



**TASTE • GOURMET
GROUP LIMITED**
嗜 • 高美集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8371)

**REPORT OF THE THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2019**

**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.*

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 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2019

| | NOTES | Three Months Ended | | Nine Months Ended | |
|--|-------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) |
| Revenue | 2 | 94,093 | 82,844 | 295,120 | 220,385 |
| Other Income | | 602 | 136 | 1,235 | 173 |
| Other gains or losses, net | | (433) | 229 | (872) | 252 |
| Raw materials and consumables used | | (25,934) | (23,137) | (80,624) | (62,061) |
| Staff costs | | (28,287) | (25,037) | (85,196) | (67,384) |
| Depreciation | | (19,842) | (2,266) | (54,650) | (6,428) |
| Property rental and related expenses | | (4,202) | (15,911) | (12,169) | (42,329) |
| Utilities and cleaning expenses | | (3,240) | (2,639) | (9,702) | (7,549) |
| Other expenses | | (5,001) | (4,846) | (15,688) | (13,114) |
| Share of loss of a joint venture | | – | (587) | – | (611) |
| Finance costs | | (1,382) | (30) | (3,870) | (97) |
| Profit before taxation | | 6,374 | 8,756 | 33,134 | 21,237 |
| Income tax expense | 3 | (961) | (1,325) | (5,427) | (3,591) |
| Profit and total comprehensive income for the period attributable to owners of the Company | | 5,413 | 7,431 | 27,707 | 17,646 |
| Earnings per share | | | | | |
| – Basic (HK cents) | 5 | 1.4 | 1.9 | 7.3 | 4.5 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

| | Attributable to Owners of the Company | | | | | | | | |
|--|---------------------------------------|---------------------------|-----------------------------|---------------------------|----------------------------------|--|------------------------------------|---------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Other reserve HK\$'000 | Share option reserve HK\$'000 | Capital redemption reserve HK\$'000 | Treasury share reserve HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 |
| At 31 March 2019 (audited) | 39,353 | 25,216 | (300) | 313 | 232 | 647 | (9,864) | 46,490 | 102,087 |
| Profit and total comprehensive income for the period | - | - | - | - | - | - | - | 27,707 | 27,707 |
| Share repurchased and cancelled | (1,380) | (8,484) | - | - | - | 1,380 | 9,864 | (1,380) | - |
| Recognition of equity settled share-based payment | - | - | - | - | 223 | - | - | - | 223 |
| Lapsed of share options | - | - | - | - | (4) | - | - | - | (4) |
| Dividend recognised as distribution | - | (5,696) | - | - | - | - | - | (5,696) | (11,392) |
| At 31 December 2019 (unaudited) | 37,973 | 11,036 | (300) | 313 | 451 | 2,027 | - | 67,121 | 118,621 |

Attributable to Owners of the Company

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

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 BWHK 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 2019

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 2019 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 nine months ended 31 December 2019 are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2019.



The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 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 2019 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amount reported and/or disclosures.

For details of the changes in accounting policies, please refer to the Interim Report for the six months ended 30 September 2019 published by the Company dated 14 November 2019.

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

An interim dividend of HK\$0.015 per Share for the six months ended 30 September 2019 (2018: HK\$0.015 per Share) was paid during the period.

The Board has resolved not to recommend the payment of an interim dividend for the three months ended 31 December 2019.

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 | |
|--|--------------------|-------------|-------------------|-------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | HKD'000 | HKD'000 | HKD'000 | HKD'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Earnings | | | | |
| Earnings for the period attributable to owners of the Company for the purpose of basic earnings and diluted earnings per Share | 5,413 | 7,431 | 27,707 | 17,646 |
| Number of ordinary Shares | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per Share | 379,732 | 393,528 | 379,732 | 395,585 |

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

The computation of diluted earnings per share for the nine months ended 31 December 2019 does not assume the exercise of share options granted by the Company, since the exercise price was higher than the average market price for Shares for the nine months ended 31 December 2019.

