



# TASTE · GOURMET GROUP LIMITED

## 嚐 · 高美集團有限公司

(Incorporated in the Cayman Islands with limited liability)

### 2019/20 **1<sup>ST</sup>** QUARTERLY REPORT



**STOCK  
CODE :  
8371**





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### **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 Main Board. 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 three months ended 30 June 2019.

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

FOR THE THREE MONTHS ENDED 30 JUNE 2019

|  | NOTES | Three months ended                    |                                       |
|--|-------|---------------------------------------|---------------------------------------|
|  |       | 30.06.2019<br>HK\$'000<br>(unaudited) | 30.06.2018<br>HK\$'000<br>(unaudited) |
| Revenue  | 2     | <b>98,798</b>                         | 62,329                                |
| Other Income   |       | <b>375</b>                            | 26                                    |
| Other gains or losses, net   |       | <b>(250)</b>                          | –                                     |
| Raw materials and consumables used   |       | <b>(27,327)</b>                       | (18,419)                              |
| Staff costs  |       | <b>(27,918)</b>                       | (19,261)                              |
| Depreciation   |       | <b>(16,107)</b>                       | (2,055)                               |
| *Property rental and related expenses  |       | <b>(4,472)</b>                        | (12,858)                              |
| Utilities and cleaning expenses  |       | <b>(3,186)</b>                        | (2,245)                               |
| Other expenses   |       | <b>(5,316)</b>                        | (3,608)                               |
| Finance costs  |       | <b>(1,532)</b>                        | (35)                                  |
| Profit before taxation   |       | <b>13,066</b>                         | 3,874                                 |
| Income tax expense   | 3     | <b>(2,143)</b>                        | (1,171)                               |
| Profit and total comprehensive income for the period                                       |       | <b>10,923</b>                         | 2,703                                 |
| Profit and total comprehensive income for the period attributable to owners of the Company |       | <b>10,923</b>                         | 2,703                                 |
| Earnings per share   |       |                                       |                                       |
| – Basic (HK cents)   | 5     | <b>2.9</b>                            | 0.7                                   |

\* Please refer to paragraph "Property rental and related expenses" below.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2019

|  | Attributable to Owners of the Company |                           |                             |                           |                                  |  |                                    |                                 |                   |  |
|--|---------------------------------------|---------------------------|-----------------------------|---------------------------|----------------------------------|--|------------------------------------|---------------------------------|-------------------|--|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Special reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Treasury share reserve<br>HK\$'000 | Accumulated profits<br>HK\$'000 | Total<br>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 | -                                     | -                         | -                           | -                         | -                                | -                                      | -                                  | 10,923                          | 10,923            |  |
| Cancellation of shares repurchased                   | (1,380)                               | (8,484)                   | -                           | -                         | -                                | 1,380                                  | 9,864                              | (1,380)                         | -                 |  |
| Recognition of equity settled share-based payment    | -                                     | -                         | -                           | -                         | 77                               | -                                      | -                                  | -                               | 77                |  |
| At 30 June 2019 (unaudited)                          | 37,973                                | 16,732                    | (300)                       | 313                       | 309                              | 2,027                                  | -                                  | 56,033                          | 113,087           |  |

|  | Attributable to Owners of the Company |                           |                             |                           |                                  |  |                                    |                                 |                   |  |
|--|---------------------------------------|---------------------------|-----------------------------|---------------------------|----------------------------------|--|------------------------------------|---------------------------------|-------------------|--|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Special reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Treasury share reserve<br>HK\$'000 | Accumulated profits<br>HK\$'000 | Total<br>HK\$'000 |  |
| At 1 April 2018 (restated and audited)               | 40,000                                | 43,908                    | (300)                       | 313                       | -                                | -                                      | -                                  | 19,885                          | 103,806           |  |
| Profit and total comprehensive income for the period | -                                     | -                         | -                           | -                         | -                                | -                                      | -                                  | 2,703                           | 2,703             |  |
| Recognition of equity settled share-based payment    | -                                     | -                         | -                           | -                         | 2                                | -                                      | -                                  | -                               | 2                 |  |
| At 30 June 2018 (unaudited)                          | 40,000                                | 43,908                    | (300)                       | 313                       | 2                                | -                                      | -                                  | 22,588                          | 106,511           |  |

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 THREE MONTHS ENDED 30 JUNE 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 three months ended 30 June 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 three months ended 30 June 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 three months ended 30 June 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.


