus or Novel Coronavirus Pneumonia (2019-nCoV) pandemic (“**COVID-19**”) related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- 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;

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

The application of the amendment is expected to have impact on the financial positions and performance of the Group if the Group would elect to early apply the amendment for the Group's annual period beginning on 1 April 2020.

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

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

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

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 not to recommend the payment of an interim dividend for the nine months ended 31 December 2020.

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.

	Three Months Ended		Nine Months Ended	
	31.12.2020 (unaudited)	31.12.2019 (unaudited)	31.12.2020 (unaudited)	31.12.2019 (unaudited)
Earnings (HKD'000)				
Earnings for the period attributable to owners of the Company for the purpose of basic earnings and diluted earnings per Share	13,794	5,413	17,308	27,707
Number of ordinary Shares ('000)				
Weighted average number of ordinary shares for the purpose of basic earnings per Share	383,802	379,732	381,093	379,732
Effect of potential dilutive ordinary shares:				
Share options	1,428	-	877	-
Weighted average number of ordinary shares for the purpose of diluted earnings per Share	385,230	379,732	381,970	379,732

BUSINESS REVIEW

During the nine months ended 31 December 2020, the Group opened six 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; (3) Wasyokuya Yamaichi at The LOHAS in Tseung Kwan O in August 2020; (4) Nabe Urawa at The LOHAS in Tseung Kwan O in November 2020; (5) Dab-pa at the New Town Plaza in Shatin in December 2020; and (6) our first restaurant in Shanghai, Shi Li Xianghui at Plaza 66 in December 2020. The number of restaurants as at 31 March 2020, 31 December 2020 and as at the date of this report are as follows:

Brands	31 March 2020	31 December 2020	Date of Report
Hong Kong	6	8	8
Nabe Urawa	6	9	9
La'taste	5	5	5
Dab-Pa	4	5	5
Rakuraku Ramen	3	3	3
Parkview	2	2	2
Say Cheese Kiosk	2	1	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
Hong Kong Total	28	32	32
Shanghai			
Shi Li Xianghui	–	1	1
Shanghai Total	–	1	1
Total	28	33	33

* Xiang Hui is 40% owned by the Group and is equity accounted for in the financial statements of 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	Site Area (Sq M)
La'taste	Plaza 66, Shanghai	Hang Lung Properties	28.02.2023	None	Q2 2021	290.00
Nabe Urawa	Raffles City Changning, Shanghai	Capital Land	12.06.2026	None	Q2 2021	432.40

For detail of these leases, please refer to the announcements issued by the Company dated 9 October 2020 and 30 December 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 nine months ended 31 December 2020.


Restaurant Operations

During the nine months ended 31 December 2020, a total of 1,621,019 customers patronized our restaurants (excluding Xiang Hui as it is equity accounted for in the consolidated financial statements of the Group), an decrease of 343,123 customers or 17.5% when compared to the same period in 2019. The average spending per customer increased from HK\$150.3 to HK\$174.3 for the nine months ended 31 December 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\$182.6. The average spending per order for our kiosks was HK\$41.4 representing an increase of 6.3% when compared to the same period in 2019 and the average spending per customer for our dessert business was HK\$77.9 representing an increase of 15.4% when compared to the same period in 2019. The key operating information by cuisine are summarized as follows:

	Nine Months Ended											
	31.12.2020						31.12.2019					
	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
Vietnamese	30,004	494	110,653	285,004	105.3	2.1	46,700	494	171,265	447,412	1044	3.3
Japanese	142,070	1,632	596,083	695,589	204.2	1.8	137,439	1,084	607,138	727,452	1889	3.0
- Nabe Urawa	104,100	1,180	440,196	447,502	232.6	1.6	89,117	712	382,983	387,754	2298	2.3
- Ramen	23,511	217	85,546	200,363	117.3	3.4	30,861	217	159,724	282,349	1093	6.7
- Others	14,460	235	70,342	47,724	303.0	1.0	17,461	155	64,431	57,349	304.5	1.4
Chinese	45,756	658	218,475	250,927	182.3	1.8	49,775	442	230,132	285,262	1745	3.0
Western	57,434	413	209,986	276,112	208.0	2.4	52,379	413	228,564	340,703	153.7	3.6
	275,264	3,197	1,135,198	1,507,632	182.6	1.9	286,293	2,433	1,237,199	1,800,829	159.0	3.2
Dessert	5,554	31	21,197	71,258	77.9	8.8	5,826	31	21,341	86,234	67.6	10.2
Kiosks	1,744	16	6,974	42,129	41.4	10.5	3,001	16	10,993	77,079	38.9	17.6
	282,561	3,244	1,163,369	1,621,019	174.3	2.1	295,120	2,480	1,269,533	1,964,142	150.3	3.4

Impact of COVID-19 on the Number of Customers

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.