BUSINESS REVIEW

During the nine months ended 31 December 2019, the Group opened eight new restaurants: (1) Nabe Urawa at the Park Central in Tseung Kwan O; (2) Rakuraku Ramen Restaurant at the MegaBox in Kowloon Bay; (3) Rakuraku Ramen Restaurant at the Kornhill Plaza in Taikoo; (4) Xiang Hui Restaurant at the PopWalk in Tseung Kwan O; (5) Takano Ramen Restaurant at the K11 MUSEA in Tsim Sha Tsui; (6) Nabe Urawa at the Nina Mall in Tsuen Wan; (7) Dab-Pa Restaurant at the Citygate in Tung Chung; and (8) Tirpse at the K11 MUSEA in Tsim Sha Tsui. The shop at which Xiang Hui is located was previously one of our Parkview Restaurant which was closed down at the end of February 2019 and reopened as Xiang Hui during April 2019. The number of restaurants as at 31 March 2019, 31 December 2019 and as at the date of this report are as follows:

| Brands | 31 March 2019 | 31 December 2019 | Date of Report |
|------------------|------------------|---------------------|-------------------|
| Nabe Urawa | 4 | 6 | 6 |
| La'taste | 5 | 5 | 5 |
| Dab-Pa | 3 | 4 | 4 |
| Rakuraku Ramen | 1 | 3 | 3 |
| Parkview | 2 | 2 | 2 |
| Say Cheese Kiosk | 2 | 2 | 2 |
| Say Cheese | 1 | 1 | 1 |
| Sweetology | 1 | 1 | 1 |
| Takano Ramen | – | 1 | 1 |
| Tirpse | – | 1 | 1 |
| Urawa | 1 | 1 | 1 |
| Madam Saigon* | 1 | 1 | 1 |
| Xiang Hui* | – | 1 | 1 |
| The Pho* | 1 | – | – |
| Total | 22 | 29 | 29 |

* Madam Saigon, The Pho and Xiang Hui are equity accounted for in the financial statements of the Group.

Our first award winning licensed brand from Japan, Takano Ramen Restaurant and our first Tirpse Restaurant were opened in August 2019 and December 2019, respectively at the K11 MUSEA, Victoria Dockside in Tsim Sha Tsui.

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

| Restaurant | Location | Mall Operator | Lease Expiry Date | Option to Renew (Yrs) | Expected | Seats | Site Area (Sq M) |
|------------|----------------------|---------------|-------------------|-----------------------|-------------------|-------|------------------|
| | | | | | Commencement Date | | |
| Nabe Urawa | Citygate, Tung Chung | Swire Group | 14/03/2026 | None | Q2 2020 | 200 | 390.20 |
| Nabe Urawa | TMT Plaza, Tuen Mun | Sino Group | 15/03/2026 | None | Q2 2020 | 180 | 371.60 |

For details of the two leases, please refer to the announcement issued by the Company dated 30 January 2020.

Tirpse

During the period, we entered into a Franchise Agreement (the “**Franchise Agreement**”) to license the rights to the exclusive and unlimited usage in Hong Kong and Macau of a contemporary French-Japanese fusion cuisine brand “TIRPSE” (the “**Franchise**”) from Tokyo, Japan. The Franchise is for a period of six years commencing 16 October 2019 (the “**Initial Franchise Period**”) and the Franchise Agreement is automatically extended for a further six years in the event that no objection is made by either party six months prior to the end of the Initial Franchise Period.

Tirpse, which is “esprit”, the French word for spirit, spelled backwards, first gained fame as the fastest restaurant to be awarded a Michelin star within two months of opening in 2015. Tirpse was also named as one of Diners Club World Best 50 Restaurants in 2017. Curated by the brand owner, Mr. Ohashi Naotaka has worked for Hiramatsu Restaurant in Japan, Cordeillan-Bages in France and the Michelin Three-starred Quintessence in Tokyo before opening Tirpse.

For details of the Franchise Agreement, please refer to the announcement issued by the Company dated 22 October 2019.

Significant Investments, Material Acquisitions or Disposals

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the nine months ended 31 December 2019.

New Appointment

Mr. Yuen Wah Lam, Alan, aged 53 joined our Group as the Chief Operating Officer on 1 October 2019 responsible for the operational aspects of all our restaurants. Mr. Yuen has over 34 years of experience in the food and beverage industry and has spent over 11 years at The Peninsula Group and over 20 years at Select Service Partners, one of the major restaurant operators at the Hong Kong International Airport.

