

TASTY CONCEPTS HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)



賞之味控股有限公司
Stock Code: 8096

INTERIM REPORT
2020/2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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


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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 Lai Chuen

Mr. Lee Koon Tak

Mr. Lai Man Hin

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Lee Koon Tak (*Chairman*)

Mr. Ho Lai Chuen

Mr. Lai Man Hin

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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Hong Kong

AUDITORS

D & PARTNERS CPA LIMITED

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Boardroom Share Registrars (HK) Limited

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North Point

Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

COMPANY'S WEBSITE

www.butaramen.com

STOCK CODE

8096

FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 September 2020 was approximately HK\$25.0 million, representing a decrease of approximately 45.6% when compared with that of the corresponding period in 2019.
- Profit for the six months ended 30 September 2020 was approximately HK\$0.8 million, when compared with that of a loss for corresponding period in 2019 of approximately HK\$6.4 million.
- The Board did not recommend payment of any dividend for the six months ended 30 September 2020 (2019: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2020

| | Notes | For the three months ended 30 September | | For the six months ended 30 September | |
|---|-------|---|---------------------------------|---------------------------------------|---------------------------------|
| | | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Revenue | 4 | 12,087 | 22,691 | 25,047 | 46,063 |
| Cost of inventories | | (2,873) | (4,711) | (5,365) | (10,123) |
| Other income | 5 | 3,312 | 38 | 5,922 | 81 |
| Other gains and losses | 5 | 741 | 7 | 794 | — |
| Staff costs | | (5,102) | (8,949) | (10,657) | (17,760) |
| Rental and related expenses | | (870) | (934) | (1,701) | (2,255) |
| Depreciation and amortisation | | (2,521) | (6,368) | (4,841) | (10,960) |
| Other expenses | | (3,783) | (5,525) | (7,517) | (9,728) |
| Finance costs | 6 | (220) | (549) | (579) | (894) |
| Profit (loss) before taxation | | 771 | (4,300) | 1,103 | (5,576) |
| Taxation | 8 | (306) | (624) | (298) | (822) |
| Profit (loss) for the period | | 465 | (4,924) | 805 | (6,398) |
| Other comprehensive (expense) income for the period | | | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences arising on the translation of foreign operations | | (12) | 11 | (6) | 75 |
| Total comprehensive income (expense) for the period | | 453 | (4,913) | 799 | (6,323) |
| Earnings (loss) per share | | | | | |
| Basic (HK cents) | 10 | 0.09 | (0.98) | 0.16 | (1.28) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

| | Notes | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|---|-------|---|---|
| Non-current assets | | | |
| Right-of-use assets | 11 | 9,227 | 11,752 |
| Property and equipment | 11 | 9,197 | 6,907 |
| Intangible assets | 12 | 11 | 23 |
| Deposits | 13 | 2,443 | 4,762 |
| Deferred tax assets | | 1,491 | 1,608 |
| | | 22,369 | 25,052 |
| Current assets | | | |
| Inventories | | 1,105 | 1,294 |
| Trade and other receivables, deposits and prepayments | 13 | 8,291 | 5,609 |
| Tax recoverable | | 2,568 | 2,529 |
| Bank balances and cash | | 34,675 | 37,733 |
| | | 46,639 | 47,165 |
| Current liabilities | | | |
| Trade and other payables and accruals | 14 | 10,456 | 6,679 |
| Tax payable | | 187 | — |
| Bank borrowings | 15 | 2,246 | 2,638 |
| Lease liabilities | | 11,569 | 15,184 |
| | | 24,458 | 24,501 |
| Net current assets | | 22,181 | 22,664 |
| Total assets less current liabilities | | 44,550 | 47,716 |
| Non-current liabilities | | | |
| Lease liabilities | | 8,541 | 12,480 |
| Provisions | | 360 | 380 |
| Deferred tax liabilities | | 24 | 30 |
| | | 8,925 | 12,890 |
| Net assets | | 35,625 | 34,826 |
| Capital and reserves | | | |
| Share capital | 16 | 5,000 | 5,000 |
| Reserves | | 30,625 | 29,826 |
| Total equity | | 35,625 | 34,826 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserve HK\$'000 | Statutory reserve HK\$'000 (Note (i)) | Translation reserve HK\$'000 | Accumulated profits (losses) HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|---------------------------|---|---------------------------------|--|-------------------|
| At 1 April 2019 (audited) | 5,000 | 64,646 | 9,107 | 109 | (90) | 12,395 | 91,167 |
| Loss for the period | — | — | — | — | — | (6,398) | (6,398) |
| Other comprehensive income for the period | — | — | — | — | 75 | — | 75 |
| Total comprehensive income (expense) for the period | — | — | — | — | 75 | (6,398) | (6,323) |
| At 30 September 2019 (unaudited) | 5,000 | 64,646 | 9,107 | 109 | (15) | 5,997 | 84,844 |
| At 1 April 2020 (audited) | 5,000 | 64,646 | 9,107 | 26 | 5 | (43,958) | 34,826 |
| Profit for the period | — | — | — | — | — | 805 | 805 |
| Other comprehensive expense for the period | — | — | — | — | (6) | — | (6) |
| Total comprehensive (expense) income for the period | — | — | — | — | (6) | 805 | 799 |
| At 30 September 2020 (unaudited) | 5,000 | 64,646 | 9,107 | 26 | (1) | (43,153) | 35,625 |

