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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8096

THIRD QUARTERLY 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 in this report misleading.*

CONTENTS

FINANCIAL HIGHLIGHTS

- The Group's revenue for the nine months ended 31 December 2019 was approximately HK$67.9 million, representing a decrease of approximately 17.3% when compared with that of the corresponding period in 2018.
- The Group recorded a loss of approximately HK$13.9 million for the nine months ended 31 December 2019.
- The Board did not recommend payment of any dividend for the nine months ended 31 December 2019 (2018: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2019

	Notes	For the three months ended 31 December 2019 HK$'000 (Unaudited)	For the three months ended 31 December 2018 HK$'000 (Unaudited)	For the nine months ended 31 December 2019 HK$'000 (Unaudited)	For the nine months ended 31 December 2018 HK$'000 (Unaudited)
Revenue	4	**21,827**	29,355	**67,890**	82,128
Cost of inventories		**(5,144)**	(6,643)	**(15,267)**	(17,518)
Other income	5	**24**	4	**105**	20
Other gains and losses	5	**3**	(10)	**3**	(10)
Staff costs		**(8,971)**	(8,247)	**(26,731)**	(23,490)
Rental and related expenses	3	**(999)**	(5,256)	**(3,254)**	(14,886)
Depreciation and amortisation	3	**(6,814)**	(1,632)	**(17,774)**	(4,279)
Other expenses		**(6,613)**	(3,820)	**(16,341)**	(10,783)
Loss on disposal of a subsidiary	11	**(324)**	—	**(324)**	—
Listing expenses		**—**	(359)	**—**	(9,656)
Finance costs	6	**(505)**	(42)	**(1,399)**	(130)
(Loss) profit before taxation		**(7,516)**	3,350	**(13,092)**	1,396
Taxation	8	**(33)**	(792)	**(855)**	(1,905)
(Loss) profit for the period		**(7,549)**	2,558	**(13,947)**	(509)
Other comprehensive (expense) income for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on the translation of foreign operation		**(104)**	27	**(29)**	(543)
Recycling of currency translation differences upon disposal of a subsidiary		**138**	—	**138**	—
Total comprehensive (expense) income for the period		**(7,515)**	2,585	**(13,838)**	(1,052)
(Loss) profit for the period attributable to:					
Owners of the Company		**(7,549)**	2,327	**(13,947)**	(609)
Non-controlling interests		**—**	231	**—**	100
		(7,549)	2,558	**(13,947)**	(509)
Total comprehensive (expense) income for the period attributable to:					
Owners of the Company		**(7,515)**	2,353	**(13,838)**	(1,139)
Non-controlling interests		**—**	232	**—**	87
		(7,515)	2,585	**(13,838)**	(1,052)
(Loss) earnings per share					
Basic (HK cents)	10	**(1.51)**	0.62	**(2.79)**	(0.16)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note (i))	Statutory reserve HK$'000 (Note (ii))	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2018 (audited)	9	–	2,050	66	222	24,699	27,046	–	27,046
Loss for the period	–	–	–	–	–	(609)	(609)	100	(509)
Other comprehensive (expense) income for the period	–	–	–	–	(530)	–	(530)	(13)	(543)
Total comprehensive (expense) income for the period	–	–	–	–	(530)	(609)	(1,139)	87	(1,052)
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 (v))*	–	–	(2,799)	–	–	–	(2,799)	2,799	–
Transfer upon Reorganisation *(as defined in Note 1)*	(9)	–	9	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	43	–	(43)	–	–	–
At 31 December 2018 (unaudited)	78	–	5,253	109	(308)	24,047	29,179	2,886	32,065
At 1 April 2019 (audited)	**5,000**	**64,646**	**9,107**	**109**	**(90)**	**12,395**	**91,167**	**—**	**91,167**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(13,947)**	**(13,947)**	**—**	**(13,947)**
Other comprehensive expense for the period	**—**	**—**	**—**	**—**	**(29)**	**—**	**(29)**	**—**	**(29)**
Recycling of currency translation differences upon disposal of a subsidiary	**—**	**—**	**—**	**—**	**138**	**—**	**138**	**—**	**138**
Total comprehensive expense for the period	**—**	**—**	**—**	**—**	**109**	**(13,947)**	**(13,838)**	**—**	**(13,838)**
Disposal of a subsidiary *(Note 11)*	**—**	**—**	**—**	**(83)**	**—**	**83**	**—**	**—**	**—**
At 31 December 2019 (unaudited)	**5,000**	**64,646**	**9,107**	**26**	**19**	**(1,469)**	**77,329**	**—**	**77,329**

* *Less than HK$1,000*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

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.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2019 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("**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 nine months ended 31 December 2019 are consistent with those used in the Group's annual financial statements for the year ended 31 March 2019 except as described below.