The background features several circular icons in a light orange color. On the left, there is a bowl of dumplings. In the center, there are two pieces of citrus fruit, possibly lemons or oranges. On the right, there is a fish and a circular pattern with geometric shapes.

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 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 11:59 p.m. From 30 October 2020, dine-in services was extended 1:59 a.m. and the maximum number of customers per table was relaxed to six.
- However due to sudden spike in confirmed COVID-19 cases of which the source of transmission in a significant portion of the confirmed COVID-19 cases could not be identified, the Hong Kong Government imposed tightened social distancing measures on 26 November 2020 where dine-in services were allowed until 11:59 p.m. and the maximum number of customers per table reduced to four. On 2 December 2020, social distancing measures were further tightened where dine-in services were allowed until 9:59 p.m. and the maximum number of customers per table reduced to two and subsequently banned dine-in services after 6:00 p.m. on 10 December 2020. The current social distancing measures are still in place as at the date of this report.

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



Change in the Use of Proceeds

On 18 May 2020, the Company reallocated the unutilized proceeds assigned to *“Enhance our brand recognition through raising our service levels on a continual basis, the increase of marketing initiatives and renovation of our restaurants”* as disclosed in the prospectus of the Company dated 29 December 2017 of approximately HK\$5.0 million to finance the rental deposits and the renovation costs of our first Wasyokuya Yamaichi restaurant.

Due to the protests which escalated from June 2019 and COVID-19, landlords are less demanding on the renovation or upgrading of existing restaurants, and as a result, the Board believes that the unutilised proceeds will be better used by deploying the funds towards generating additional revenue which is in the best interest of the Company and its shareholders as a whole.

For details of the change in the use of proceeds, please refer to the announcement issued by the Company dated 18 May 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.

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, for details, please refer to the announcement issued by the Company dated 5 August 2020.

FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2020, the Group recorded revenue of HK\$282,561,000, representing a decrease of 4.3% when compared to the same period in 2019.

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
	31.12.2020		31.12.2019		
	HK\$'000 (unaudited)	% of Revenue	HK\$'000 (unaudited)	% of Revenue	
Vietnamese	30,004	10.6%	46,700	15.8%	(35.8%)
Japanese	142,070	50.3%	137,439	46.6%	3.4%
Chinese	45,756	16.2%	49,775	16.9%	(8.1%)
Western	57,434	20.3%	52,379	17.7%	9.7%
Dessert	5,554	2.0%	5,826	2.0%	(4.7%)
Kiosks	1,744	0.6%	3,001	1.0%	(41.9%)
Total revenue	282,561	100.0%	295,120	100.0%	(4.3%)

The increase in revenue is attributable to the opening of: (1) Nabe Urawa at the Citygate in Tung Chung O in April 2020; (2) Nabe Urawa at the Tuen Mun Town Plaza in Tuen Mun in June 2020; (3) Wasyokuya Yamaichi at The LOHAS in Tseung Kwan O in August 2020; (4) Nabe Urawa at The LOHAS in Tseung Kwan O in November 2020; (5) Dab-pa at the New Town Plaza in Shatin in December 2020; and (6) our first restaurant in Shanghai, Shi Li Xianghui at Plaza 66 in December 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:

Impact of COVID-19 on Revenue

	FY2020		Baseline				FY2021						
	Full Year	Excluding		June 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020
		Feb & Mar											
		2020	2020										
Average revenue per restaurant per day	90%	99%	100%	59%	88%	100%	60%	45%	92%	97%	90%	54%	

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. In December 2020, the implementation of the strict social distancing measures has resulted in a significant decrease in revenue.

Subsidies from the Hong Kong Government

For the second and third phase of the Anti-epidemic Fund, we received subsidy from the Hong Kong Government of approximately HK\$21.2 million and HK\$3.4 million, respectively, which have been booked as other income in the consolidated income. We expect to receive a further subsidy of approximately HK\$7.2 million in January and February 2021 in relation to the fourth phase of the Anti-epidemic Fund.


