

TASTY CONCEPTS HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)



賞之味控股有限公司
Stock Code: 8096

THIRD QUARTERLY 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any contents of this report.

*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.*

CONTENTS

2	Financial highlights
3	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
4	Condensed Consolidated Statement of Changes in Equity
5	Notes to the Condensed Consolidated Financial Statements
14	Management Discussion and Analysis
19	Other Information



FINANCIAL HIGHLIGHTS

- The Group's revenue for the nine months ended 31 December 2020 was approximately HK\$39.5 million, representing a decrease of approximately 41.8% when compared with that of the corresponding period in 2019.
- Profit for the nine months ended 31 December 2020 was approximately HK\$2.5 million, when compared with that of a loss for the corresponding period in year 2019 of approximately HK\$13.9 million.
- The Board did not recommend payment of any dividend for the nine months ended 31 December 2020 (2019: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2020

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	14,459	21,827	39,506	67,890
Cost of inventories		(3,426)	(5,144)	(8,791)	(15,267)
Other income	5	4,049	24	9,971	105
Other gains and losses	5	5	3	799	3
Staff costs		(5,893)	(8,971)	(16,550)	(26,731)
Rental and related expenses		(1,029)	(999)	(2,730)	(3,254)
Depreciation and amortisation		(3,111)	(6,814)	(7,952)	(17,774)
Other expenses		(3,274)	(6,613)	(10,791)	(16,341)
Loss on disposal of a subsidiary	11	—	(324)	—	(324)
Finance costs	6	(238)	(505)	(817)	(1,399)
Profit (loss) before taxation		1,542	(7,516)	2,645	(13,092)
Taxation	8	165	(33)	(133)	(855)
Profit (loss) for the period		1,707	(7,549)	2,512	(13,947)
Other comprehensive income (expense) for the period					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on the translation of foreign operation		4	(104)	(2)	(29)
Recycling of currency translation differences upon disposal of a subsidiary		—	138	—	138
Total comprehensive income (expense) for the period		1,711	(7,515)	2,510	(13,838)
Earnings (loss) per share					
Basic (HK cents)	10	0.34	(1.51)	0.50	(2.79)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000 <i>(Note (i))</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	—	—	—	—	—	(13,947)	(13,947)
Other comprehensive expense for the period	—	—	—	—	(29)	—	(29)
Recycling of currency translation differences upon disposal of a subsidiary	—	—	—	—	138	—	138
Total comprehensive expense for the period	—	—	—	—	109	(13,947)	(13,838)
Disposal of a subsidiary <i>(Note 11)</i>	—	—	—	(83)	—	83	—
At 31 December 2019 (unaudited)	5,000	64,646	9,107	26	19	(1,469)	77,329
At 1 April 2020 (audited)	5,000	64,646	9,107	26	5	(43,958)	34,826
Profit for the period	—	—	—	—	—	2,512	2,512
Other comprehensive expense for the period	—	—	—	—	(2)	—	(2)
Total comprehensive income for the period	—	—	—	—	(2)	2,512	2,510
At 31 December 2020 (unaudited)	5,000	64,646	9,107	26	3	(41,446)	37,336

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY-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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 31 December		For the nine months ended 31 December	
	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	13,046	17,785	35,878	54,720
Operation of restaurants in the PRC	—	2,617	1,163	8,996
Sales of food and related products to franchisees	1,063	1,131	1,732	3,296
Recognised over time:				
Royalty fee income from franchisees (Note i)	249	284	439	861
License fee income from a licensee (Note ii)	8	10	31	17
Consultancy services income from a franchisee (Note iii)	93	—	263	—
	14,459	21,827	39,506	67,890

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 are under 5-year non-cancellable term in which the Group bills at a fixed rate on the sales generated from the use of trademark 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 are under 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 received and consumes the benefit provided by the Group. Consultancy services income is charged at respective fixed amounts based on number of restaurants run by the franchisee under the trademark and due on a quarterly bases.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 Directors of the Company have been identified as the chief operating decision maker ("CODM"). The CODM reviews the Group's revenue analysis by geographical location in order to assess performance and allocation of resources.