Notes:

- (i) 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Net cash generated from (used in) operating activities | 3,579 | (5,234) |
| Net cash used in investing activities | (2,059) | (12,633) |
| Net cash used in financing activities | (4,578) | (9,455) |
| Cash and cash equivalents at the beginning of the period | 37,733 | 84,535 |
| Net decrease in cash and cash equivalents | (3,058) | (27,322) |
| Cash and cash equivalents at the end of the period | 34,675 | 57,213 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 Enterprises Limited ("**Brilliant Trade**"), which was incorporated in the British Virgin Islands, and 35%, 35%, 15% and 15% owned by Mr. Tang Chun Ho Chandler ("**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.

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 2020 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 2020 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**"). In addition, the unaudited condensed consolidated financial statements include the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the laws of Hong Kong). 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 2020.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2020 are consistent with those used in the Group's annual financial statements for the year ended 31 March 2020 except as described below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

ADOPTION OF NEW AND AMENDMENTS TO 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 2020. 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.

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 7, HKFRS 9 and HKAS 39 | Interest Rate Benchmark Reform |
| Conceptual Framework for Financial Reporting 2018 | Revise Conceptual Framework for Financial Reporting |

NEW AND AMENDMENTS TO HKFRSs EARLY ADOPTED BY THE GROUP

The Group has early adopted the following amendments to HKFRS, which is relevant to its operations.

| | |
|------------------------|-----------------------------------|
| Amendments to HKFRS 16 | COVID-19-related rent concessions |
|------------------------|-----------------------------------|

Amendments to HKFRS 16 “COVID-19-related rent concessions” allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- 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.

NEW AND AMENDMENTS TO HKFRSs IN ISSUED BUT NOT YET EFFECTIVE

Except for the new and amendments to HKFRSs mentioned above, 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 and anticipates that the application of these new HKFRSs would have no material impact on its results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 30 September | | For the six months ended 30 September | |
|---|--|---------------------------------|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Recognised at a point in time: | | | | |
| Operation of restaurants in Hong Kong | 10,663 | 18,139 | 22,832 | 36,935 |
| Operation of restaurants in the PRC | 501 | 3,132 | 1,163 | 6,379 |
| Sales of food and related products to a franchisee | 669 | 1,106 | 669 | 2,165 |
| Recognised over time: | | | | |
| Royalty fee income from franchisees (Note i) | 152 | 307 | 190 | 577 |
| License fee income from a licensee (Note ii) | 9 | 7 | 23 | 7 |
| Consultancy services income from a franchisee (Note iii) | 93 | — | 170 | — |
| | 12,087 | 22,691 | 25,047 | 46,063 |

Notes:

- (i) Royalty fee 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.
- (iii) Consultancy services income is calculated with reference to the number of restaurants run by the franchisee for a term of five years.

Contracts 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 franchisees or the number of the restaurants 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.

Contracts 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.

Consultancy services income is recognised over time as the Group provides consultancy services and the franchisee simultaneously receives and consumes the benefit provide by the Group. Consultancy services income is charged at respective fixed amounts based on number of restaurants operated by the franchisee under the trademark and due on a quarterly basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information

The Group is principally engaged in operation of Japanese ramen restaurants in Hong Kong. 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.