Rental Concessions

During the nine months ended 31 December 2020, we received approximately HK\$6.2 million in rental concessions from our landlords which is booked as other income following the adoption of HKFRS16 Amendment.

Major Cost Components

	Nine months ended				Changes
	31.12.2020		31.12.2019		
	HK\$'000 (unaudited)	% of Revenue	HK\$'000 (unaudited)	% of Revenue	
Raw materials and consumables used	85,894	30.4%	80,624	27.3%	6.5%
Staff costs	77,503	27.4%	85,196	28.9%	-9.0%
Depreciation of property, plant and equipment	13,153	4.7%	9,239	3.1%	42.4%
Depreciation of ROU Assets	55,151	19.5%	45,411	15.4%	21.4%
Property rental and related expenses	17,129	6.1%	12,619	4.3%	35.7%
Utilities and cleaning expenses	9,597	3.4%	9,702	3.3%	-1.1%
Other expenses	17,598	6.2%	15,688	5.3%	12.2%
Listing expenses	15,750	5.6%	-	0.0%	100.0%
Finance Costs	4,882	1.7%	3,870	1.3%	26.1%

Raw materials and consumables used increased for the nine months ended 31 December 2020 primarily due to the higher number of operations when compared to the same period last year. However, the increase has been set-off by the social distancing measures imposed by the Hong Kong Government. As a percentage of revenue, raw material and consumables used increased by 3.1% to 30.4% 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.

