



Tasty Concepts Holding Limited
賞之味控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8096



INTERIM REPORT 2019/2020

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*This report, for which the directors (the “**Directors**”) of Tasty Concepts Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR:

Mr. Tang Chun Ho Chandler (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTOR:

Mr. Tang Hing Chee (*Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ho Chun Yin Steven

Mr. Ho Lai Chuen

Mr. Lee Koon Tak

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Lee Koon Tak (*Chairman*)

Mr. Ho Chun Yin Steven

Mr. Ho Lai Chuen

REMUNERATION COMMITTEE

Mr. Ho Lai Chuen (*Chairman*)

Mr. Tang Chun Ho Chandler

Mr. Lee Koon Tak

NOMINATION COMMITTEE

Mr. Tang Hing Chee (*Chairman*)

Mr. Ho Lai Chuen

Mr. Lee Koon Tak

COMPANY SECRETARY

Ms. Yim Sau Ping (*FCCA*)

AUTHORISED REPRESENTATIVES

Mr. Tang Chun Ho Chandler

Ms. Yim Sau Ping (*FCCA*)

COMPLIANCE OFFICER

Mr. Tang Chun Ho Chandler

COMPLIANCE ADVISER

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Deloitte Touche Tohmatsu

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(*Certified Public Accountants*)

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

COMPANY'S WEBSITE

www.butaramen.com

STOCK CODE

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FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 September 2019 was approximately HK\$46.1 million, representing a decrease of approximately 12.7% when compared with that of the corresponding period in 2018.
- The Group recorded a loss of approximately HK\$6.4 million for the six months ended 30 September 2019.
- The Board did not recommend payment of any dividend for the six months ended 30 September 2019 (2018: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2019

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2019	2018	2019	2018
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	22,691	26,619	46,063	52,773
Cost of inventories		(4,711)	(5,525)	(10,123)	(10,875)
Other income	5	38	12	81	16
Other gains and losses	5	7	(4)	—	—
Staff costs		(8,949)	(7,897)	(17,760)	(15,243)
Rental and related expenses		(934)	(5,001)	(2,255)	(9,630)
Depreciation and amortisation		(6,368)	(1,368)	(10,960)	(2,647)
Other expenses		(5,525)	(3,682)	(9,728)	(6,963)
Listing expenses		—	(4,755)	—	(9,297)
Finance costs	6	(549)	(51)	(894)	(88)
Loss before taxation		(4,300)	(1,652)	(5,576)	(1,954)
Taxation	8	(624)	(631)	(822)	(1,113)
Loss for the period		(4,924)	(2,283)	(6,398)	(3,067)
Other comprehensive income (expense) for the period					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on the translation of foreign operation		11	6	75	(570)
Total comprehensive expense for the period		(4,913)	(2,277)	(6,323)	(3,637)
Loss for the period attributable to:					
Owners of the Company		(4,924)	(2,283)	(6,398)	(2,936)
Non-Controlling interests		—	—	—	(131)
		(4,924)	(2,283)	(6,398)	(3,067)
Total comprehensive expenses for the period attributable to:					
Owners of the Company		(4,913)	(2,277)	(6,323)	(3,492)
Non-Controlling interests		—	—	—	(145)
		(4,913)	(2,277)	(6,323)	(3,637)
Loss per share					
Basic (HK cents)	10	(0.98)	(0.61)	(1.28)	(0.78)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	<i>NOTES</i>	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Non-current assets			
Property and equipment	11	23,755	13,880
Intangible assets	12	4,183	47
Deposits	13	8,374	3,558
Deferred tax assets		1,110	1,150
Right-of-use assets	11	33,859	—
		71,281	18,635
Current assets			
Inventories		1,394	1,657
Trade and other receivables, deposits and prepayments	13	5,753	5,503
Tax recoverable		665	665
Bank balances and cash		57,213	84,535
		65,025	92,360
Current liabilities			
Trade and other payables and accruals	14	9,408	15,251
Tax payable		1,307	927
Bank borrowings	15	3,021	3,395
Lease liabilities		16,982	—
		30,718	19,573
Net current assets		34,307	72,787
Total assets less current liabilities		105,588	91,422
Non-current liabilities			
Provisions		325	255
Deferred tax liabilities		362	—
Lease liabilities		20,057	—
		20,744	255
Net assets		84,844	91,167
Capital and reserves			
Share capital	16	5,000	5,000
Reserves		79,844	86,167
Total equity		84,844	91,167