Geographical information

The Group's current operations are mainly located in Hong Kong. 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 30 September | | For the six months ended 30 September | | As at 30 September | As at 31 March |
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2020 HK\$'000 (Audited) |
| Hong Kong | 10,672 | 18,146 | 22,855 | 36,942 | 20,878 | 23,040 |
| The PRC (Note (i)) | 617 | 3,132 | 1,379 | 6,379 | — | 404 |
| Macau Special Administrative Region of the People's Republic of China ("Macau") (Note (ii)) | 798 | 1,413 | 813 | 2,742 | — | — |
| | 12,087 | 22,691 | 25,047 | 46,063 | 20,878 | 23,444 |

Note:

- (i) The revenue is derived from operation of restaurant in the PRC and the royalty fee and consultancy services income from a franchisee which is located in the PRC.
- (ii) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

5. OTHER INCOME/OTHER GAINS AND LOSSES

| | For the three months ended 30 September | | For the six months ended 30 September | |
|---|--|---------------------------------|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| <u>Other income:</u> | | | | |
| Government grant (Note) | 2,517 | — | 3,597 | — |
| Rental concession | 519 | — | 2,001 | — |
| Imputed interest income | 46 | 14 | 93 | 25 |
| Bank interest income | 32 | 19 | 33 | 39 |
| Others | 198 | 5 | 198 | 17 |
| | 3,312 | 38 | 5,922 | 81 |
| <u>Other gains and losses:</u> | | | | |
| Gain on termination of a lease contract | 739 | — | 739 | — |
| Net exchange gains | 2 | 7 | 2 | — |
| Gain on disposal of a motor vehicle | — | — | 53 | — |
| | 741 | 7 | 794 | — |

Note: Government grant mainly represents subsidies received from the "Anti-epidemic Fund" and "Employment Support Scheme" from the government of Hong Kong Special Administrative Region (the "Hong Kong Government"). There were no unfulfilled conditions and other contingencies attached to the receipt of the grant.

6. FINANCE COSTS

| | For the three months ended 30 September | | For the six months ended 30 September | |
|--------------------------------|--|---------------------------------|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Interests on lease liabilities | 193 | 513 | 523 | 819 |
| Interests on bank borrowings | 27 | 36 | 56 | 75 |
| | 220 | 549 | 579 | 894 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

7. PROFIT (LOSS) BEFORE TAXATION

| | For the three months ended 30 September | | For the six months ended 30 September | |
|--|--|---------------------------------|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Profit (loss) before taxation has been arrived at after charging: | | | | |
| Auditor's remuneration | 146 | 237 | 287 | 474 |
| Directors' remuneration | 672 | 688 | 1,256 | 1,233 |
| Other staff costs: | | | | |
| – salaries, bonuses and allowances | 4,197 | 7,755 | 8,945 | 15,566 |
| – retirement benefits schemes contributions | 233 | 506 | 456 | 961 |
| Total staff costs | 5,102 | 8,949 | 10,657 | 17,760 |
| Depreciation of property and equipment | 531 | 2,016 | 908 | 3,772 |
| Depreciation of right-of-use assets | 1,984 | 4,294 | 3,921 | 7,124 |
| Amortisation of intangible assets | 6 | 58 | 12 | 64 |
| Loss on written-off of property and equipment | – | 130 | – | 130 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8. TAXATION

| | For the three months ended 30 September | | For the six months ended 30 September | |
|--|--|-------------------------|--|-------------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) |
| The taxation comprises: | | | | |
| Hong Kong Profits Tax charge for the period | 63 | 236 | 187 | 420 |
| PRC Enterprise Income Tax ("EIT") credit for the period | — | (34) | — | — |
| Deferred tax charged for the period | 243 | 422 | 111 | 402 |
| | 306 | 624 | 298 | 822 |

For the six months ended 30 September 2019 and 2020, 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 2019 and 2020.