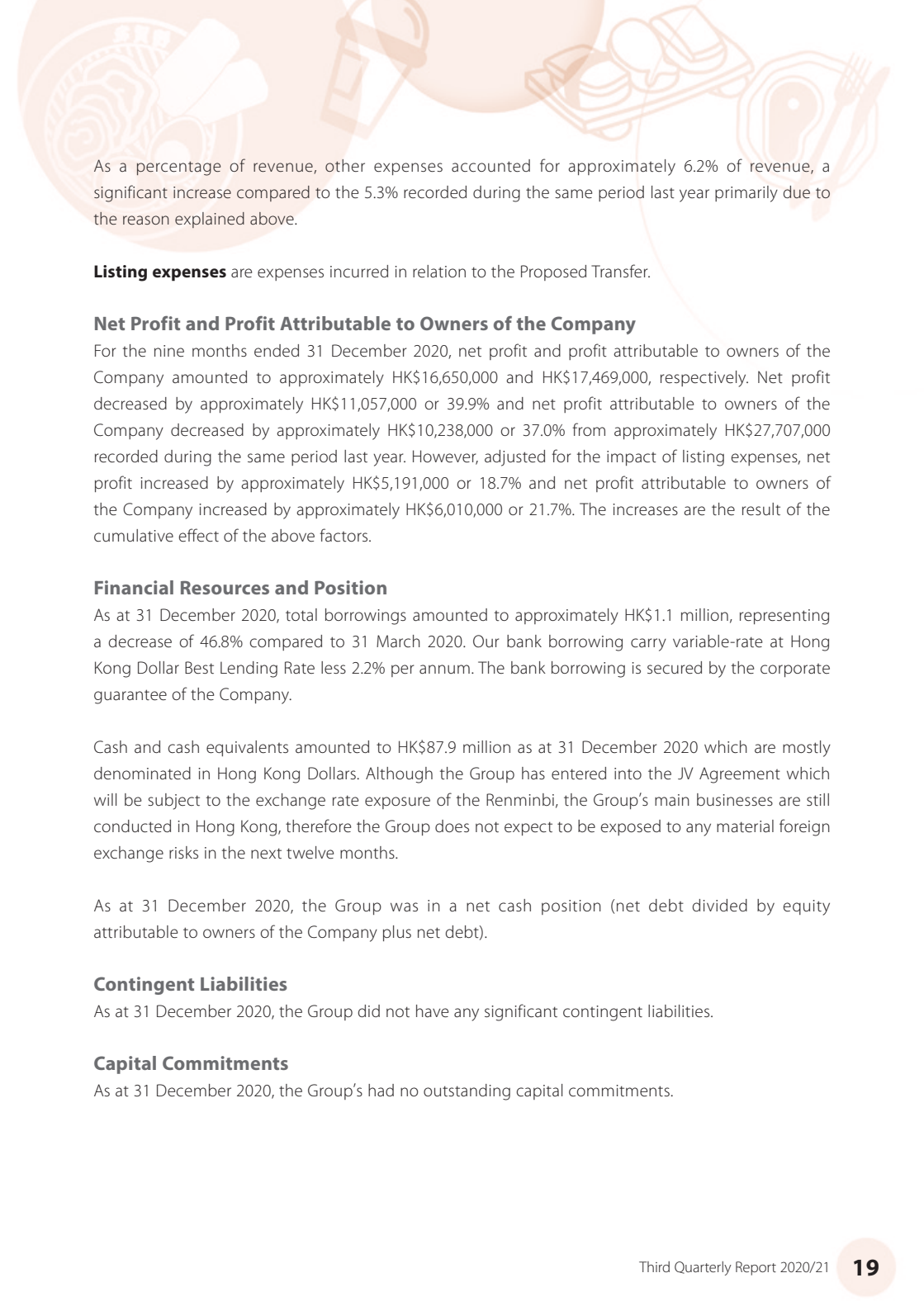


Staff costs decreased for the nine months ended 31 December 2020 compared to the same period last year was primarily due to the decrease in revenue as the result of the social distancing measures imposed by the Hong Kong Government. As a percentage of revenue, staff costs decreased from 28.9% to 27.4% 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 for the nine months ended 31 December 2020 when compared to the same period last year. The increase was primarily due to more restaurants were in operations during the nine months ended 31 December 2020. As a percentage of revenue, property rental and related expenses increased from 4.3% to 6.1% 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 42.4% and approximately 21.4%, respectively when compared to the same period last year, primarily due to more restaurants were in operations during the nine months ended 31 December 2020. As a percentage of revenue, depreciation of property, plant and equipment and depreciation of ROU Assets increased from 3.1% to 4.7% and from 15.4% to 19.5% 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\$17,598,000, representing an increase of approximately HK\$1,910,000 or 12.2% 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; (3) royalty fees in relation to the Tirpse franchise; and (4) the establishment costs in relation to the setting up of our operations in Shanghai. 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 nine months ended 31 December 2020, net profit and profit attributable to owners of the Company amounted to approximately HK\$16,650,000 and HK\$17,469,000, respectively. Net profit decreased by approximately HK\$11,057,000 or 39.9% and net profit attributable to owners of the Company decreased by approximately HK\$10,238,000 or 37.0% from approximately HK\$27,707,000 recorded during the same period last year. However, adjusted for the impact of listing expenses, net profit increased by approximately HK\$5,191,000 or 18.7% and net profit attributable to owners of the Company increased by approximately HK\$6,010,000 or 21.7%. The increases are the result of the cumulative effect of the above factors.

Financial Resources and Position

As at 31 December 2020, total borrowings amounted to approximately HK\$1.1 million, representing a decrease of 46.8% compared to 31 March 2020. 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.

Cash and cash equivalents amounted to HK\$87.9 million as at 31 December 2020 which are mostly denominated in Hong Kong Dollars. 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 31 December 2020, the Group was in a net cash position (net debt divided by equity attributable to owners of the Company plus net debt).

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2020, the Group's had no outstanding capital commitments.



Interim Dividend

The Board has resolved not to declare an interim dividend for the nine months ended 31 December 2020.

Future Prospects

The current social distancing measures imposed by the Hong Kong Government will have a negative impact on our revenue for the months of January and February 2021, however, with our continuous effort in controlling costs, we will be able to get through these difficult times. We will continue to improve of the quality of our food together with the highest standard of services. 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 will be able to leverage 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. In addition to the one restaurant in operations in Shanghai, we will be taking possession of two more leases in March 2021 with a target commencement date in May 2021.

As for our expansion, in addition to committed two new leases thus far and we will continue to discuss with shopping mall landlords for new potential locations.

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 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	Interest in controlled corporation and interest of spouse	260,302,000	67.273%
Ms. Chan	Interest in controlled corporation and interest of spouse	260,302,000	67.273%

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 of the Company 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 of the Company held by Elite China as at 31 December 2020 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 31 December 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 31 December 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	67.273%
Ms. Chan	Interest in controlled corporation and interest of spouse	260,302,000	67.273%
IKEAB Limited	Beneficial owner	250,318,000	64.693%

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 of the Company 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 of the Company held by Elite China as at 31 December 2020 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 31 December 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

Other than the Top-Up Placing, 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 2020 and up to the date of this report.

Corporate Governance

During the nine months ended 31 December 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 31 December 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 nine months ended 31 December 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 2 February 2021 to review the unaudited condensed consolidated quarterly financial statements of the Group for nine months ended 31 December 2020 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, 2 February 2021

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