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note (i))	Statutory reserve HK\$'000 (Note (ii))	Translation reserve HK\$'000	Accumulated profits HK\$'000			
At 1 April 2018 (audited)	9	—	2,050	66	222	24,699	27,046	—	27,046
Loss for the period	—	—	—	—	—	(2,936)	(2,936)	(131)	(3,067)
Other comprehensive expense for the period	—	—	—	—	(556)	—	(556)	(14)	(570)
Total comprehensive expense for the period	—	—	—	—	(556)	(2,936)	(3,492)	(145)	(3,637)
Issue of shares (Note (iii))	71	—	—	—	—	—	71	—	71
Issue of shares (Note (iv))	—*	—	—	—	—	—	—*	—	—*
Issue of shares (Note (v))	7	—	5,993	—	—	—	6,000	—	6,000
Change in shareholding in Butao Global Limited ("Butao Global") without losing control (Note (vi))	—	—	(2,799)	—	—	—	(2,799)	2,799	—
Transfer upon Reorganisation (as defined in Note 1)	(9)	—	9	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	43	—	(43)	—	—	—
At 30 September 2018 (unaudited)	78	—	5,253	109	(334)	21,720	26,826	2,654	29,480
At 1 April 2019 (audited)	5,000	64,646	9,107	109	(90)	12,395	91,167	—	91,167
Loss for the period	—	—	—	—	—	(6,398)	(6,398)	—	(6,398)
Other comprehensive income for the period	—	—	—	—	75	—	75	—	75
Total comprehensive income (expense) for the period	—	—	—	—	75	(6,398)	(6,323)	—	(6,323)
At 30 September 2019 (unaudited)	5,000	64,646	9,107	109	(15)	5,997	84,844	—	84,844

* Less than HK\$1,000

Notes:

- (i) On 31 July 2014, Butao Ramen Limited ("Butao Ramen"), a wholly-owned subsidiary of the Company, which owned 60% equity interest of Butao Ramen International Holdings Limited ("Butao Ramen BVI"), acquired 40% equity interest in Butao Ramen BVI from an independent non-controlling shareholder at a cash consideration of HK\$1 and resulting a surplus of HK\$2,050,000 crediting to other reserve. Upon the completion of transaction, Butao Ramen BVI became the wholly-owned subsidiary of Butao Ramen until 31 March 2015, Butao Ramen disposed of 100% interests of Butao Ramen BVI to Mr. Tang Chun Ho Chandler ("Mr. C Tang").
- (ii) In accordance with statutory requirements in the People's Republic of China (the "PRC"), other than Hong Kong, subsidiaries registered in the PRC are required to transfer a certain percentage of the annual net income from accumulated profits to the statutory funds, until the statutory funds are accumulated up to 50% of its registered capital. Under normal circumstances, the statutory funds are not allowed to be distributed to the subsidiaries' shareholders as dividends. The statutory funds shall only be used for offsetting accumulated losses, capitalisation into paid-in capital and expansion of its production and operations.
- (iii) On 14 June 2018, Butao Global was incorporated in the British Virgin Islands (the "BVI") as a limited liability company with an authorised share capital of 50,000 ordinary shares at a par value of United States Dollar 1 each. On the same day, 9,090 shares of Butao Global were allotted and issued to Brilliant Trade Enterprises Limited ("Brilliant Trade").
- (iv) On 27 June 2018, Butao Global acquired entire equity interests of Butao Ramen from Brilliant Trade in consideration of issuing 10 shares of Butao Global to Brilliant Trade. Upon the completion of the transfer, Butao Ramen is the wholly-owned subsidiary of Butao Global.
- (v) On 3 July 2018, a pre-IPO investor ("IPO Investor"), who is an independent third party, subscribed for 900 new shares of Butao Global for a cash consideration of HK\$6,000,000. Following the completion of the share subscription, Butao Global was owned as to 91% by Brilliant Trade and 9% by the Pre-IPO Investor and a non-controlling interests of HK\$2,799,000 is recognised accordingly.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(5,234)	(971)
Net cash used in investing activities	(12,633)	(3,143)
Net cash (used in)/generated from financing activities	(9,455)	2,631
Cash and cash equivalents at the beginning of the period	84,535	15,129
Net decrease in cash and cash equivalents	(27,322)	(1,483)
Cash and cash equivalents at the end of the period	57,213	13,646

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 July 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange on 15 March 2019 (the "**Listing**"). The immediate holding company of the Company is Brilliant Trade, which was incorporated in the BVI, and 35%, 35%, 15% and 15% owned by Mr. C Tang, Mr. Tang Hing Chee ("**Mr. HC Tang**"), father of Mr. C Tang, Ms. Tai Shiu Bun Mariana ("**Ms. Tai**"), mother of Mr. C Tang, and Ms. Tang Wing Shan Ariel ("**Ms. A Tang**"), sister of Mr. C Tang (hereinafter Mr. C Tang, Mr. HC Tang, Ms. Tai and Ms. A Tang are collectively referred to as the "**Controlling Shareholders**"). The addresses of the registered office and the principal place of business of the Company are Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 6th Floor, Goldsland Building, 22-26 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong respectively.