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 2020 (2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (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 | |
|---|--|---------------------------------|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Profit (loss) | | | | |
| Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share | 465 | (4,924) | 805 | (6,398) |
| | | | | |
| | For the three months ended 30 September | | For the six months ended 30 September | |
| | 2020 (Unaudited) | 2019 (Unaudited) | 2020 (Unaudited) | 2019 (Unaudited) |
| Number of shares | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| | | | | |

No separate diluted earnings (loss) per share information has been presented as there were no potential ordinary shares outstanding in issue for the six months ended 30 September 2019 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

- (a) During the six months ended 30 September 2020, the Group has acquired property and equipment of approximately HK\$3,198,000 (2019: approximately HK\$10,764,000) among which, approximately HK\$2,900,000 (2019: approximately HK\$10,764,000) represented addition in leasehold improvement and fixture and equipment for the newly opened outlets as well as for the central kitchen, while approximately HK\$298,000 (2019: Nil) represented addition in construction in progress for the central kitchen.
- (b) During the six months ended 30 September 2020, the Group entered into leases for the use of 1 to 4 years with the right-of-use assets additionally recognised in respect of leased properties amounted to approximately HK\$1,076,000 (2019: approximately HK\$23,528,000) and motor vehicles amounted to approximately HK\$320,000 (2019: approximately HK\$2,980,000), of which the rights to the leased motor vehicles are reverted to the lessor in the event of default of the lease liabilities by the Group.

Impairment losses of approximately HK\$13,680,000 and HK\$14,766,000 were recognised for the Group's property and equipment and right-of-use assets respectively as at 31 March 2020.

12. INTANGIBLE ASSETS

As at 30 September 2020, intangible assets represented trademarks with finite useful lives and amortised on a straight-line basis over the duration of trademarks registered by the Group (i.e. 5 years).

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. An impairment loss of approximately HK\$4,042,000 was recognised for the franchise rights as at 31 March 2020.

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2020***13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|--|---|---|
| Trade receivables from restaurant operations | 500 | 300 |
| Trade receivables from franchisees | 984 | 215 |
| Trade receivables from a licensee | 33 | 28 |
| Rental deposits | 6,219 | 6,147 |
| Utilities and other deposits | 1,484 | 1,286 |
| Deposits paid for acquisition of property and equipment | — | 397 |
| Other receivables | 744 | 1,141 |
| Prepayments | 770 | 857 |
| Total trade and other receivables, deposits and prepayments | 10,734 | 10,371 |
| Analysed for reporting purposes as: | | |
| Non-current assets | 2,443 | 4,762 |
| Current assets | 8,291 | 5,609 |
| | 10,734 | 10,371 |

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 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|-----------|---|---|
| 0-30 days | 500 | 300 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

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

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|--------------|---|---|
| 0-30 days | 753 | 120 |
| 31-60 days | 69 | 31 |
| 61-90 days | 23 | 31 |
| Over 90 days | 139 | 33 |
| | 984 | 215 |

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 to 21 days after trade date. Trade receivables also include royalty fee and consultancy services income and sales income receivable from a franchisee and license fee income receivable from a licensee with credit periods up to 30 to 90 days.

14. TRADE AND OTHER PAYABLES AND ACCRUALS

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|-----------------------------|---|---|
| Trade payables | 1,594 | 893 |
| Salary payables | 1,242 | 928 |
| Accrued rental expenses | 2,576 | — |
| Construction fee payable | 1,835 | 1,048 |
| Other payables and accruals | 3,209 | 3,810 |
| | 10,456 | 6,679 |

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 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|--------------|---|---|
| 0-30 days | 1,571 | 893 |
| Over 90 days | 23 | — |
| | 1,594 | 893 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 September 2020***15. BANK BORROWINGS**

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|--|---|---|
| Unsecured and guaranteed bank borrowings | 2,246 | 2,638 |
| The carrying amounts are repayable*: | | |
| Within one year | 811 | 792 |
| Within a period of more than one year but not exceeding two years | 848 | 829 |
| Within a period of more than two years but not exceeding five years | 587 | 1,017 |
| Total | 2,246 | 2,638 |
| Less: bank borrowings due within one year or contain a repayable on demand clause shown under current liabilities | (2,246) | (2,638) |
| 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 2020 and 30 September 2020 is guaranteed by the Company and certain subsidiaries of the Group.

As at 30 September 2020, the bank borrowings of the Group carry variable interest rate at HK\$ Best Lending Rate minus 0.5% (31 March 2020: 0.5%) per annum.