Restaurant Operations

During the nine months ended 31 December 2019, a total of 1,964,142 customers patronized our restaurants (excluding Madam Saigon, The Pho and Xiang Hui as they are equity accounted for in the consolidated financial statements of the Group), an increase of 440,842 customers or 28.9% when compared to the same period in 2018. The average spending per customer increased from HK\$144.7 to HK\$150.3 for the nine months ended 31 December 2019 compared to the same period in 2018 but if the kiosks and dessert businesses are excluded, the average spending per customer decreased slightly to HK\$159.0 from HK\$161.3 due to the lower average spending per customer for our ramen restaurants. The key operating information by cuisine are summarized as follows:

| | Nine Months Ended | | | | | | | | | | | |
|------------|---------------------|--------------------|--------------------------------|------------------------|--|--------------------------------------|---------------------|--------------------|--------------------------------|------------------------|--|--------------------------------------|
| | 31.12.2019 | | | | | 31.12.2018 | | | | | | |
| | 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 | 46,700 | 494 | 171,365 | 447,412 | 104.4 | 3.3 | 50,827 | 494 | 184,825 | 492,188 | 103.3 | 3.6 |
| Japanese | 137,439 | 1,084 | 607,139 | 727,452 | 188.9 | 3.0 | 94,735 | 660 | 370,262 | 390,186 | 242.8 | 2.3 |
| Chinese | 49,775 | 442 | 230,132 | 285,262 | 174.5 | 3.0 | 45,551 | 336 | 195,881 | 272,163 | 167.4 | 3.5 |
| Western | 52,379 | 413 | 228,564 | 340,703 | 153.7 | 3.6 | 19,071 | 519 | 208,775 | 148,657 | 128.3 | 3.1 |
| | 286,293 | 2,433 | 1,237,199 | 1,800,829 | 159.0 | 3.2 | 210,184 | 2,009 | 959,743 | 1,303,194 | 161.3 | 3.0 |
| Dessert | 5,826 | 31 | 21,341 | 86,234 | 67.6 | 10.2 | 6,455 | 31 | 23,473 | 123,102 | 52.4 | 14.4 |
| Kiosks | 3,001 | 16 | 10,993 | 77,079 | 38.9 | 17.6 | 3,746 | 16 | 13,623 | 97,004 | 38.6 | 22.0 |
| | 295,120 | 2,480 | 1,269,533 | 1,964,142 | 150.3 | 3.4 | 220,385 | 2,056 | 996,839 | 1,523,300 | 144.7 | 3.4 |

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.

Grant of Share Options

On 9 August 2019, a total of 1,920,000 share options were granted to eligible employees of the Company to subscribe for 1,920,000 Shares at an exercise price of HK\$0.85 per Share (the "Share Options"). The Share Options granted represent approximately 0.5% of the total issued capital of the Company as at date of the grant. No Share Options were granted to any of the Directors. For details of the grant of Share Options, please refer to the announcement issued by the Company dated 9 August 2019.


FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2019, the Group recorded revenue of HK\$295,120,000, representing an increase of 33.9% when compared to the same period in 2018.

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 | | | | |
|---------------|-------------------|-------------|------------|--------|---------|
| | 31.12.2019 | | 31.12.2018 | | Changes |
| | HK\$'000 | % of | HK\$'000 | % of | |
| (unaudited) | Revenue | (unaudited) | Revenue | | |
| Vietnamese | 46,700 | 15.8% | 50,827 | 23.1% | -8.1% |
| Japanese | 137,439 | 46.6% | 94,735 | 43.0% | 45.1% |
| Chinese | 49,775 | 16.9% | 45,551 | 20.7% | 9.3% |
| Western | 52,379 | 17.7% | 19,071 | 8.7% | 174.7% |
| Dessert | 5,826 | 2.0% | 6,455 | 2.9% | -9.7% |
| Kiosks | 3,001 | 1.0% | 3,746 | 1.7% | -19.9% |
| Total revenue | 295,120 | 100.0% | 220,385 | 100.0% | 33.9% |