The Company acts as an investment holding company and its subsidiaries are principally engaged in operation of Japanese ramen restaurants in Hong Kong and the PRC.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the Listing (the "**Reorganisation**"), the Company became the holding company of the Group since 21 February 2019. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 27 February 2019 (the "**Prospectus**").

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are presented in Hong Kong Dollar ("**HK\$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules. The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those used in the Group's annual financial statements for the year ended 31 March 2019 except as described below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs, including Hong Kong Accounting Standards (“HKAS”) and Interpretations, issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2019. The adoption of these new and revised HKFRSs in the current period has no material effect on the amounts and/or disclosures reported set out in these unaudited condensed consolidated financial statements.

HKFRS 16 “LEASES”

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees which superseded HKAS 17 “Leases” and the related interpretations.

(A) KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the date of initial application of HKFRS 16. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 16 “LEASES” (CONTINUED)

(A) KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 (CONTINUED)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 16 “LEASES” (CONTINUED)

(A) KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 (CONTINUED)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 16 “LEASES” (CONTINUED)

(A) KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 (CONTINUED)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

(B) TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. APPLICATION OF NEW AND REVISED HKFRSs (*CONTINUED*)

HKFRS 16 “LEASES” (*CONTINUED*)

(B) *TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 (CONTINUED)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options; and
- v. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 16 "LEASES" (CONTINUED)

(B) TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 (CONTINUED)

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities:

	HK\$'000 (Unaudited)
Operating lease commitments as at 31 March 2019	22,120
Lease liabilities discounted at relevant incremental borrowing rates of 5%	20,894
Less: Recognition exemption - short-term leases or leases with low-value underlying assets	(2,151)
Lease liabilities as at 1 April 2019	18,743
Analysed as:	
Current	9,785
Non-current	8,958
	18,743

The impact arising from the adoption of HKFRS16 as at 1 April 2019 are as follow:

	Increase/ (decrease) HK\$'000 (Unaudited)
Assets	
Increase in right-of-use assets	17,455
Decrease in trade and other receivables, deposits and prepayments	(383)
Increase in total assets	17,072
Liabilities	
Increase in lease liabilities	18,743
Decrease in trade and other payables and accruals	(1,671)
Increase in total liabilities	17,072

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable for services provided and goods sold and net of discount, during the period.

	For the three months ended		For the six months ended	
	30 September 2019		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Recognised at a point in time:				
Operation of restaurants in Hong Kong	18,139	20,220	36,935	39,929
Operation of restaurants in the PRC	3,132	4,877	6,379	9,952
Sales of food and related products to a franchisee	1,106	1,182	2,165	2,277
Recognised over time:				
Royalty fee income from a franchisee (Note i)	307	306	577	581
License fee income from a licensee (Note ii)	7	34	7	34
	22,691	26,619	46,063	52,773

Notes:

- (i) Royalty fee income is calculated with reference to the revenue of the restaurant run by the franchisee for a term of five years.
- (ii) License fee income is calculated with reference to the production volume of the licensed products produced by the licensee for a term of two years.

Contract for royalty fee income is under 5-year non-cancellable term in which the Group bills at a fixed rate on the sales generated from the use of trademark by the franchisee. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has the right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Contract for license fee income is 2-year non-cancellable term in which the Group bills at a fixed amount for each licensing product produced by the licensee. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has the right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Segment information

The Group is principally engaged in operation of Japanese ramen restaurants in Hong Kong and the PRC. This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies. The executive Director of the Company has been identified as the chief operating decision maker ("CODM"). The CODM reviews the Group's revenue analysis by geographical location in order to assess performance and allocation of resources.

Other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance and allocation of resources. The CODM reviews the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's current operations are mainly located in Hong Kong and the PRC. Information about the Group's revenue from external customers presented based on the location of the customers. Information about its non-current assets, excluding deferred tax assets, by geographical location of assets is detailed below:

	Revenue				Non-current assets	
	For the three months ended		For the six months ended		As at	As at
	30 September		30 September		30 September	31 March
	2019	2018	2019	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	18,146	20,254	36,942	39,963	61,115	12,272
The PRC	3,132	4,877	6,379	9,952	9,056	5,213
Macau Special Administrative Region of the People's Republic of China ("Macau") (Note)	1,413	1,488	2,742	2,858	—	—
	22,691	26,619	46,063	52,773	70,171	17,485

Note: The revenue is derived from the sales of food and related products to and royalty fee income from a franchisee which is located in Macau.