16. SHARE CAPITAL

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

| | Number of shares | Amount HK\$'000 |
|---|------------------|--------------------|
| Authorised: | | |
| At 31 March, 1 April, and 30 September 2020 | 10,000,000,000 | 100,000 |
| Issued and paid: | | |
| At 31 March, 1 April, and 30 September 2020 | 500,000,000 | 5,000 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

17. CAPITAL COMMITMENT

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|---|---|---|
| Capital expenditure in respect of the acquisition, installation and construction in progress of property and equipment contracted for but not provided in the condensed consolidated financial statements | 1,550 | 2,250 |

18. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors and other member of key management personnel during the period were as follows:

| | For the three months ended 30 September | | For the six months ended 30 September | |
|--------------------------|--|---------------------------------|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Short-term benefits | 1,100 | 1,425 | 2,117 | 2,718 |
| Post-employment benefits | 30 | 34 | 59 | 68 |
| | 1,130 | 1,459 | 2,176 | 2,786 |

19. EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of the coronavirus disease 2019 (“COVID-19”) since the late of year 2019, the pandemic had caused certain level of disruption to the Group’s restaurants operation and business development plan, which adversely affects the Group’s business, operation and financial performance.

The Group has been actively implementing various measures including actively communicate with landlords for rental concessions, arrangement of leave for employees, closed down certain restaurants for a temporary period and closely monitoring the market situation and timely adjusting the business strategies in view of the development of the pandemic.

Since the development of the COVID-19 remains uncertain, it is not practicable to estimate the full financial effect that the COVID-19 outbreak may have had on the Group’s operations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2020 and up to the date of this report, the Group has been principally engaged in operating ramen restaurants in Hong Kong, generating revenue from provision of catering services. Besides, the Group also generates revenue from (i) franchising its own brand to franchisees to operate ramen restaurants in Macau and the PRC and receives royalty fee and consultancy services income and income from sales of food and accessories products to franchisees; 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 2020 and as at the date of this report, the Group operated 9 ramen restaurants in Hong Kong.

FINANCIAL REVIEW

REVENUE

The revenue of the Group decreased by approximately 45.6% from approximately HK\$46.1 million for the six months ended 30 September 2019 to approximately HK\$25.0 million for the six months ended 30 September 2020. The drop is mainly attributed to the outbreak of the COVID-19 since the late of year 2019, which has been severely weakening consumers' spending sentiment, and meanwhile, various measures implemented by the Hong Kong Government directly related to the catering business, such as limiting the maximum restaurant's seating capacity, keeping distances from each table of at least 1.5 metre and restrictions on number of customers per table, strict control on inbound tourists, leading to the significant decline in number of customers visited and forming rigorous challenges to the catering industry.

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 | |
|--------------------|--|---------------------------------|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Hong Kong | 10,672 | 18,146 | 22,855 | 36,942 |
| The PRC (Note (i)) | 617 | 3,132 | 1,379 | 6,379 |
| Macau (Note (ii)) | 798 | 1,413 | 813 | 2,742 |
| | 12,087 | 22,691 | 25,047 | 46,063 |

Note:

- (i) The revenue is derived from operation of restaurant in the PRC and the royalty fee and consultancy service income from a franchisee which is located in the PRC.
- (ii) 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 HK\$4.7 million, or approximately 47.0%, from approximately HK\$10.1 million for the six months ended 30 September 2019 to approximately HK\$5.4 million for the six months ended 30 September 2020. The cost of inventories sold amounted to approximately 22.0% and 21.4% of the Group's total revenue for the six months ended 30 September 2019 and 2020, respectively. The ratio remained relatively stable as compared to that recorded in corresponding period in 2019.

OTHER INCOME

Other income mainly comprised of subsidies granted by the Hong Kong Government, rental concession received, imputed interest income, bank interest income and other miscellaneous income. The increase in amount of approximately HK\$5.8 million was mainly attributed to the subsidies received from the Hong Kong Government under the "Anti-epidemic Fund" and the "Employment Support Scheme" amounted to approximately HK\$3.6 million as well as the offer of rental concession received from the landlords amounted to approximately HK\$2.0 million due to the outbreak of COVID-19 during the six months ended 30 September 2020 (2019: Nil and Nil respectively).

OTHER GAINS AND LOSSES

Other gains and losses mainly represented the gain on termination of a lease contract, net exchange gains and the gain on disposal of a motor vehicle for the six months ended 30 September 2020. No other gains or losses were recognised during the six months ended 30 September 2019.