The increase in revenue is attributable to the opening of: (1) Nabe Urawa at the Park Central in Tseung Kwan O; (2) Rakuraku Ramen Restaurant at the MegaBox in Kowloon Bay; (3) Rakuraku Ramen Restaurant at the Kornhill Plaza in Taikoo; (4) Takano Ramen at the K11 MUSEA in Tsim Sha Tsui; (5) Nabe Urawa at the Nina Mall in Tsuen Wan; (6) Dab-Pa Restaurant at the Citygate in Tung Chung; and (7) Tirpse at the K11 MUSEA in Tsim Sha Tsui (together the “**New Restaurants**”) and those restaurants that opened during the year ended 31 March 2018 but without any or full nine months of operations during the nine months ended 31 December 2018: (1) Nabe Urawa restaurant at the Uptown Plaza in Taipo (opened in April 2018); (2) Dab-Pa restaurant at the Metroplaza in Kwai Fong (opened in July 2018); (3) Rakuraku Ramen restaurant at the Lee Tung Avenue in Wanchai (opened in November 2018); and (4) Two Parkview Restaurants, located at the New Town Plaza in Shatin and Metroplaza in Kwai Fong (Acquired in November 2018). However, the increase was partially off-set by closure of our Fiat Caffé in August 2018.

The growth in revenue are all contributed by newly opened restaurant. Excluding the New Restaurants and those restaurants that did not have a full three months of operations during the three months ended 31 December 2018 (the “**Corresponding Period Restaurants**”), as the direct result of the current turmoil in Hong Kong, revenue from those restaurants that had a full three months of operations during the three months ended 31 December 2018 decreased by approximately 15.4% when compared with the three months ended 31 December 2019. The revenue for October and November 2019 suffered quite considerably but with significant improvement during the month of December 2019 when compared with October and November. However, year-on-year revenue for December 2019 was down for our Corresponding Period Restaurants. The preliminary unaudited revenue for January 2020 is approximately the same as December 2019 but with the recent coronavirus out-break, our revenue during the past two weeks have seen a drastic decline and we estimate our revenue for the next few months could deteriorate.

Major Cost Components

| | Nine Months Ended | | | | |
|--------------------------------------|-------------------|--------------|------------|-------|----------|
| | 31.12.2019 | | 31.12.2018 | | Changes |
| | HK\$'000 | % of | HK\$'000 | % of | |
| (unaudited) | Revenue | (unaudited) | Revenue | | |
| Raw materials and consumables used | 80,624 | 27.3% | 62,061 | 28.2% | 29.9% |
| Staff costs | 85,196 | 28.9% | 67,384 | 30.6% | 26.4% |
| Depreciation and Amortisation | 54,650 | 18.5% | 6,428 | 2.9% | 750.2% |
| Property rental and related expenses | 12,619 | 4.3% | 42,329 | 19.2% | (71.2%) |
| Utilities and cleaning expenses | 9,702 | 3.3% | 7,549 | 3.4% | 28.5% |
| Other expenses | 15,688 | 5.3% | 13,114 | 6.0% | 19.6% |
| Finance costs | 3,870 | 1.3% | 97 | 0.0% | 3,889.7% |

With the exception of property rental and related expenses, all costs recorded significant increases when compared to the corresponding period in 2018 and the reasons for such increases are the same as for revenue increase discussed above.

Raw materials and consumables used as a percentage of revenue decreased from 28.2% to 27.3% is primarily due to: (i) the reduction in wastages; (ii) the reduction of the impact of new restaurants opening on raw material costs due to the larger scale of operations of the Group as a whole; and (iii) the increase in the average spending per customer in our restaurants.

Staff costs as a percentage of revenue decreased from 30.6% to 28.9% when compared to the same period in 2018 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) the increase in the average spending per customer in our restaurants; and (iii) 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.

Impact of HKFRS 16 Leases

Depreciation

| | Nine Months Ended | | Changes |
|---|-------------------|-------------|---------|
| | 31.12.2019 | 31.12.2018 | |
| | HK\$'000 | HK\$'000 | |
| | (unaudited) | (unaudited) | |
| Property, plant and equipment | 9,239 | 6,428 | 43.7% |
| Right-of-Use asset – Leases (“ROU Asset”) | 45,411 | – | 100.0% |
| | 54,650 | 6,428 | |

Upon application of HKFRS 16, leases are now presented as depreciation of ROU Asset. The ROU Asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Finance Costs

| | Nine Months Ended | | Changes |
|---|-------------------|-------------|---------|
| | 31.12.2019 | 31.12.2018 | |
| | HK\$'000 | HK\$'000 | |
| | (unaudited) | (unaudited) | |
| Bank loan and finance lease interest expenses | 65 | 97 | (33.0%) |
| Interests on lease liabilities | 3,805 | – | 100.0% |
| | 3,870 | 97 | |

Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest.