5. OTHER INCOME/OTHER GAINS AND LOSSES

	For the three months ended		For the six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other income:				
Bank interest income	19	3	39	5
Interest income on rental deposits paid	14	—	25	—
Others	5	9	17	11
	38	12	81	16
Other gains and losses:				
Net exchange (losses) gains	7	(4)	—	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

6. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interests on bank borrowings	36	51	75	88
Interests on lease liabilities	490	—	796	—
Interests on finance lease	23	—	23	—
	549	51	894	88

7. LOSS BEFORE TAXATION

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss before taxation has been arrived at after charging:				
Auditor's remuneration	237	59	474	118
Directors' remuneration	688	247	1,233	494
Other staff costs:				
– salaries, bonuses and allowances	7,755	7,170	15,566	13,930
– retirement benefits schemes contributions	506	480	961	819
Total staff costs	8,949	7,897	17,760	15,243
Depreciation of property and equipment	2,016	1,362	3,772	2,635
Depreciation of right-of-use assets	4,294	—	7,124	—
Amortisation of intangible assets	58	6	64	12
Loss on scrap of property and equipment	130	—	130	—
Operating leases rentals under HKAS 17/ short-term leases or leases with low-value underlying assets under HKFRS 16 in respect of rented premises for:				
– minimum lease payments	777	4,159	1,903	8,328
– contingent rents (<i>Note</i>)	94	165	237	329
	871	4,324	2,140	8,657

Note: The operating lease rentals for restaurants are determined as the higher of fixed rentals or pre-determined percentages on revenue of the restaurants pursuant to the terms and conditions that are set out in the rental agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

8. TAXATION

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The taxation comprises:				
Hong Kong Profits Tax charge for the period	236	615	420	1,066
PRC Enterprise Income Tax ("EIT") charge for the period	(34)	18	—	56
Deferred tax charged (credit) for the period	422	(2)	402	(9)
	624	631	822	1,113

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2018 and 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000 of that subsidiary. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 30 September 2018 and 2019.

9. DIVIDENDS

The board of Directors (the "Board") of the Company did not recommend the payment of any dividend for the six months ended 30 September 2019 (2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss				
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(4,924)	(2,283)	(6,398)	(2,936)

	For the three months ended 30 September		For the six months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	500,000,000	375,000,000	500,000,000	375,000,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 April 2018.

No separate diluted loss per share information has been presented as there were no potential ordinary shares outstanding issued for the six months ended 30 September 2018 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

- (a) During the six months ended 30 September 2019, the Group has acquired property and equipment of approximately HK\$13,744,000 (2018: approximately HK\$3,100,000) and recognised a loss on scrap of property and equipment of approximately HK\$130,000 due to close down of a restaurant (2018: Nil).

As at 30 September 2019, a motor vehicle with net book value of approximately HK\$2,794,000 (31 March 2019: Nil) was acquired under finance lease, of which the rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

- (b) During the six months ended 30 September 2019, the Group entered into several leases for the use of 2 to 4 years with the right-of-use assets amounted to approximately HK\$23,528,000 (2018: Nil).

12. INTANGIBLE ASSETS

During the six months ended 30 September 2019, a wholly-owned subsidiary of the Company, (the "Franchisee") entered into a franchise agreement (the "Franchise Agreement") with an independent third party (the "Franchisor"), under which the Franchisor shall grant and provide the Franchisee with the exclusive rights to use its trademarks, patents and all other intellectual property rights as well as necessary assistance for operation of the franchise restaurants in Hong Kong at the consideration of HK\$4,200,000, with a term of 20 years.

The franchise has finite useful lives and is amortised on a straight-line basis over the term as agreed in the Franchise Agreement (i.e. 20 years).

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables from restaurant operations	354	526
Trade receivables from the franchisee	802	483
Trade receivables from a licensee	10	6
Rental deposits	7,412	5,518
Utilities and other deposits	1,337	1,132
Deposits paid for acquisition of property and equipment	2,130	—
Other receivables	423	422
Prepayments	1,659	974
Total trade and other receivables, deposits and prepayments	14,127	9,061
Analysed for reporting purposes as:		
Non-current assets	8,374	3,558
Current assets	5,753	5,503
	14,127	9,061

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

An ageing analysis of the trade receivables from restaurant operations, based on the invoice date, which approximate the revenue recognition date, is as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0-30 days	354	526

An ageing analysis of the trade receivables from the franchise, based on the invoice date, which approximate the revenue recognition date, is as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0-30 days	765	470
31-60 days	8	1
61-90 days	9	—
Over 90 days	20	12
	802	483

There was no credit period granted to individual customers for the restaurant operations.