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 ("**HKASs**") 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 except as described below.

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.

Under HKFRS 16, 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 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.

In contrast to lease accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group has opted for the modified retrospective application permitted by HKFRS 16 upon adoption of the new standard. Accordingly, the standard has been applied for the period beginning on 1 April 2019 (i.e. the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts as at 1 April 2019 in equity.

Modified retrospective application of HKFRS 16 also requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17 measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application, i.e. 1 April 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

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

HKFRS 16 "LEASES" *(CONTINUED)*

The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, and discounted using the Group's incremental borrowing rate at the date of initial application.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

The impacts of HKFRS 16 on the condensed consolidated statement of profit or loss of the Group are set out as below.

	For the three months ended 31 December 2019			For the nine months ended 31 December 2019		
	As per HKAS 17 HK$'000 (Unaudited)	As per HKFRS 16 HK$'000 (Unaudited)	Impact due to change HK$'000 (Unaudited)	As per HKAS 17 HK$'000 (Unaudited)	As per HKFRS 16 HK$'000 (Unaudited)	Impact due to change HK$'000 (Unaudited)
Other income	11	24	13	67	105	38
Rental and related expenses	(5,339)	(999)	4,340	(16,557)	(3,254)	13,303
Depreciation and amortisation	(2,390)	(6,814)	(4,424)	(6,226)	(17,774)	(11,548)
Finance costs	(55)	(505)	(450)	(153)	(1,399)	(1,246)
Loss for the period	(7,028)	(7,549)	(521)	(14,494)	(13,947)	547

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.

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 31 December		For the nine months ended 31 December	
	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	**17,785**	24,021	**54,720**	63,950
Operation of restaurants in the PRC	**2,617**	4,089	**8,996**	14,041
Sales of food and related products to franchisees	**1,131**	992	**3,296**	3,269
Recognised over time:				
Royalty fee and consultancy income from franchisees *(Note i)*	**284**	253	**861**	834
License fee income from a licensee *(Note ii)*	**10**	—	**17**	34
	21,827	29,355	**67,890**	82,128

Notes:

(i) Royalty fee and consultancy income is calculated with reference to the revenue or the number of the restaurants run by the franchisees 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.

Contracts for royalty fee and consultancy income are under 5-year non-cancellable term in which the Group bills at a fixed rate on the sales generated from the use of trademark or the number of the restaurant run by the franchisees under the trademark. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

4. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

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 directors of the Company have 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.

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 is detailed below:

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	**17,795**	24,021	**54,737**	63,984
The PRC	**2,627**	4,089	**9,006**	14,041
Macau Special Administrative Region of the People's Republic of China ("**Macau**") *(Note)*	**1,405**	1,245	**4,147**	4,103
	21,827	29,355	**67,890**	82,128

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 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other income:				
Bank interest income	**11**	4	**50**	9
Interest income on rental deposits paid	**13**	—	**38**	—
Others	**—**	—	**17**	11
	24	4	**105**	20
Other gains and losses:				
Net exchange gains (losses)	**3**	(10)	**3**	(10)

6. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interests on bank borrowings	**34**	42	**109**	130
Interests on lease liabilities	**450**	—	**1,246**	—
Interests on finance lease	**21**	—	**44**	—
	505	42	**1,399**	130

7. (LOSS) PROFIT BEFORE TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
(Loss) profit before taxation has been arrived at after charging:				
Auditor's remuneration	**237**	63	**711**	181
Directors' remuneration	**927**	247	**2,160**	741
Other staff costs:				
– salaries, bonuses and allowances	**7,568**	7,468	**23,134**	21,398
– retirement benefits schemes contributions	**476**	532	**1,437**	1,351
Total staff costs	**8,971**	8,247	**26,731**	23,490
Depreciation of property and equipment	**2,333**	1,626	**6,105**	4,261
Depreciation of right-of-use assets	**4,423**	—	**11,547**	—
Amortisation of intangible assets	**58**	6	**122**	18
Loss on scrap of property and equipment	**—**	—	**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	**405**	4,219	**2,308**	12,547
– contingent rents *(Note)*	**—**	374	**237**	703
	405	4,593	**2,545**	13,250

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.

8. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The taxation comprises:				
Hong Kong Profits Tax charge for the period	**72**	801	**492**	1,867
PRC Enterprise Income Tax ("**EIT**") charge for the period	**—**	—	**—**	56
Deferred tax credit	**(39)**	(9)	**363**	(18)
	33	792	**855**	1,905

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 nine months ended 31 December 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 nine months ended 31 December 2018 and 2019.