Property rental and related expenses

With lease rentals now presented as depreciation of ROU Asset and interests on lease liabilities, property rental and related expenses decreased significantly from 19.2% to 4.1% as a percentage of revenue. However, as the total of the depreciation expense of the ROU Asset and related interests on lease liabilities are not materially different to the rental amount if it had not been accounted for under HKFRS 16 for our Group, a table comparing the changes is presented as follows:

| | Nine Months Ended | | | | |
|--------------------------------------|-------------------|--------------|------------|-------|---------|
| | 31.12.2019 | | 31.12.2018 | | Changes |
| | HK\$'000 | % of | HK\$'000 | % of | |
| (unaudited) | Revenue | (unaudited) | Revenue | | |
| Property rental and related expenses | 12,169 | 4.3% | 42,329 | 19.2% | (70.2%) |
| Right-of-Use assets (Leases) | 45,411 | 15.4% | – | – | 100.0% |
| Interests on lease liabilities | 3,805 | 1.3% | – | – | 100.0% |
| | 61,835 | 21.0% | 42,329 | 19.2% | 45.1% |

After including the depreciation of ROU Assets and interests on lease liabilities, property rental and related expenses increased slightly from 19.2% to 21.0% as a percentage of revenue.

Other expenses

Other expenses include items such as advertising expenses, credit card charges, delivery fees, entertainment expenses, insurance, printing and stationery, medical expenses and repairs and maintenance. Other expenses amounted to approximately HK\$15,688,000, representing an increase of approximately 19.6% when compared to the same period in 2018. As a percentage of revenue, other expenses accounted for 5.3% of revenue for the nine months ended 31 December 2019, a slight decrease when compared to the 6.0% recorded during the same period in 2018 primarily due to the better absorption of the expenses incurred in relation to compliance costs on maintaining the listing of the Company's shares on GEM.



Net Profit and Profit Attributable to Owners of the Company

For the nine months ended 31 December 2019, net profit and profit attributable to owners of the Company amounted to approximately HK\$27,707,000, an increase of approximately HK\$10,061,000 or 57.0% from approximately HK\$17,646,000 recorded during the same period last year. The increase is the result of the cumulative effect of the above factors.

Financial Resources and Position

As at 31 December 2019, total borrowings amounted to approximately HK\$2.4 million, representing a decrease of 28.2% compared to 31 March 2019. 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\$76.6 million as at 31 December 2019 which are mostly denominated in Hong Kong Dollars. As the Group's businesses are conducted in Hong Kong, therefore the Group does not expect to be exposed to any material foreign exchange risks.

As at 31 December 2019, 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 2019, the Group did not have any significant contingent liabilities (2018: Nil).

Capital Commitments

As at 31 December 2019, the Group did not have any significant outstanding capital commitments (2018: Nil).

Future Prospects

The current turmoil in Hong Kong took a toll on our business during the three months ended 31 December 2019, with year-on-year revenue down for our Corresponding Period Restaurants. Just as improvements were seen during December 2019 and January 2020, the emergence of the new coronavirus out-break could have another significant negative impact on our revenue during the next few months.

As we have stressed before, value-for-money is the key to our success, customers need to feel that they are getting their money's worth of quality food as well as high standard of services, it is therefore imperative for us to deliver this philosophy during these difficult times.

As for our expansion, in addition to the two committed new restaurants discussed above, we are actively in discussion with shopping mall landlords for new potential locations for opening in the second half of 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 31 December 2019, 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% |

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 31 December 2019 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 31 December 2019, 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 2019, 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 | 249,450,000 | 65.691% |
| Mr. Chua Sai Men | Beneficial owner | 24,220,000 | 6.378% |
| Mr. Ng Chun Yum | Beneficial owner | 19,590,000 | 5.159% |

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 31 December 2019 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any interests and short positions owned by any parties (other than a Director) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

The Shares repurchased by the Company during the last financial year from 18 March 2019 to 26 March 2019 were cancelled on 18 April 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2019 and up to the date of this report.

Corporate Governance

During the nine months ended 31 December 2019, 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 2019, 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 2019.



Interests of Compliance Adviser

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

Audit Committee

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

An Audit Committee meeting was held on 13 February 2020 to review the unaudited condensed consolidated quarterly financial statements of the Group for nine months ended 31 December 2019 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, 14 February 2020

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