



**TASTE · GOURMET
GROUP LIMITED**

嗜 · 高美餐飲集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8371

QUARTERLY REPORT

2020/2021 1ST QUARTER





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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

The board of directors (the **"Board"**) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the **"Group"**) for the three months ended 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2020

	NOTES	Three months ended	
		30.06.2020 HK\$'000 (unaudited)	30.06.2019 HK\$'000 (unaudited)
Revenue	2	98,209	98,798
Other Income		6,829	375
Other gains or losses, net		13	(250)
Raw materials and consumables used		(28,730)	(27,327)
Staff costs		(25,245)	(27,918)
Depreciation of property, plant and equipment		(4,172)	(2,887)
Depreciation of right-of-use assets ("ROU Assets")		(17,590)	(13,220)
Property rental and related expenses		(5,299)	(4,472)
Utilities and cleaning expenses		(3,110)	(3,186)
Other expenses		(5,835)	(5,316)
Listing Expenses		(3,700)	–
Finance costs		(1,500)	(1,532)
Profit before taxation		9,870	13,066
Income tax expense	3	(1,485)	(2,143)
Profit and total comprehensive income for the period		8,385	10,923
Profit and total comprehensive income for the period attributable to owners of the Company		8,385	10,923
Earnings per share			
– Basic (HK cents)	5	2.2	2.9
– Diluted (HK cents)	5	2.2	2.9

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2020

	Attributable to Owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Treasury share reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 31 March 2020 (audited)	37,973	5,340	(300)	313	528	2,027	-	75,186	121,067
Adjustment (Impact of amendment to HKFRS 16 (Note (iii)))	-	-	-	-	-	-	-	1,278	1,278
At 1 April 2020 (restated)	37,973	5,340	(300)	313	528	2,027	-	76,464	122,345
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	8,385	8,385
Lapsed of share options	-	-	-	-	(38)	-	-	38	-
Recognition of equity settled share-based payment	-	-	-	-	80	-	-	-	80
At 30 June 2020 (unaudited)	37,973	5,340	(300)	313	570	2,027	-	84,887	130,810

	Attributable to Owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Treasury share reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 31 March 2019 (audited)	39,353	25,216	(300)	313	232	647	(9,864)	46,490	102,087
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	10,923	10,923
Cancellation of shares repurchased	(1,380)	(8,484)	-	-	-	1,380	9,864	(1,380)	-
Recognition of equity settled share-based payment	-	-	-	-	77	-	-	-	77
At 30 June 2019 (unaudited)	37,973	16,732	(300)	313	309	2,027	-	56,033	113,087

Notes:

- i. The special reserve represents the differences between the nominal amount of the share capital issued by the Company pursuant to the Group Reorganisation and the issued share capital of BWHK Limited when the Company became the holding company of the Group upon completion of the group reorganisation on 23 June 2017.
- ii. Other reserve represents the aggregate amount of:
 - (1) the differences between the considerations received and the proportionate share of the carrying amount of the net assets attributable to the relevant interest upon the deemed disposal of partial interest in subsidiaries during the year ended 31 March 2016; and
 - (2) the difference between the consideration paid and the proportionate share of the carrying amount of the net assets attributable to the relevant interests upon the deemed acquisition of additional interest in a subsidiary during the year ended 31 March 2017.
- iii. Adjustment to retained profits as at 1 April 2020 relates to the adoption of the Amendment to HKFRS 16 "Covid-19 – Related Rent Concessions".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The Company is an investment holding company and the principal activities of its subsidiaries are operating restaurants in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousands (HK\$'000) except when otherwise indicated.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2020 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

Other than changes in accounting policies resulting from application of new Hong Kong HKFRSs, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 30 June 2020 are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2020.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2020 have been prepared on the historical cost basis.

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

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

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

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

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

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

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

The Group has elected to early apply the amendment for the Group's annual period beginning on 1 April 2020.

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

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

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

2. REVENUE

Revenue represents amounts received and receivable from restaurant operations, net of discounts, during the period.

3. TAXATION

Taxation represents Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profit for the relevant periods.

4. DIVIDENDS

The Board has resolved not to recommend the payment of an interim dividend for the three months ended 30 June 2020.

5. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares for the relevant periods.

	Three months ended	
	30.06.2020	30.06.2019
	(unaudited)	(unaudited)
Earnings		
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per Share (HK\$'000)	8,385	10,923
Number of ordinary Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per Share ('000)	379,732	379,732

The diluted earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares for the relevant periods.