STAFF COSTS

Staff costs decreased by approximately 40.0% from approximately HK\$17.8 million for the six months ended 30 September 2019 to approximately HK\$10.7 million for the six months ended 30 September 2020, which was mainly attributable to the arrangement of leaves for employees to facilitate variation of restaurants' operation hours caused by the COVID-19 and other related human resources measures implemented. Staff costs were the most significant portion of the operating costs, as a percentage of revenue, staff costs amounted to approximately 38.6% for the six months ended 30 September 2019 and approximately 42.5% for the six months ended 30 September 2020.

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

Rental and related expenses for the six months ended 30 September 2020 represents (i) building management fee, (ii) government rent and rates, (iii) rental for machineries, (iv) contingent rents and (v) 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. The rental and related expenses decreased by approximately HK\$0.6 million or 24.6% for the six months ended 30 September 2020 compared to corresponding period in 2019, which was mainly because contingent rents charged by landlords with reference to the revenue generated by the restaurants decreased as well as the expiration of leases with lease term ends within twelve months since 1 April 2019 (initial application date of HKFRS 16) and presented as "depreciation of right-of-use assets" in accordance to HKFRS 16 since the renewal of the leases, if any.

MANAGEMENT DISCUSSION AND ANALYSIS

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the six months ended 30 September 2020 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. For the six months ended 30 September 2020, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$3.9 million (2019: approximately HK\$7.1 million) and depreciation charges for property and equipment and amortisation expenses of intangible assets amounted to approximately HK\$0.9 million (2019: approximately HK\$3.8 million). The decrease of depreciation and amortisation expenses amounted to approximately HK\$6.1 million or 55.8% owing to the impairment losses recognised for certain of the Group's property and equipment, right-of-use assets and intangible assets as at 31 March 2020.

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 decreased from approximately HK\$9.7 million to approximately HK\$7.5 million from the six months ended 30 September 2019 to 2020, representing a decrease of approximately 22.7%. The decrease was mainly attributed to variable operating expenses decreased following with the drop in revenue as well as various cost control measures implemented by the Group.

| | For the six months ended 30 September | |
|---|--|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Utilities expenses | 1,139 | 2,179 |
| Audit and professional fees | 2,244 | 1,977 |
| Advertising and marketing expenses | 114 | 212 |
| Repair & maintenance fees | 514 | 652 |
| Business and product development | 223 | 370 |
| Motor vehicle and logistics expenses | 578 | 743 |
| Consumables | 449 | 532 |
| Insurance expenses | 496 | 446 |
| Cleaning expenses | 253 | 407 |
| Loss on written-off of property and equipment | — | 130 |
| Others (Note) | 1,507 | 2,080 |
| | 7,517 | 9,728 |

Note: Others include office expenses, sundry expenses and other handling charges expenses to electronic payment or delivery platforms.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE COSTS

Finance costs for the six months ended 30 September 2020 represents (i) interests on lease liabilities amounted to approximately HK\$0.5 million (2019: approximately HK\$0.8 million), and (ii) interests on bank borrowings amounted to approximately HK\$56,000 (2019: approximately HK\$75,000).

TAXATION

Income tax expenses decreased by approximately 63.7% from approximately HK\$0.8 million for the six months ended 30 September 2019 to approximately HK\$0.3 million for the six months ended 30 September 2020, which is mainly because profit recorded during the six month ended 30 September 2020 were mainly attributed to subsidies received from the Hong Kong Government and other gains which are not subject to taxation.

PROFIT (LOSS) FOR THE PERIOD

The Group recorded a profit of approximately HK\$0.8 million for the six months ended 30 September 2020, whereas a loss of approximately HK\$6.4 million for corresponding period in 2019, which was primarily due to (i) the effectiveness of various cost control measures implemented by the Group, (ii) subsidies received by the Group from the “Anti-epidemic Fund” and “Employment Support Scheme” from the Hong Kong Government, (iii) rental concession received from landlords and (iv) closing down underperformed restaurant.