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.

### HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The Group has applied HKFRS16 for the first time from 1 April 2019, HKFRS 16 superseded HKAS 17 Leases and the related interpretations.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sale and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modification.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.



The right-of-use asset (“**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. For the classification of cash flows, the Group previously presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

As at 31 March 2019, the Group had non-cancellable operating lease commitments of HK\$197,212,000 which meets the definition of a lease under HKFRS 16. Under the requirements of HKFRS 16, the Group has recognised a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$20,790,000 as at 31 March 2019 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets: accordingly, the carrying amounts of such deposits are adjusted to amortised cost. Adjustments to refundable rental deposits paid are considered as additional lease payments and included in the carrying amount of right-of-use assets.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 3.7%.

The Group has adopted the modified retrospective approach with the comparative figures not restated.

## 2. REVENUE

Revenue represents amounts received and receivable from restaurant operations, net of discounts, during the period, and is recognised at a point in time upon provision of food and beverage to the customer.

## 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 three months ended 30 June 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.

|   | <b>Three months ended</b> |             |
|---|---------------------------|-------------|
|   | <b>30.06.2019</b>         | 30.06.2018  |
|   | <b>(unaudited)</b>        | (unaudited) |
| <b>Earnings</b>   |                           |             |
| Earnings for the period attributable to owners of the Company for the purpose of basic earnings and diluted earnings per Share (HK\$'000) | <b>10,923</b>             | 2,703       |
| <b>Number of ordinary Shares</b>  |                           |             |
| Weighted average number of ordinary shares for the purpose of basic earnings per Share ('000)   | <b>382,461</b>            | 400,000     |

The computation of diluted earnings per share for the three months ended 30 June 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 for the three months ended 30 June 2019.



## BUSINESS REVIEW

During the three months ended 30 June 2019, the Group, we opened four 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; and (4) Xiang Hui Restaurant at the PopWalk in Tseung Kwan O. The shop at which Xiang Hui is located was previously one of our Parkview Restaurants 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, 30 June 2019 and as at the date of this report are as follows:

| Brands           | 31 March 2019 | 30 June 2019 | Date of Report |
|------------------|---------------|--------------|----------------|
| La'taste         | 5             | 5            | 5              |
| Nabe Urawa       | 4             | 5            | 5              |
| Dab-Pa           | 3             | 3            | 3              |
| Parkview         | 2             | 2            | 2              |
| Say Cheese Kiosk | 2             | 2            | 2              |
| Say Cheese       | 1             | 1            | 1              |
| Sweetology       | 1             | 1            | 1              |
| Urawa            | 1             | 1            | 1              |
| Rakuraku Ramen   | 1             | 3            | 3              |
| Madam Saigon*    | 1             | 1            | 1              |
| The Pho*         | 1             | 1            | 1              |
| Xiang Hui*       | –             | 1            | 1              |
| <b>Total</b>     | <b>22</b>     | <b>26</b>    | <b>26</b>      |

\* 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 will open in August 2019 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 Commencement Date | Seats | Site Area (Sq M) |
|------------|-------------------------|---------------|-------------------|-----------------------|----------------------------|-------|------------------|
| Dab-pa     | Citygate, Tung Chung    | Swire Group   | 31/09/2023        | None                  | Q4 2019                    | 120   | 236.90           |
| Nabe Urawa | Nina Mall II, Tsuen Wan | Chinachem     | TBC (6 Years)     | None                  | Q3 2019                    | 120   | 250.80           |

The expected commencement date of the Dab-pa restaurant in Citygate, Tung Chung was previously disclosed to open in the second quarter of 2019, however, due to the delay in the construction of the property at the Citygate, the site will not be handed over to us until the fourth quarter of 2019.

## Significant Investments, Material Acquisitions or Disposals

There were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the three months ended 30 June 2019.