	Three months ended	
	30.06.2020 (unaudited)	30.06.2019 (unaudited)
Earnings		
Earnings for the period attributable to owners of the Company for the purpose of diluted earnings per Share (HK\$'000)	8,385	10,923
Number of ordinary Shares		
Weighted average number of ordinary shares for the purpose of diluted earnings per Share ('000)	379,732	379,732

The computation of diluted earnings per share for the three months ended 30 June 2019 and 2020 does not assume the exercise of share options granted by the Company, since the exercise price was higher than the average market price of the Shares for the three months ended 30 June 2019 and 2020.

BUSINESS REVIEW

During the three months ended 30 June 2020, the Group, we opened two new restaurants: (1) Nabe Urawa at the Citygate in Tung Chung; and (2) Nabe Urawa at the Tuen Mun Town Plaza in Tuen Mun. The number of restaurants as at 31 March 2020, 30 June 2020 and as at the date of this report are as follows:

Brands	31 March 2020	30 June 2020	Date of Report
Nabe Urawa	6	8	8
La'taste	5	5	5
Dab-Pa	4	4	4
Rakuraku Ramen	3	3	3
Parkview	2	2	2
Say Cheese Kiosk	2	2	2
Say Cheese	1	1	1
Sweetology	1	1	1
Takano Ramen	1	1	1
Tirpse	1	1	1
Urawa	1	1	1
Xianghui*	1	1	1
Total	28	30	30

* Xiang Hui is 40% owned by the Group and is equity accounted for in the financial statements of the Group.

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

Restaurant	Location	Mall Operator	Lease Expiry Date	Option to Renew (Yrs)	Expected Commencement Date	Site Area (Sq M)
Wasyokuya Yamaichi	The LOHAS, Tseung Kwan O	MTR Corporation	15.08.2023	3	Q3 2020	185.80
Nabe Urawa	The LOHAS, Tseung Kwan O	MTR Corporation	02.08.2020	3	Q4 2020	241.55
Dab-Pa	New Town Plaza, Shatin	Sun Hung Kai Properties	14.09.2024	None	Q4 2020	225.10

For details of these leases, please refer to the announcements issued by the Company dated 18 May 2020, 6 July 2020 and 10 August 2020.

PRC Joint Venture

On 30 June 2020, Taste Gourmet China Investment Limited ("**Taste Gourmet China**"), a wholly owned subsidiary of the Company entered into an agreement with Shuanghui Food and Beverage Investment Management Company Limited ("**Shuanghui F&B**") for the formation of a joint venture company (the "**JV Agreement**") in the People's Republic of China (the "**PRC**").

Pursuant to the JV Agreement, the joint venture company (the "**JV Company**") shall be, after its formation, owned as to 60% by Taste Gourmet China and 40% by Shuanghui F&B. The registered capital of the JV Company is RMB50 million. Taste Gourmet China will contribute a total of RMB30 million in cash and Shuanghui F&B will contribute a total of RMB20 million in cash.

Shuanghui F&B is a subsidiary of Henan Shuanghui Investment and Development Company Limited ("**Shuanghui Development**"), a company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange (SZ: 000895). Shuanghui Development is a subsidiary of the WH Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00288).

For details of the JV Agreement, please refer to the announcement issued by the Company dated 30 June 2020.

The JV Company will be consolidated as a subsidiary of the Group after its establishment.

Significant Investments, Material Acquisitions or Disposals

Other than the JV Agreement, there were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the three months ended 30 June 2020.

Restaurant Operations

During the three months ended 30 June 2020, a total of 582,170 customers patronized our restaurants (excluding Xiang Hui as it is equity accounted for in the consolidated financial statements of the Group), an decrease of 79,662 customers or 12.0% when compared to the same period in 2019. The average spending per customer increased from HK\$149.3 to HK\$168.7 for the three months ended 30 June 2020 compared to the same period in 2019 but if the kiosks and dessert businesses are excluded, the average spending per customer increased to HK\$176.7. The average spending per order for our kiosks was HK\$41.4 representing an increase of 6.0% when compared to the same period in 2019 and the average spending per customer for our dessert business was HK\$74.9 representing an increase of 12.3% when compared to the same period in 2019. The key operating information by cuisine are summarized as follows:

	Three Months Ended											
	30.06.2020						30.06.2019					
	Revenue HK\$'000	Number of Seats	Average Daily Sales HK\$	Number of Customers	Average Spending per Customer HK\$	Daily Seating Turnover Rate	Revenue HK\$'000	Number of Seats	Average Daily Sales HK\$	Number of Customers	Average Spending per Customer HK\$	Daily Seating Turnover Rate
Vietnamese	11,033	494	122,673	105,578	104.5	2.4	16,942	494	186,759	159,387	106.3	3.6
Japanese	46,522	1,440	593,382	233,329	199.4	2.1	40,881	920	477,157	209,861	194.8	2.7
- Nabe Urawa	33,934	1,068	466,962	147,757	229.7	1.9	28,760	602	317,716	124,430	231.1	2.3
- Ramen	8,409	217	76,676	72,582	115.9	3.0	6,267	163	95,115	66,454	94.3	6.2
- Others	4,178	155	49,743	12,990	321.7	1.0	5,854	155	64,326	18,977	308.5	1.3
Chinese	17,290	442	190,002	99,398	173.9	2.5	18,127	336	205,142	102,442	176.9	3.5
Western	20,839	413	230,492	103,206	201.9	2.8	19,627	322	215,679	130,280	150.7	4.4
	95,684	2,789	1,136,549	541,511	176.7	2.3	95,577	2,072	1,084,737	601,970	158.8	3.3
Dessert	1,883	31	20,696	25,144	74.9	8.9	2,132	31	23,433	31,963	66.7	11.3
Kiosks	642	16	7,079	15,515	41.4	10.7	1,089	16	11,970	27,899	39.0	19.2
	98,209	2,836	1,164,323	582,170	168.7	2.4	98,798	2,119	1,120,140	661,832	149.3	3.5

Impact of COVID-19 on the Number of Customers

In order to control the spread of COVID-19 in Hong Kong, the Hong Kong Government implemented certain social distancing measures for restaurant operations which includes (a) a minimum of 1.5 metres distance or some form of partition which serves as effective buffer between tables; (b) a limit on the number of customers in the restaurant as well as at each table; (c) a person must wear a mask at catering premises except when consuming food or drink; (d) body temperature screening on a person must be conducted before the person is allowed to enter the catering premises; and (e) hand sanitisers must be provided at catering premises.

These measures were relaxed in May 2020, however, as there was a spike of COVID-19 cases in July 2020, the Hong Kong Government announced further measures to prevent the infection and spreading of COVID-19 (the **"Post FY2021 Q1 Measures"**):

- From 15 July 2020 onwards for an initial period of seven days and was further extended by subsequent notices until 28 July 2020. Dining-in was restricted to no more than four persons. Further, during the aforementioned seven-day period, restaurants were prohibited from providing dine-in services from 6:00 p.m. to 4:59 a.m. of the subsequent day and may only offer takeaway services and deliveries to customers.
- From 29 July 2020, onwards for an initial period of seven days until 4 August 2020, restaurants were prohibited from providing dine-in services at all times during the aforementioned seven-day period. However, on 31 July 2020, the Hong Kong Government relaxed the measures and restaurants were allowed to provide daytime dine-in services from 5:00 a.m. to 5:59 p.m. and no more than two person may be seated together at one table. On 3 August 2020, the Hong Kong Government extended measures for a period of seven days till 11 August 2020 and on 10 August 2020, the Hong Kong Government further extended the measures for another seven days to 18 August 2020.

Number of Customers	Three months ended		Changes
	30.06.2020	30.06.2019	
Existing Restaurants as at 1 April 2019	414,693	581,838	(28.7%)
Restaurants opened during FY2020 Q1	66,293	79,994	(17.1%)
Restaurants opened after FY2020 Q1 to 31 March 2020	65,584	–	N/A
New Restaurants opened during FY2021 Q1	35,600	–	N/A
	582,170	661,832	(12.0%)

Existing restaurants as at 1 April 2019 (the **"Existing Restaurants"**) saw a decrease in the number of customers by approximately 28.7% during the period from 1 April 2020 to 30 June 2020 (**"FY2021 Q1"**) when compared to the three months ended 30 June 2019 (**"FY2020 Q1"**). For restaurants that opened during FY2020 Q1, the number of customers decreased by approximately 17.1% during the FY2021 Q1 when compared to FY2020 Q1. For restaurants that opened after FY2020 Q1 to 31 March 2020, a direct comparison is not conclusive as these restaurants were opened at different times during the year ended 31 March 2020.