The Group's trading terms with its customers are mainly by cash, electronic or mobile payments. Electronic or mobile payments will normally be settled within 7 days after trade date. Trade receivables also include royalty fee income and sales income receivable from a franchisee and license fee income receivable from a licensee with credit periods up to 30 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

14. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	1,676	2,287
Salary payables	2,056	1,919
Payable for acquisition of property and equipment	4,250	—
Effective rent payable	—	1,671
Accrual for listing expenses	—	6,257
Other payables and accruals	1,426	3,117
	9,408	15,251

The credit period on purchases is ranging from 0 to 30 days. An ageing analysis of trade payable, based on the invoice date, is as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0-30 days	1,667	2,269
31-60 days	9	18
	1,676	2,287

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

15. BANK BORROWINGS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Unsecured and guaranteed bank borrowings	3,021	3,395
The carrying amounts are repayable*:		
Within one year	774	756
Within a period of more than one year but not exceeding two years	810	792
Within a period of more than two years but not exceeding five years	1,437	1,847
Total	3,021	3,395
Less: Bank borrowings due within one year or contain a repayable on demand clause shown under current liabilities	(3,021)	(3,395)
Amounts shown under non-current liabilities	—	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The unsecured and guaranteed bank borrowings as at 31 March 2019 and 30 September 2019 is guaranteed by the Company and certain subsidiaries of the Group.

As at 30 September 2019, the bank borrowings of the Group carry variable interest rate at HK\$ Best Lending Rate minus 0.5% (31 March 2019: 0.5%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. SHARE CAPITAL

The share capital as at 1 April 2018 represented the share capital of Butao Ramen.

The share capital as at 31 March, 1 April, and 30 September 2019 represented the share capital of the Company.

Details of the Company's shares are disclosed as follows:

	Number of shares	Amount HK\$'000
Authorised:		
At 23 July 2018 (date of incorporation), 31 March, 1 April, and 30 September 2019	1,000,000	10
Issued and paid:		
At 23 July 2018 (date of incorporation)	1	—*
Issue of shares on 21 February 2019 (<i>Note i</i>)	9,999	—*
Issue of shares on 15 March 2019 (<i>Note ii</i>)	125,000,000	1,250
Capitalisation issue (<i>Note iii</i>)	374,990,000	3,750
At 30 September 2019	500,000,000	5,000

* less than HK\$1,000

Notes:

- (i) On 21 February 2019, 9,099 and 900 shares of the Company was allotted and issued to Brilliant Trade and Pre-IPO Investor, respectively.
- (ii) The shares of the Company have been listed on GEM of the Stock Exchange by way of public offer and placing on 15 March 2019. 125,000,000 shares of the Company of HK\$0.01 each were issued at offer price of HK\$0.7 per share.
- (iii) On 15 March 2019, 374,990,000 shares of the Company were issued through capitalisation of HK\$3,749,999 standing to the credit of share premium account of the Company.

The new shares issued rank pari passu in all aspects with existing shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2019 and up to the date of this report, the Group has been principally engaged in operating ramen restaurants in Hong Kong and the PRC, generating revenue from provision of catering services. Besides, the Group also generates revenue from (i) franchising its own brand to a franchisee to operate a ramen restaurant in Macau and receives royalty fee income and income from sales of food and accessories products to the franchisee; and (ii) granting an exclusive licence to a licensee to use the Group's trademarks on licensed products, license fee income is charged based on the production volume.

As at 30 September 2019 and as at the date of this report, the Group operated 11 ramen restaurants in Hong Kong and the PRC.

FINANCIAL REVIEW

REVENUE

The revenue of the Group decreased by approximately 12.7% from approximately HK\$52.8 million for the six months ended 30 September 2018 to approximately HK\$46.1 million for the six months ended 30 September 2019. The drop is mainly attributed to the recent social incidents since June 2019 which has been weakening consumers' spending sentiment and also leading to ad-hoc variation or shortening business hours for some of the restaurants, especially during weekends, causing a significant drop in number of customer visits. Moreover, intense competition as well as food safety concerns from the customers in regards to consuming pork related products resulting from the outbreaks of African swine fever during the early half of year 2019 also formed challenges to the Group's business.

Information about the Group's revenue from external customers presented based on the location of the customers is detailed below:

	For the three months ended 30 September		For the six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong	18,146	20,254	36,942	39,963
The PRC	3,132	4,877	6,379	9,952
Macau (Note)	1,413	1,488	2,742	2,858
	22,691	26,619	46,063	52,773

Note: The revenue is derived from the sales of food and related products to and royalty fee income from a franchisee which is located in Macau.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF INVENTORIES

Cost of inventories decreased by approximately 6.9% from approximately HK\$10.9 million for the six months ended 30 September 2018 to approximately HK\$10.1 million for the six months ended 30 September 2019. The cost of inventories sold decreased in line with the drop of the Group's revenue and amounted to approximately 20.6% and 22.0% of the Group's total revenue for the six months ended 30 September 2018 and 2019, respectively. The ratio remained relatively stable as compared to corresponding period in 2018.

OTHER INCOME

Other income mainly comprised of the bank interest income, interest income on rental deposits paid and other miscellaneous income. It amounted to approximately HK\$16,000 and HK\$81,000 for the six months ended 30 September 2018 and 2019, respectively. The increase in amount is mainly due to more bank interest income received owing to the increment of average bank balance level during the six months ended 30 September 2019 when compared to the corresponding period in 2018.