9. DIVIDENDS

The board of Directors (the "**Board**") of the Company did not recommend the payment of any dividend for the nine months ended 31 December 2019 (2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

10. (LOSS) EARNINGS PER SHARE

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) earnings				
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(7,549)**	2,327	**(13,947)**	(609)

	For the three months ended 31 December		For the nine months ended 31 December	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings 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) earnings 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) earnings per share information has been presented as there were no potential ordinary shares outstanding issued for the nine months ended 31 December 2018 and 2019.

11. DISPOSAL OF A SUBSIDIARY

On 19 November 2019, Butao China Limited ("**Butao China**"), an indirect wholly-owned subsidiary of the Company, entered a co-operation agreement (the "**Agreement**") with Shanghai Yingshu Asset Management Company Limited* (上海盈屬資產管理有限公司) ("**Shanghai Yingshu**"), an independent third party, pursuant to which, Butao China, as vendor agreed to sell and the Shanghai Yingshu, as purchaser, agreed to buy 100% of the equity interest in Shangmian (Shanghai) Catering Management Company Limited* (賞面(上海)餐飲管理有限公司) ("**Shangmian (Shanghai)**") at the consideration of RMB300,000 (approximately equivalent to HK$351,000) so as to continue the Japanese ramen business by Shangmian (Shanghai).

The disposal was completed on 15 December 2019 and the Group recognised a loss on disposal of a subsidiary of approximately RMB277,000 (approximately equivalent to HK$324,000).

Among other things, in accordance with the Agreement, Butao China warrants the execution of the trademark licence agreement to be entered into by Kind Most Limited ("**Kind Most**"), an indirect wholly-owned subsidiary of the Company, and Shanghai Yingshu, pursuant to which, Kind Most grants the use of the trademark under the brand of "Butao" ("豚王") (the "**Trademark**") to Shanghai Yingshu and Shangmian (Shanghai) (after the completion of the disposal), in relation to the operation of Japanese ramen business with an one-time royalty fee for each restaurant to be operated by Shanghai Yingshu under the Trademark in Shanghai municipality, for a term of 5 years commencing from the date of completion.

Meanwhile, monthly consultancy fee will be charged by Butao China to Shanghai Yingshu in relation to technical assistance to be offered for the operation of Japanese ramen business under the Trademark, based on the number of restaurants to be operated by the Shanghai Yingshu under the Trademark in Shanghai municipality.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 31 December 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 the own brand to franchisees to operate ramen restaurants in Macau and the PRC and receive royalty fee and consultancy fee income and income from sales of food and accessories products to franchisees; (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 31 December 2019 and up to the date of this report, the Group operated 10 ramen restaurants in Hong Kong and the PRC.

FINANCIAL REVIEW

REVENUE

The revenue of the Group decreased by approximately 17.3% from approximately HK$82.1 million for the nine months ended 31 December 2018 to approximately HK$67.9 million for the nine months ended 31 December 2019. The drop is mainly attributed to the 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 31 December		For the nine months ended 31 December	
	2019	**2018**	**2019**	**2018**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Hong Kong	**17,795**	24,021	**54,737**	63,984
The PRC	**2,627**	4,089	**9,006**	14,041
Macau *(Note)*	**1,405**	1,245	**4,147**	4,103
	21,827	29,355	**67,890**	82,128

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.

COST OF INVENTORIES

Cost of inventories decreased by approximately 12.8% from approximately HK$17.5 million for the nine months ended 31 December 2018 to approximately HK$15.3 million for the nine months ended 31 December 2019. The cost of inventories sold decreased in line with the drop of the Group's revenue and amounted to approximately 21.3% and 22.5% of the Group's total revenue for the nine months ended 31 December 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 from rental deposits paid and other miscellaneous income. It amounted to approximately HK$20,000 and HK$105,000 for the nine months ended 31 December 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 nine months ended 31 December 2019 when compared to corresponding period in 2018.

OTHER GAINS AND LOSSES

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

STAFF COSTS

The staff costs increased by approximately 13.8% from approximately HK$23.5 million for the nine months ended 31 December 2018 to approximately HK$26.7 million for the nine months ended 31 December 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 28.6% for the nine months ended 31 December 2018 and approximately 39.4% for the nine months ended 31 December 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 maintain 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$11.6 million or 78.1% for the nine months ended 31 December 2019 as compared to corresponding period in 2018, instead, the Group has recorded depreciation of right-of-use assets amounted to approximately HK$11.5 million for the nine months ended 31 December 2019 (2018: Nil). Rental and related expenses for the nine months ended 31 December 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.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the nine months ended 31 December 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 nine months ended 31 December 2019, the Group has recorded depreciation of right-of-use assets amounted to approximately HK$11.5 million (2018: Nil) and depreciation charges for property and equipment and amortisation expenses of intangible assets amounted to approximately HK$6.2 million (2018: approximately HK$4.3 million). The increase of depreciation charges for property and equipment and amortisation expenses amounted to approximately HK$1.9 million or 45.5% 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 assets.