We strive to uphold our core values of “Food Quality and Customer Satisfaction” through providing to our diversified customer base a pleasant experience with quality dishes and attentive services at affordable price. We believe our multi-brand strategy enables us to capture a diversified group of customers with different taste and allow us to benefit from a wide source of revenue. Given the dynamic market and changing taste of customers in general, we endeavour to maintain a diversified portfolio of brands in order to maintain our competitiveness towards our customers.

Change in the Use of Proceeds

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

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

For details of the change in the use of proceeds, please refer to the announcement issued by the Company dated 18 May 2020.

Proposed Transfer of Listing to the Main Board

On 5 August 2020, the Company submitted a formal application to the Stock Exchange in respect of the proposed transfer of listing from GEM to the Main Board of the Stock Exchange, for details, please refer to the announcement issued by the Company dated 5 August 2020.

FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2020, the Group recorded revenue of HK\$98,209,000, representing a decrease of 0.6% when compared to the same period in 2019.

We derive our revenue from the sales of food and beverages at our restaurants in Hong Kong. The following tables sets forth the breakdown of our revenue by cuisine and the number of restaurants in operations by cuisine during the relevant periods.

	Three months ended				Changes
	30.06.2020		30.06.2019		
	HK\$'000 (unaudited)	% of Revenue	HK\$'000 (unaudited)	% of Revenue	
Vietnamese	11,033	11.2%	16,942	17.1%	(34.9%)
Japanese	46,522	47.4%	40,881	41.4%	13.8%
Chinese	17,290	17.6%	18,127	18.3%	(4.6%)
Western	20,839	21.2%	19,627	19.9%	6.2%
Dessert	1,883	1.9%	2,132	2.2%	(11.7%)
Kiosks	642	0.7%	1,089	1.1%	(41.1%)
Total revenue	98,209	100.0%	98,798	100.0%	(0.6%)

The increase in revenue is attributable to the opening of: (1) Nabe Urawa at the Citygate in Tung Chung; and (2) Nabe Urawa at the Tuen Mun Town Plaza in Tuen Mun during FY2021 Q1 and those restaurants that opened during the year ended 31 March 2020 but without full year of operations during the year ended 31 March 2020: (1) Nabe Urawa at the Park Central in Tseung Kwan O; (2) Rakuraku Ramen Restaurant at the MegaBox in Kowloon Bay; (3) Rakuraku Ramen Restaurant at the Kornhill Plaza in Taikoo; (4) Takano Ramen Restaurant at the K11 MUSEA in Tsim Sha Tsui; (5) Nabe Urawa at the Nina Mall in Tsuen Wan; (6) Dab-Pa Restaurant at the Citygate in Tung Chung; and (7) Tirpse at the K11 MUSEA in Tsim Sha Tsui. However, the increase was off-set by the impact of COVID-19.

Impact of COVID-19 on Revenue

	Three months ended		Changes
	30.06.2020 HK\$'000	30.06.2019 HK\$'000	
Existing Restaurants as at 1 April 2019	63,432	87,532	(27.5%)
Restaurants opened during FY2020 Q1	9,168	11,266	(18.6%)
Restaurants opened after FY2020 Q1 to 31 March 2020	17,731	–	N/A
New Restaurants opened during FY2021 Q1	7,878	–	N/A
	98,209	98,798	(0.6%)

Existing Restaurants saw a decrease in revenue by approximately 27.5% during FY2021 Q1 when compared to FY2020 Q1, the decrease is in-line with the decrease in the number of customers discussed above. For restaurants that opened during FY2020 Q1, revenue decreased by approximately 18.6% during the FY2021 Q1 when compared to FY2020 Q1, the decrease is in-line with the decrease in the number of customers discussed above. For restaurants that opened after FY2020 Q1 to 31 March 2020, a direct comparison is not conclusive as these restaurants were opened at different times during the year ended 31 March 2020.

Subsidies from the Hong Kong Government

For the second phase of the Anti-epidemic Fund, we received subsidy from the Hong Kong Government of approximately HK\$10.6 million in June 2020, of which approximately HK\$3.5 million have been booked as other income in the condensed consolidated income statement and the balance of approximately HK\$7.1 million booked as deferred income in the condensed consolidated statement of financial position. We expected to receive a further subsidy of HK\$10.6 million in October 2020.

Rental Concessions

During FY2021 Q1, we received approximately HK\$2.9 million in rental concessions from our landlords which is booked as other income following the adoption of HKFRS16 Amendment.