## Restaurant Operations

During the three months ended 30 June 2019, a total of 661,832 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 219,531 customers or 49.6% when compared to the same period in 2018. The average spending per customer increased from HK\$140.9 to HK\$149.3 for the three months ended 30 June 2019 compared to the same period in 2018 but if the kiosks and dessert businesses are excluded, the average spending per customer increased to HK\$158.8. The average spending per order for our kiosks was HK\$39.0 representing an increase of 2.9% when compared to the same period in 2018 and the average spending per customer for our dessert business was HK\$66.7 representing an increase of 33.4% when compared to the same period in 2018. The key operating information by cuisine are summarized as follows:

|                                  | Three Months Ended  |                    |                                |                        |  |                                      |                     |                    |                                |                        |  |                                      |
|----------------------------------|---------------------|--------------------|--------------------------------|------------------------|--|--------------------------------------|---------------------|--------------------|--------------------------------|------------------------|--|--------------------------------------|
|                                  | 30.06.2019          |                    |                                |                        |  |                                      | 30.06.2018          |                    |                                |                        |  |                                      |
|                                  | Revenue<br>HK\$'000 | Number of<br>Seats | Average<br>Daily Sales<br>HK\$ | Number of<br>Customers | Average<br>Spending<br>per<br>Customer<br>HK\$ | Daily<br>Seating<br>Turnover<br>Rate | Revenue<br>HK\$'000 | Number of<br>Seats | Average<br>Daily Sales<br>HK\$ | Number of<br>Customers | Average<br>Spending<br>per<br>Customer<br>HK\$ | Daily<br>Seating<br>Turnover<br>Rate |
| Vietnamese                       | 16,942              | 494                | 186,759                        | 159,387                | 106.3  | 3.6                                  | 17,651              | 494                | 193,965                        | 169,502                | 104.1  | 3.8                                  |
| Japanese<br>(excluding<br>Ramen) | 34,614              | 757                | 382,042                        | 143,407                | 241.4  | 2.1                                  | 28,876              | 619                | 322,967                        | 118,334                | 244.0  | 2.1                                  |
| Japanese<br>Ramen                | 6,267               | 163                | 95,115                         | 66,454                 | 94.3   | 6.2                                  | -                   | -                  | -                              | -                      | -  | -                                    |
| Chinese                          | 18,127              | 336                | 205,142                        | 102,442                | 176.9  | 3.5                                  | 9,052               | 168                | 99,477                         | 55,930                 | 161.8  | 3.7                                  |
| Western                          | 19,627              | 322                | 215,679                        | 130,280                | 150.7  | 4.4                                  | 3,662               | 173                | 40,242                         | 29,749                 | 123.1  | 1.9                                  |
|                                  | <b>95,576</b>       | <b>2,072</b>       | <b>1,084,737</b>               | <b>601,970</b>         | <b>158.8</b>                                   | <b>3.3</b>                           | 59,241              | 1,454              | 656,651                        | 373,515                | 158.6  | 2.8                                  |
| Dessert                          | 2,132               | 31                 | 23,433                         | 31,963                 | 66.7   | 11.3                                 | 1,985               | 31                 | 21,816                         | 39,678                 | 50.0   | 14.1                                 |
| Kiosks                           | 1,089               | 16                 | 11,970                         | 27,899                 | 39.0   | 19.2                                 | 1,103               | 16                 | 12,126                         | 29,108                 | 37.9   | 20.0                                 |
|                                  | <b>98,798</b>       | <b>2,119</b>       | <b>1,120,140</b>               | <b>661,832</b>         | <b>149.3</b>                                   | <b>3.5</b>                           | 62,329              | 1,501              | 690,593                        | 442,301                | 140.9  | 3.3                                  |

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.