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$10.8 million to approximately HK$16.3 million from the nine months ended 31 December 2018 to 2019, representing an increase of approximately 51.5%. The increase in amount is mainly attributed to the increase in business development costs as well as utilities and consumable expenses resulted from new restaurants commenced business as well as the increase in expenses paid to professional parties after Listing.

LOSS ON DISPOSAL OF A SUBSIDIARY

During the nine months ended 31 December 2019, the Group entered into a co-operation agreement with an independent third party to dispose 100% of the equity interest in Shangmian (Shanghai) at the consideration of RMB300,000 (approximately equivalent to HK$351,000), so as to continue the Japanese ramen business operated by Shangmian (Shanghai) under the Trademark to be granted by the Group with one-time royalty fee charged for each restaurant opened and consultancy fee charged for the technical assistant to be offered by the Group.

The disposal was completed on 15 December 2019 and the Group recognised a loss on disposal of a subsidiary of approximately RMB277,000 (approximately equivalent to HK$324,000).

LISTING EXPENSES

For the nine months ended 31 December 2019, nil listing expenses have been incurred and recognised in profit or loss (2018: approximately HK$9.7 million).

FINANCE COSTS

Finance costs for the nine months ended 31 December 2019 represents (i) interests on bank borrowings amounted to approximately HK$109,000 (2018: approximately HK$130,000) (ii) interests on lease liabilities recognised upon initial application of HKFRS 16 for annual period beginning on 1 April 2019 amounted to approximately HK$1.2 million (2018: Nil) and (iii) interests on finance leases amounted to approximately HK$44,000 (2018: Nil).

TAXATION

The income tax expenses decreased by approximately 55.1% from approximately HK$1.9 million for the nine months ended 31 December 2018 to approximately HK$0.9 million for the nine months ended 31 December 2019, which is mainly because a loss was recorded for the nine months ended 31 December 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$0.5 million and HK$13.9 million for the nine months ended 31 December 2018 and 2019, respectively, 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 nine months ended 31 December 2019.

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.

In year 2019, the general economy and the business environment of catering industry in Hong Kong is severely affected by the uncertain development of the China-US trade relationship as well as the social incidents since June 2019. What makes the situation even worse is the outbreak of the novel coronavirus pneumonia epidemic (the "**Epidemic**") in the PRC since January 2020, severely affecting the operating environment in retail and food and beverage business. To avoid the spread of the Epidemic, the number of both local customers and tourists visited declined, serious affecting the people traffic, and the consumers' spending sentiment. The management expects that the operating environment of the Group in year 2020 would be even more tough and challenging. To cope with this, the management keeps monitoring the market conditions and to adjust the operation strategies in a timely basis. Also the Group would actively negotiate with the business partners to sort out feasible measures during such unabated difficult period.

With the foreseeable worsening business environment, the Group will continuously adopt various cost control and cut-loss measures in order to maintain competitiveness and to return to profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year of 2019, the Group had closed certain loss making restaurant in Hong Kong and also switched its operation model in one of the Group's restaurants located in the PRC from generating income by operation of its own to receiving royalty income as well as consultancy fee income from a franchisee by only monitoring and providing technical assistance. Taking into account the increasingly challenging operating environment in Hong Kong and the PRC, the Group is of the view that this serves as a good opportunity for the Group to cut loss and better allocate its resources in pursuing other business opportunities, which also allow the Group to maintain and expand the restaurant network in the PRC while simultaneously consume less resources for operation and management.

In order to broaden the sources of income, the Group have been expanding its restaurant network by establishing outlets located strategically. New restaurant located in Tseung Kwan O has commenced business in September 2019. Also, the Group had also introduced a new brand in Japanese ramen industry with its franchised restaurant opened in Shatin in October 2019. Besides, the Group also cooperated with certain independent online delivery platform in the PRC in order to capture the growth in demands of takeaways in the catering sector in September 2019.

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.

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

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.68 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 *(Note)*	Interested in a controlled corporation	341,250,000	68.25%
Mr. Tang Hing Chee *(Note)*	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 31 December 2019, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.68 of the GEM Listing Rules.

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

As at 31 December 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:

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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings, as set out in Rules 5.48 to 5.68 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 nine months ended 31 December 2019.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 February 2019 (the "**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.

For the nine months ended 31 December 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.

OTHER INFORMATION

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 emphasise 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 nine months ended 31 December 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. At least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

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. Lai Man Hin 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 in preparation of the third quarterly report of the Group for the nine months ended 31 December 2019. The condensed consolidated financial results for nine months ended 31 December 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, 10 February 2020

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 Lai Chuen, Mr. Lee Koon Tak and Mr. Lai Man Hin as independent non-executive Directors.