Major Cost Components

	Three months ended				Changes
	30.06.2020		30.06.2019		
	HK\$'000 (unaudited)	% of Revenue	HK\$'000 (unaudited)	% of Revenue	
Raw materials and consumables used	28,730	29.3%	27,327	27.7%	5.1%
Staff costs	25,245	25.7%	27,918	28.3%	(9.6%)
Depreciation of property, plant and equipment	4,172	4.2%	2,887	2.9%	44.5%
Depreciation of ROU Assets	17,590	17.9%	13,220	13.4%	33.1%
Property rental and related expenses	5,299	5.4%	4,472	4.5%	18.5%
Utilities and cleaning expenses	3,110	3.2%	3,186	3.2%	(2.4%)
Other expenses	5,835	5.9%	5,316	5.4%	9.8%
Listing expenses	3,700	3.8%	–	0.0%	100.0%
Finance Costs	1,500	1.5%	1,532	1.6%	(2.1%)

With the exception of staff costs, utilities and cleaning expenses and finance costs, other costs recorded significant increases when compared to FY2020 Q1.

Raw materials and consumables used increased by approximately 5.1% during FY2021 Q1 when compared to FY2020 Q1 is mainly due to the opening of new restaurants as discussed under revenue above. As a percentage of revenue, raw materials and consumables used increased from 27.7% to 29.3% is primarily due to: (i) the offering of more expensive ingredients to attract customers in order to mitigate the social distancing measures imposed by the Hong Kong Government, especially at our Nabe Urawa restaurants; and (ii) impact of new restaurants opening on raw material costs due to the larger scale of operations of the Group as a whole.

Staff costs decreased by approximately 9.6% during FY2021 Q1 when compared to FY2020 Q1 is mainly due to the optimization of the staff roster in order to mitigate the impact of COVID-19 and unpaid leaves taken by all our staff during FY2021 Q1. As a percentage of revenue, staff costs decreased from 28.3% to 25.7% when compared to FY2020 Q1 is primarily due to: (i) the increase in the number of restaurants that require fewer staff such as our Nabe Urawa restaurants; (ii) the benefits of scale economy on head office costs as more new restaurants are opened; and (iii) unpaid leaves taken by our staff.

Property rental and related expenses increased by approximately 18.5% when compared to FY2020 Q1. The increase is primarily due to more restaurants were in operations during FY2021 Q1. As a percentage of revenue, property rental and related expenses increased from 4.5% to 5.4% is primarily due to decrease in revenue from the impact of COVID-19 as property rental and related expenses now only includes expenses such as turnover rents, building management fees and rates, which are mostly fixed expenses in nature.

Depreciation of property, plant and equipment and Depreciation of ROU Assets increased by approximately 44.5% and approximately 33.1%, respectively when compared to FY2020 Q1, which is primarily due to more restaurants were in operations during FY2021 Q1. As a percentage of revenue, depreciation of property, plant and equipment and depreciation of ROU Assets increased from 2.9% to 4.2% and from 13.4% to 17.9% is primarily due to decrease in revenue from the impact of COVID-19 as these assets are depreciated on a straight-line basis.

Other expenses include items such as advertising expenses, credit card charges, delivery fees, entertainment expenses, insurance, printing and stationery, medical expenses and repairs and maintenance. Other expenses amounted to approximately HK\$5,835,000, representing an increase of approximately 9.8% when compared FY2020 Q1, primarily due to more restaurants were in operations during FY2021 Q1. As a percentage of revenue, other expenses accounted for approximately 5.9% of revenue, a slight increase compared to the 5.4% recorded during FY2020 Q1 primarily due to decrease in revenue from the impact of COVID-19 as some expenses are fixed expenses in nature.

Listing expenses are expenses incurred in relation to the Proposed Transfer.

Net Profit and Profit Attributable to Owners of the Company

For the three months ended 30 June 2020, net profit and profit attributable to owners of the Company amounted to approximately HK\$8,385,000, a decrease of approximately HK\$2,538,000 or 23.2% from approximately HK\$10,923,000 recorded during FY2020 Q1. However, adjusted for the impact of listing expenses, net profit and profit attributable to owners of the Company amounted to approximately HK\$12,085,000, representing an increase of approximately HK\$1,162,000 or 10.6%. The increase is the result of the cumulative effect of the above factors.

Financial Resources and Position

As at 30 June 2020, total borrowings amounted to approximately HK\$1.7 million, representing a decrease of 15.5% compared to 31 March 2020. Our bank borrowing carry variable-rate at Hong Kong Dollar Best Lending Rate less 2.2% per annum. The bank borrowing is secured by the corporate guarantee of the Company.