## FINANCIAL REVIEW

### Revenue

For the three months ended 30 June 2019, the Group recorded revenue of HK\$98,798,000, representing an increase of 58.5% 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.

|                      | Three months ended      |                 |                         |                 |         |
|----------------------|-------------------------|-----------------|-------------------------|-----------------|---------|
|                      | 30.06.2019              |                 | 30.06.2018              |                 | Changes |
|                      | HK\$'000<br>(unaudited) | % of<br>Revenue | HK\$'000<br>(unaudited) | % of<br>Revenue |         |
| Vietnamese           | <b>16,942</b>           | <b>17.1%</b>    | 17,651                  | 28.3%           | -4.0%   |
| Japanese             | <b>40,881</b>           | <b>41.4%</b>    | 28,876                  | 46.3%           | 41.6%   |
| Chinese              | <b>18,127</b>           | <b>18.3%</b>    | 9,052                   | 14.5%           | 100.3%  |
| Western              | <b>19,627</b>           | <b>19.9%</b>    | 3,662                   | 5.9%            | 436.0%  |
| Dessert              | <b>2,132</b>            | <b>2.2%</b>     | 1,985                   | 3.2%            | 100.0%  |
| Kiosks               | <b>1,089</b>            | <b>1.1%</b>     | 1,103                   | 1.8%            | 100.0%  |
| <b>Total revenue</b> | <b>98,798</b>           | <b>100.0%</b>   | 62,329                  | 100.0%          | 58.5%   |

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; and (3) Rakuraku Ramen Restaurant at the Kornhill Plaza in Taikoo and those restaurants that opened during the year ended 31 March 2018 but without any or full three months of operations during the three months ended 30 June 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. Revenue from existing restaurants recorded a small increase when compared to the three months ended 30 June 2018.

## Major Cost Components

|                                      | Three months ended      |                 |                         |                 | Changes  |
|--------------------------------------|-------------------------|-----------------|-------------------------|-----------------|----------|
|                                      | 30.06.2019              |                 | 30.06.2018              |                 |          |
|                                      | HK\$'000<br>(unaudited) | % of<br>Revenue | HK\$'000<br>(unaudited) | % of<br>Revenue |          |
| Raw materials and consumables used   | <b>27,327</b>           | <b>27.7%</b>    | 18,419                  | 29.6%           | 48.4%    |
| Staff costs                          | <b>27,918</b>           | <b>28.3%</b>    | 19,261                  | 30.9%           | 44.9%    |
| Depreciation                         | <b>16,107</b>           | <b>16.3%</b>    | 2,055                   | 3.3%            | 683.8%   |
| Property rental and related expenses | <b>4,472</b>            | <b>4.5%</b>     | 12,858                  | 20.6%           | (65.2)%  |
| Utilities and cleaning expenses      | <b>3,186</b>            | <b>3.2%</b>     | 2,245                   | 3.6%            | 41.9%    |
| Other expenses                       | <b>5,316</b>            | <b>5.4%</b>     | 3,608                   | 5.8%            | 47.3%    |
| Finance Costs                        | <b>1,532</b>            | <b>1.6%</b>     | 35                      | 0.1%            | 4,277.1% |

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 29.6% to 27.7% is primarily due to: (i) the reduction in wastages; and (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.

**Staff costs** as a percentage of revenue decreased from 30.9% to 28.3% 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

|                               | Three months ended                    |                                       | Changes |
|-------------------------------|---------------------------------------|---------------------------------------|---------|
|                               | 30.06.2019<br>HK\$'000<br>(unaudited) | 30.06.2018<br>HK\$'000<br>(unaudited) |         |
| Property, plant and equipment | 2,887                                 | 2,055                                 | 40.5%   |
| Right-of-Use assets (Leases)  | 13,220                                | –                                     | 100.0%  |
|                               | <b>16,107</b>                         | 2,055                                 |         |

As mentioned above, the leases are now presented as depreciation of ROU Assets.