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 in total HK\$'000 | Planned amount | Actual amount | Unutilised net proceeds up to 30 September 2020 HK\$'000 | Unutilised net proceeds expected to be utilised for the six months ending 31 March 2021 HK\$'000 | Notes |
|--|---------------------------------|-------------------------------------|--|--|---|---|--|
| | | | utilised as at 30 September 2020 HK\$'000 | utilised as at 30 September 2020 HK\$'000 | | | |
| Setting up of new outlets in Hong Kong | 60.6 | 27,964 | 21,030 | 9,936 | 18,028 | 18,028 | <p>New outlet located in Nam Cheong was opened in August 2020.</p> <p>The outlet located in Tseung Kwan O was opened in September 2019.</p> <p>The Group is in the progress to identify and negotiate for suitable locations which match with the expansion business plan for opening two new restaurants.</p> <p>Certain level of delay in the business expansion plan was caused by the outbreak of COVID-19 during the financial year 2020 and the six months ended 30 September 2020, which affecting the local economy and the customers visited.</p> <p>The management would be cautious for selection of locations as well as the timing for opening new restaurants by continuously assessing the development of market environment and accomplish the expansion plan for opening the remaining two restaurants as shown in the Prospectus by 31 March 2021.</p> |

MANAGEMENT DISCUSSION AND ANALYSIS

| Business objective and strategy | Approximately % of net proceeds | Planned amount in total HK\$'000 | Planned | Actual | Unutilised net proceeds up to 30 September 2020 HK\$'000 | Unutilised net proceeds expected to be utilised for the six months ending 31 March 2021 HK\$'000 | Notes |
|--|---------------------------------|-------------------------------------|---|---|---|---|---|
| | | | amount utilised as at 30 September 2020 HK\$'000 | amount utilised as at 30 September 2020 HK\$'000 | | | |
| Expansion of existing central kitchen in Hong Kong | 20.0 | 9,229 | 9,229 | 4,777 | 4,452 | 4,452 | <p>Expansion of existing central kitchen by renting extra premises in June 2019.</p> <p>Certain leasehold improvement constructions in central kitchen like expansion of storage areas, upgrading the electrical connection systems were completed and put into production since February 2020.</p> <p>Construction works of water cooling and ventilation systems, water-proof reinforcement were completed and ready for use since September 2020, of which corresponding licences required were also obtained in September 2020.</p> <p>Some other constructions were still under progress as at 30 September 2020, which are expected to be ready for use by 31 December 2020.</p> <p>Equipment such as, water filter system, food depositing machine and food transfer pump, were acquired and put into production during the financial year 2020.</p> <p>Several equipments such as water piping connection systems, water-cool chiller machines, induction cookers and stoves were acquired during the six months ended 30 September 2020.</p> <p>Certain level of delay in the expansion plan of the central kitchen was caused by the outbreak of COVID 19 during the financial year 2020 and the six months ended 30 September 2020, which affecting the local economy and the customers visited, leading to the excess capacity in the central kitchen and the postponement of its renovation.</p> <p>Construction progress was also affected given the delay in shipment of materials for construction as well as the labours are recommended to be temporarily suspended from work to avoid of social gathering.</p> |

MANAGEMENT DISCUSSION AND ANALYSIS

| Business objective and strategy | Approximately % of net proceeds | Planned amount in total HK\$'000 | Planned amount | Actual amount | Unutilised net proceeds | | Notes |
|--|---------------------------------|-------------------------------------|--|--|---|---|--|
| | | | utilised as at 30 September 2020 HK\$'000 | utilised as at 30 September 2020 HK\$'000 | Unutilised net proceeds up to 30 September 2020 HK\$'000 | Unutilised net proceeds expected to be utilised for the six months ending 31 March 2021 HK\$'000 | |
| Further enhancement of brand recognition | 5.2 | 2,400 | 2,057 | 2,147 | 253 | 253 | Promotion campaigns and other marketing activities launched throughout the financial year 2020. The Group is in the progress to sort out appropriate social platforms and marketing systems, the remaining proceeds is expected to be utilised by 31 March 2021 as planned and shown in the Prospectus. |
| Enhancement of operational capability and efficiency | 4.4 | 2,030 | 2,030 | 2,030 | — | — | Upgraded the existing equipment and systems at back office in August 2019. Recruited potential and capable staffs including, the newly recruited industrial experts/consultants, district managers, human resources assistant to strengthen the operational capability and efficiency. |
| General working capital | 9.8 | 4,523 | 4,523 | 4,523 | — | — | |
| | 100.0 | 46,146 | 38,869 | 23,413 | 22,733 | 22,733 | |

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Following the outbreak of COVID-19 since the late of year 2019, a series of precautionary and control measures have been and continued to be implemented over the world, among which mostly related to the Group's operation, including maintaining social distancing, restrictions on number of group gathering at catering business, controls over tourists and the emphasis of hygiene requirements, among which, dine-in services in restaurants for certain specific timeshots were even prohibited temporarily in July 2020.