Cash and cash equivalents amounted to HK\$84.1 million as at 30 June 2020 which are mostly denominated in Hong Kong Dollars. Although the Group has entered into the JV Agreement which will be subject to the exchange rate exposure of the Renminbi, the Group's main businesses are still conducted in Hong Kong, therefore the Group does not expect to be exposed to any material foreign exchange risks in the next twelve months.

As at 30 June 2020, the Group was in a net cash position (net debt divided by equity attributable to owners of the Company plus net debt).

Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 30 June 2020, the Group's outstanding capital commitments was approximately HK\$34,572,000, of which approximately HK\$32,880,000 relates to the Group's capital contribution to the JV Company.

Future Prospects

The Post FY2021 Q1 Measures will have a negative impact on our revenue for the months of July and August, however, with our continuous effort in controlling costs, we will be able to get through these difficult times. We will continue to improve of the quality of our food together with the highest standard of services. Value-for-money is the key to our success, customers need to feel that they are getting their money's worth by providing a dining experience that matches their expectation, it is therefore imperative for us to deliver this philosophy during these difficult times.

As for our PRC expansion, we will be able to leverage on the strength of the joint venture partner in supply of fresh food ingredients, local knowledge of the PRC as well as nationwide logistics network for product delivery, we believe that we will be able to replicate our successful strategy from Hong Kong by opening restaurants in high footfall traffic shopping malls and creating a value-for-money dining experience.

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

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long Positions in Shares

Name of Directors	Capacity/Nature of interest	Number of Shares Held	Approximate Percentage of Shareholding
Mr. Wong	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
Ms. Chan	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
Mr. Tsang Siu Chun	Beneficial Owner	20,000	0.005%

Notes:

1. IKEAB Limited is owned by Mr. Wong as to 70% and Ms. Chan as to 30%. As such Mr. Wong and Ms. Chan are deemed to be interested in the Shares owned by IKEAB Limited by virtue of the SFO.
2. Elite China Enterprises Limited ("Elite China") is owned by Mr. Wong as to 50% and Ms. Chan as to 50%. As such Mr. Wong and Ms. Chan are deemed to be interested in 9,984,000 Shares held by Elite China as at 30 June 2020 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.
4. The Company was notified by Mr. Tsang Siu Chun on 31 July 2020 on his interests in the Shares. The date of the relevant event was 22 January 2018.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

Interests and Short Position of Substantial Shareholders' and Other Person in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2020, the interests and short positions of substantial shareholders and other persons (other than a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions in Shares

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares Held	Approximate Percentage of Shareholding
Mr. Wong	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
Ms. Chan	Interest in controlled corporation and interest of spouse	260,302,000	68.549%
IKEAB Limited	Beneficial owner	250,318,000	65.920%
Mr. Chua Sai Men	Beneficial owner	24,220,000	6.378%
Mr. Ng Chun Yum	Beneficial owner	19,590,000	5.159%

Notes:

1. IKEAB Limited is owned by Mr. Wong as to 70% and Ms. Chan as to 30%. As such Mr. Wong and Ms. Chan are deemed to be interested in the Shares owned by IKEAB Limited by virtue of the SFO.
2. Elite China is owned by Mr. Wong as to 50% and Ms. Chan as to 50%. As such Mr. Wong and Ms. Chan are deemed to be interested in 9,984,000 Shares held by Elite China as at 30 June 2020 by virtue of the SFO.
3. Mr. Wong is the spouse of Ms. Chan.

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any interests and short positions owned by any parties (other than a Director) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2020 and up to the date of this report.

Corporate Governance

During the three months ended 30 June 2020, the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules.

Competing Interests

As at 30 June 2020, none of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

Directors' Securities Transactions

The Company has adopted written guidelines regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard of dealings during the three months ended 30 June 2020.

Audit Committee

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

An Audit Committee meeting was held on 14 August 2020 to review the unaudited condensed consolidated quarterly financial statements of the Group for three months ended 30 June 2020 and is of the opinion that such financials complied with the applicable accounting standards, legal and disclosure requirements applicable to the Group.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the period. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board

WONG Ngai Shan

Chairman and Executive Director

Hong Kong, 14 August 2020

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

Executive Directors:

WONG Ngai Shan (*Chairman*)

CHAN Wai Chun (*Chief Executive Officer*)

Independent Non-executive Directors:

CHAN Yuen Ting

TSANG Siu Chun

WANG Chin Mong