### Finance Costs

|  | Three months ended                    |                                       | Changes |
|--|---------------------------------------|---------------------------------------|---------|
|  | 30.06.2019<br>HK\$'000<br>(unaudited) | 30.06.2018<br>HK\$'000<br>(unaudited) |         |
| Bank loan and finance lease<br>interest expenses | 25                                    | 35                                    | (29.5)% |
| Interests on lease liabilities                   | 1,507                                 | –                                     | 100.0%  |
|  | <b>1,532</b>                          | 35                                    |         |

## Property rental and related expenses

With lease rentals now presented as depreciation of ROU Assets and interests on lease liabilities, property rental and related expenses decreased significantly from 20.6% to 4.5% as a percentage of revenue. However, as the total of the depreciation expense of the ROU Assets and related interests on lease liabilities are not materially different to the rental amount if it had not been accounted for under HKFRS 16 Leases for our Group, a table comparing the changes is presented as follows:

|                                      | Three months ended      |                 |                         |                 | Changes |
|--------------------------------------|-------------------------|-----------------|-------------------------|-----------------|---------|
|                                      | 30.06.2019              |                 | 30.06.2018              |                 |         |
|                                      | HK\$'000<br>(unaudited) | % of<br>Revenue | HK\$'000<br>(unaudited) | % of<br>Revenue |         |
| Property rental and related expenses | 4,472                   | 4.5%            | 12,858                  | 20.6%           | (65.2)% |
| Right-of-Use assets (Leases)         | 13,220                  | 13.4%           | –                       | –               | 100.0%  |
| Interests on lease liabilities       | 1,507                   | 1.5%            | –                       | –               | 100.0%  |
|                                      | <b>19,199</b>           | <b>19.4%</b>    | 12,858                  | 20.6%           | 49.3%   |

After including the depreciation of ROU Assets and interests on lease liabilities, property rental and related expenses decreased slightly from 20.6% to 19.4% as a percentage of revenue.

The decrease in property, rental and related expenses as a percentage of revenue is primarily due to increase in revenue and average spending per customer for the Group as a whole.

## 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\$5,316,000, representing an increase of approximately 47.3% when compared to the same period in 2018, which is in-line with the increase in revenue. As a percentage of revenue, other expenses accounted for 5.4% of revenue for the three months ended 30 June 2019, a slight decrease compared to the 5.8% 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 three months ended 30 June 2019, net profit and profit attributable to owners of the Company amounted to approximately HK\$10,923,000, an increase of approximately HK\$8,220,000 or 304.1% from approximately HK\$2,703,000 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 30 June 2019, total borrowings amounted to approximately HK\$3.0 million, representing a decrease of 9.4% 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.

As at 30 June 2019, obligations under finance leases amounted to approximately HK\$0.1 million which are secured by one motor vehicle of the Company with a net book value of approximately HK\$0.5 million.

Cash and cash equivalents amounted to HK\$73.0 million as at 30 June 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 30 June 2019, the Group had a net cash position (net debt divided by equity attributable to owners of the Company plus net debt).

## **Contingent Liabilities**

As at 30 June 2019, the Group did not have any significant contingent liabilities (2018: Nil).

## **Capital Commitments**

As at 30 June 2019, the Group's outstanding capital commitments was approximately HK\$2,000,000 (2018: Nil).

## **Future Prospects**

As the global economies are facing uncertainties amidst the possible fallout from the trade war between China and the United States, we have taken steps to ensure the continuous improvement of the quality of our food together with the highest standard of services. Customers need to feel that they are getting their money's worth, value-for-money is our core philosophy.

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.

## 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 June 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          | 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%                                |

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



Save as disclosed above, as at 30 June 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 30 June 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**

| <b>Name of Substantial Shareholder</b> | <b>Capacity/Nature of interest</b>                        | <b>Number of Shares Held</b> | <b>Approximate Percentage of Shareholding</b> |
|--|---|------------------------------|---|
| 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%                                       |
| 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 30 June 2019 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.



Save as disclosed above, as at 30 June 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 three months ended 30 June 2019 and up to the date of this report.

### **Corporate Governance**

During the three months ended 30 June 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 30 June 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 three months ended 30 June 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 8 August 2019 to review the unaudited condensed consolidated quarterly financial statements of the Group for three months ended 30 June 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, 8 August 2019

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

*Executive Directors:*

WONG Ngai Shan (*Chairman*)

CHAN Wai Chun (*Chief Executive Officer*)

*Independent Non-executive Directors:*

CHAN Yuen Ting

TSANG Siu Chun

WANG Chin Mong