In this regards, the Group had promptly implemented various measures, such as providing the hand sanitizer, temperature measure at the entry, actively negotiating with landlords for rental concessions, arrangement of leaves for employees, developing pick-up and delivery services and adjusting operating hours for each restaurant.

The management will keep on monitoring the market development and to react in a timely basis. Besides, the management would be continuously adopting various cost control and cut-loss measures in order to maintain the competitiveness and profitability. During the six months ended 30 September 2020, a loss-making restaurant in the PRC operated by the Group was closed in order to cut loss and better allocate resources to the Group's local business in Hong Kong. In future, the Group intends to switch the income model to receiving royalty and consultancy income from franchisees instead of by direct operation of the restaurants in the PRC and the management will be actively exploring possible corporations with potential franchisees located in different districts in the PRC.

Moreover, the management would keep on evaluating the appropriateness of the timing and selection of locations for the business expansion. The Group's new restaurant located in Nam Chong was opened in August 2020, which also introducing e-ordering system, allowing customers to order and check the bills by themselves with the ordering machines for convenience and also maintaining minimum social interactions during such special epidemic situation.

Besides, the Group further expanded its delivery network by cooperated with more independent online delivery platform in Hong Kong since August 2020 in order to provide delivery services to facilitate the customers to enjoy our ramen at home without worry about the risk of cross infection caused by dining in the restaurants.

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 2020, the Group's bank balances and cash amounted to approximately HK\$34.7 million, representing a decrease of approximately HK\$3.0 million from approximately HK\$37.7 million as at 31 March 2020. Most of the Group's bank deposits and cash were denominated in Hong Kong dollars and Renminbi.

As at 30 September 2020, the Group had interest-bearing bank borrowings of approximately HK\$2.2 million (31 March 2020: approximately HK\$2.6 million) and lease obligation of approximately HK\$20.1 million (31 March 2020: approximately HK\$27.7 million). 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 2020, the Group's total current assets and current liabilities were approximately HK\$46.6 million (31 March 2020: approximately HK\$47.2 million) and approximately HK\$24.5 million (31 March 2020: approximately HK\$24.5 million) respectively. The Group's current ratio, calculated by dividing the total current assets over the total current liabilities, was approximately 1.9 times (31 March 2020: approximately 1.9 times). The Group's gearing ratio, calculated as percentage of sum of bank borrowings to the total equity attributable to owners of the Company, was approximately 6.3% as at 30 September 2020 (31 March 2020: approximately 7.6%).

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 2020, 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 2020, 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 2020, motor vehicles with carrying amount of approximately HK\$2.2 million (31 March 2020: HK\$2.3 million) was acquired under lease arrangements of which the rights to the leased assets are reverted to the lessors 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 2020.

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

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 September 2020.

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 2020.

CAPITAL COMMITMENT

| | 30 September 2020 HK\$'000 (Unaudited) | 31 March 2020 HK\$'000 (Audited) |
|---|---|---|
| Capital expenditure in respect of the acquisition, installation and construction in progress of property and equipment contracted for but not provided in the condensed consolidated financial statements | 1,550 | 2,250 |

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of 136 employees (31 March 2020: 133). The staff costs (included Directors' emoluments) were approximately HK\$10.7 million for the six months ended 30 September 2020 (2019: approximately HK\$17.8 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 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 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 (<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 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 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 30 September 2020, 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 2020, 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 2020.

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 2020.

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 six months ended 30 September 2020.

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.

OTHER INFORMATION

For the six months ended 30 September 2020, 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 2020 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. 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, this report and the interim results announcement of the Group for the six months ended 30 September 2020. The condensed consolidated financial results for six months ended 30 September 2020 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, 9 November 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. Lai Man Hin, Mr. Ho Lai Chuen and Mr. Lee Koon Tak as independent non-executive Directors.