OTHER GAINS AND LOSSES

Other gains and losses mainly represented the net exchange (losses) gains.

STAFF COSTS

The staff costs increased by approximately 16.5% from approximately HK\$15.2 million for the six months ended 30 September 2018 to approximately HK\$17.8 million for the six months ended 30 September 2019, which was mainly attributable to the additional manpower employed for the newly operated restaurants and addition staff costs paid to Directors and senior management after Listing. Staff costs had taken up the most significant portion of the operating costs, as a percentage of revenue, staff costs amounted to approximately 28.9% for the six months ended 30 September 2018 and approximately 38.6% for the six months ended 30 September 2019, which is mainly due to an increase in compensation levels of the staffs.

The Group understands the importance of recruiting the skilled personnel and retaining experienced staff in the highly competitive labour market in order to properly manage the Group's restaurants and interact with the customers, which is critical to maintaining the quality and consistency of the Group's services as well as the brand reputation.

RENTAL AND RELATED EXPENSES

Due to the adoption of HKFRS 16 "Leases" effective from the annual periods beginning on 1 April 2019, rental and related expenses decreased significantly by approximately HK\$7.4 million or 76.6%, instead, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$7.1 million for the six months ended 30 September 2019 (2018: Nil). Rental and related expenses for the six months ended 30 September 2019 represents (i) building management fee, (ii) government rent and rates, (iii) rental for machineries and (iv) other leases for which the lease term ends within twelve months or leases of which the underlying assets are of low value from the lease commencement date or of the date of initial application of HKFRS 16, i.e. 1 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the six months ended 30 September 2019 represents depreciation charge for (i) leasehold improvements, (ii) fixtures and equipment, (iii) amortisation of intangible assets and (iv) depreciation of right-of-use assets of the Group upon initial application of HKFRS 16 for annual period beginning on 1 April 2019. For the six months ended 30 September 2019, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$7.1 million (2018: Nil) and depreciation charges for property and equipment and amortisation expenses of intangible assets amounted to approximately HK\$3.8 million (2018: approximately HK\$2.6 million). The increase of depreciation charges for property and equipment and amortisation expenses amounted to approximately HK\$1.2 million or 44.9% owing to additional leasehold improvements acquired for newly opened restaurants and replacement of outmoded machineries in central kitchen as well as the increased amortisation expenses recognised for the newly acquired intangible asset.

OTHER EXPENSES

Other expenses mainly consist of water, electricity, gas and other utilities expenses, repair and maintenance fee, audit and professional fees, business and product development expenses, cleaning expenses and motor vehicle and logistics expenses. Other expenses increased from approximately HK\$7.0 million to approximately HK\$9.7 million from the six months ended 30 September 2018 to 2019, representing an increase of approximately 39.7%. The increase in amount is mainly attributed to the increase in utilities and consumable expenses resulted from new restaurants commenced business as well as the increase in expenses paid to professional parties after Listing.

LISTING EXPENSES

For the six months ended 30 September 2019, nil listing expenses have been incurred and recognised in profit or loss (2018: approximately HK\$9.3 million).

FINANCE COSTS

Finance costs for the six months ended 30 September 2019 represents (i) interests on bank borrowings amounted to approximately HK\$75,000 (2018: approximately HK\$88,000), (ii) interests on lease liabilities recognised upon initial application of HKFRS 16 for annual period beginning on 1 April 2019 amounted to approximately HK\$0.8 million (2018: Nil) and (iii) interests on finance leases amounted to approximately HK\$23,000 (2018: Nil).

TAXATION

The income tax expenses decreased by approximately 26.1% from approximately HK\$1.1 million for the six months ended 30 September 2018 to approximately HK\$0.8 million for the six months ended 30 September 2019, which is mainly because a loss was recorded for the six months ended 30 September 2019 whereas profits were recorded (excluding listing expenses, which is non-deductible expenses for tax purpose) in corresponding period in 2018.

LOSS FOR THE PERIOD

The Group recorded a loss of approximately HK\$6.4 million for the six months ended 30 September 2019, which was primarily due to the decrease in gross profits, additional professional expenses paid after Listing as well as start-up operating cost incurred for new restaurants during the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE LISTING

The Company successfully listed its shares on GEM of the Stock Exchange on 15 March 2019 (the "Listing Date") by way of public offer and placing and the net proceeds from the Listing of the Company were approximately HK\$46.1 million (after deducting underwriting fees and related listing expenses). The Company intends to apply the net proceeds in the same proportion and in the same manner as shown in the Prospectus. An analysis of the utilisation of the net proceeds is set out below:

Business objective and strategy	Approximately % of net proceeds %	Planned amount HK\$'000	Actual amount utilised as at 30 September 2019 HK\$'000	Unutilised net proceeds up to 30 September 2019 HK\$'000	Notes
Setting up of new outlets in Hong Kong	60.6	27,964	6,252	21,712	A new restaurant located in Tseung Kwan O was opened in September 2019. The Group is in the progress to identify and negotiate for suitable locations which match with the expansion business plan for new restaurants. The management would be cautious for selection of location as well as the timing for opening new restaurant by continuously assessing the development of market environment and social incident.
Expansion of existing central kitchen in Hong Kong	20.0	9,229	876	8,353	Expansion of existing central kitchen by renting extra premises in June 2019. Leasehold improvement construction in central kitchen kicked off in August 2019. Additional equipments such as, water filter system, chiller system, food depositing machine and food transfer pump, are acquired and ready for installation.
Further enhancement of brand recognition	5.2	2,400	343	2,057	Promotion campaigns and other marketing activities launched in second and third quarter of year 2019. The Group is in the progress to sort out appropriate social platforms and marketing systems.
Enhancement of operational capability and efficiency	4.4	2,030	551	1,479	Upgraded the existing enterprise systems and equipment at back office in August 2019. Keep on recruiting potential and capable staffs including, the newly recruited industrial experts and district manager, to strengthen the operational capability and efficiency.
General working capital	9.8	4,523	1,076	3,447	
	100.0	46,146	9,098	37,048	

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors will continuously examine the Group's business objective and will change or modify the plans against the changing market conditions to pursue the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

OUTLOOK

The Group's objective is to provide premium quality "Hakata-Style" Japanese ramen and unforgettable excellent service to the customers. The Group always strive for every possible opportunity to enhance the operation efficiency and profitability of its business.

For the first half of year 2019, the catering industry in Hong Kong is severely affected by the uncertain development of the China-US trade relationship as well as the recent social incidents since June 2019, the management expects that the operating environment of the Group in the second half of year 2019 would be tough and challenging. To cope with this, the management keeps abreast with the development of the overall market and social environment and actively negotiating with the business partners to sort out feasible measures.

To implement the business plan detailed in the Prospectus, the Group is in the progress to locate potential areas to expand the Group's restaurant network as well as the central kitchen. New restaurant located in Tseung Kwan O has commenced business in September 2019 and leasehold improvement construction in central kitchen also kicked off in August 2019. In October 2019, the Group also opened a franchise Japanese ramen restaurant with a new brand in Shatin in order to develop a more diversified brand portfolio as well as to introduce quality fine Japanese ramen to the Group's customers. With new outlets opened in high pedestrian flow areas and the enhancement in capacity of the central kitchen, the management believes this can bring in favourable impacts to the Group's business as a whole.

The Group has also aware of the rapid development of e-commerce and the increasing demands of delivery food and beverage services. The Group has grasped such market opportunities and commenced its cooperation with third party online delivery platform in the PRC in late September 2019, which helps the Group further penetrate the market and to capture the growth in demands of takeaways in the catering sector.

Apart from expanding the Group's restaurant network by establishing outlets located strategically in Hong Kong by taking advantage of better geographical coverage, introducing potential new brand in Japanese ramen restaurant industry as well as exploring the delivery service market in the PRC, the Group also plan to launch a series of marketing and promotion events in the second half of year 2019 not only to repay the Group's loyalty customers' continuous supports, but also to make awareness to attract new customers.

The Group will also proactively seek potential business opportunities or cooperation with different potential parties to broaden the sources of income and bringing better return on investment for the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

The Group financed its business with internally generated cash flows, borrowings and the proceeds received from the Listing. As at 30 September 2019, the Group's bank balances and cash amounting to approximately HK\$57.2 million, representing a decrease of approximately HK\$27.3 million from approximately HK\$84.5 million as at 31 March 2019. Most of the Group's bank deposits and cash were denominated in Hong Kong dollars and Renminbi.

As at 30 September 2019, the Group recorded interest-bearing bank borrowings of approximately HK\$3.0 million (31 March 2019: approximately HK\$3.4 million) and finance lease obligation of approximately HK\$2.5 million (31 March 2019: Nil). The interest-bearing bank borrowings were unsecured, repayable on demand and denominated in Hong Kong dollar and bore variable interest rate at Hong Kong dollar Best Lending Rate minus 0.5% per annum. The Group did not use any financial instrument for hedging purpose.

As at 30 September 2019, the Group's total current assets and current liabilities were approximately HK\$65.0 million (31 March 2019: approximately HK\$92.4 million) and approximately HK\$30.7 million (31 March 2019: approximately HK\$19.6 million) respectively. The Group's current ratio, calculated by dividing the total current assets over the total current liabilities, was approximately 2.1 times (31 March 2019: approximately 4.7 times). The Group's gearing ratio, calculated as percentage of sum of bank borrowings and lease liabilities to the total equity attributable to owners of the Company, was approximately 47.2% as at 30 September 2019 (31 March 2019: approximately 3.7%). The increase in the Group's gearing ratio as at 30 September 2019 was mainly due to the increase in lease liabilities derived under HKFRS 16 and the decrease in the Group's total equity.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's bank balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN CURRENCY RISK

During the six months ended 30 September 2019, most of the transactions of the Group were denominated and settled in Hong Kong dollar and Renminbi. The Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of the capital controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes both domestically and internationally, and also from the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against the Hong Kong dollar may have an impact on the Group's results. The Group has currently not implemented any foreign currency hedging policy but the management will closely monitor the exposure and consider hedging against significant foreign exchange exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group that is likely to have a material and adverse effect on the Group's business, financial condition or results of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

As at 30 September 2019, a motor vehicle with net book value of approximately HK\$2,794,000 was acquired under finance lease of which the rights to the leased asset are reverted to the lessor in the event of default of lease liabilities by the Group.

DIVIDEND

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investment, material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 September 2019.

SHARE OPTIONS

The Company has conditionally adopted by the resolutions in writing of all the shareholders passed on 21 February 2019 a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme became effective on the Listing Date. The Share Option Scheme enables the Company to grant share options to any director, employee or other stakeholders to the Company or any of its subsidiaries, as incentives or rewards for their contributions to the Group. As at the date of this report, there was no outstanding share option granted under the Share Option Scheme.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 4 to the condensed consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, the Group did not have other plans for material investments or capital assets as of 30 September 2019.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2019, the Group had a total of 192 employees (31 March 2019: 185). The staff costs (included Directors' emoluments) were approximately HK\$17.8 million for the six months ended 30 September 2019 (2018: approximately HK\$15.2 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Discretionary bonus based on job performance will be paid to employees as recognition of and reward for their contributions. The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund Scheme and insurance for its employees in Hong Kong. Various types of trainings were provided to the employees. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual employees' contribution.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 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 Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the shares

Name	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Mr. Tang Chun Ho Chandler <i>(Note)</i>	Interested in a controlled corporation	341,250,000	68.25%
Mr. Tang Hing Chee <i>(Note)</i>	Interested in a controlled corporation/ Interest of spouse	341,250,000	68.25%

Note:

Brilliant Trade is owned as to 35% and 35% by Mr. C Tang and Mr. HC Tang, each of whom by virtue of the SFO is deemed to be interested in 68.25% of the issued share capital of the Company in which Brilliant Trade is interested in.

Save as disclosed above, as at 30 September 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

OTHER INFORMATION

Long position in the shares

Name	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Brilliant Trade	Beneficial owner	341,250,000	68.25%
Ms. Tai Shiu Bun Mariana (Note 1)	Interest of spouse	341,250,000	68.25%
Ms. Lee Wai Yu Giselle (Note 2)	Interest of spouse	341,250,000	68.25%

Notes:

- (1) Ms. Tai is the spouse of Mr. HC Tang. Accordingly, Ms. Tai is deemed, or taken to be, interested in the shares in which Mr. HC Tang is interested for the purpose of the SFO.
- (2) Ms. Lee Wai Yu Giselle is the spouse of Mr. C Tang. Accordingly, Ms. Lee Wai Yu Giselle is deemed, or taken to be, interested in the shares in which Mr. C Tang is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Other information – Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the six months ended 30 September 2019.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates (as defined under the GEM Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with Group during the six months ended 30 September 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct for securities transactions by the Directors during the six months ended 30 September 2019.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Further details of the Share Option Scheme are set in the section headed "E. Share Option Scheme" in Appendix IV to the prospectus of the Company dated 27 February 2019.

OTHER INFORMATION

For the six months ended 30 September 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Frontpage Capital Limited (the "**Compliance Adviser**"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Directors are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions of Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2019 and up to the date of this report.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the "**Audit Committee**") with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Lee Koon Tak (the chairman of the Audit Committee), Mr. Ho Chun Yin Steven and Mr. Ho Lai Chuen, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with management of the Company on the accounting principles and practices adopted by the Group, this report and the first quarterly results announcement of the Group for the six months ended 30 September 2019. The condensed consolidated financial results for six months ended 30 September 2019 are unaudited, but have been reviewed by the Audit Committee. Such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Tasty Concepts Holding Limited
Tang Chun Ho Chandler
Executive Director

Hong Kong, 7 November 2019

As at the date of this report, the Board comprises Mr. Tang Chun Ho Chandler as executive Director; Mr. Tang Hing Chee as non-executive Director; and Mr. Ho Chun Yin Steven, Mr. Ho Lai Chuen and Mr. Lee Koon Tak as independent non-executive Directors.