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

Geographical information

The Group's current operations are mainly located in Hong Kong. Information about the Group's revenue from external customers presented based on the location of the customers is detailed below:

	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong	13,054	17,795	35,909	54,737
The PRC (Note (i))	223	2,627	1,602	9,006
Macau Special Administrative Region of the People's Republic of China ("Macau") (Note (ii))	1,182	1,405	1,995	4,147
	14,459	21,827	39,506	67,890

Note:

- (i) The revenue is derived from operation of restaurants in the PRC, sales of food and related products to 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 nine months ended 31 December 2020

5. OTHER INCOME/OTHER GAINS AND LOSSES

	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<u>Other income:</u>				
Government grant (Note)	3,702	—	7,299	—
Rental concession	300	—	2,301	—
Imputed interest income	46	13	139	38
Bank interest income	1	11	34	50
Others	—	—	198	17
	4,049	24	9,971	105
<u>Other gains and losses:</u>				
Gain on termination of a lease contract	—	—	739	—
Net exchange gains	5	3	7	3
Gain on disposal of a motor vehicle	—	—	53	—
	5	3	799	3

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

6. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interests on lease liabilities	214	471	737	1,290
Interests on bank borrowings	24	34	80	109
	238	505	817	1,399

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

7. PROFIT (LOSS) BEFORE TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	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	117	237	404	711
Directors' remuneration	1,665	927	2,921	2,160
Other staff costs:				
– salaries, bonuses and allowances	4,035	7,568	12,980	23,134
– retirement benefits schemes contributions	193	476	649	1,437
Total staff costs	5,893	8,971	16,550	26,731
Depreciation of property and equipment	891	2,333	1,799	6,105
Depreciation of right-of-use assets	2,214	4,423	6,135	11,547
Amortisation of intangible assets	6	58	18	122
Loss on written-off of property and equipment	–	–	–	130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

8. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The taxation comprises:				
Hong Kong Profits Tax charge for the period	—	72	187	492
Deferred tax (credit) charged for the period	(165)	(39)	(54)	363
	(165)	33	133	855

For the nine months ended 31 December 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, if any. 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%.

9. DIVIDENDS

The board of Directors (the "Board") of the Company did not recommend the payment of any dividend for the nine months ended 31 December 2020 (2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 31 December		For the nine months ended 31 December	
	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	1,707	(7,549)	2,512	(13,947)

	For the three months ended 31 December		For the nine months ended 31 December	
	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 nine months ended 31 December 2019 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

11. DISPOSAL OF A SUBSIDIARY

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

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

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

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

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 31 December 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 the own brand to franchisees to operate ramen restaurants in Macau and the PRC and receive royalty fee and consultancy fee income and income from sales of food and accessories products to franchisees; 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 31 December 2020 and up to 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 41.8% from approximately HK\$67.9 million for the nine months ended 31 December 2019 to approximately HK\$39.5 million for the nine months ended 31 December 2020. The drop is mainly attributed to the outbreak of the coronavirus disease 2019 ("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 metres and restrictions on number of customers per table, 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 31 December		For the nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong	13,054	17,795	35,909	54,737
The PRC (Note (i))	223	2,627	1,602	9,006
Macau (Note (ii))	1,182	1,405	1,995	4,147
	14,459	21,827	39,506	67,890

Note:

- (i) The revenue is derived from operation of restaurants in the PRC, sales of food and related products to and the royalty fee and consultancy services income from a franchisee which is located in 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 42.4% from approximately HK\$15.3 million for the nine months ended 31 December 2019 to approximately HK\$8.8 million for the nine months ended 31 December 2020. The cost of inventories sold decreased in line with the drop of the Group's revenue and amounted to approximately 22.5% and 22.3% of the Group's total revenue for the nine months ended 31 December 2019 and 2020, respectively. The ratio remained relatively stable as compared to 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\$9.9 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\$7.3 million as well as the offer of rental concession received from the landlords amounted to approximately HK\$2.3 million due to the outbreak of COVID-19 during the nine months ended 31 December 2020 (2019: nil and nil).

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 nine months ended 31 December 2019 and 2020.

STAFF COSTS

Staff costs decreased by approximately 38.1% from approximately HK\$26.7 million for the nine months ended 31 December 2019 to approximately HK\$16.6 million for the nine months ended 31 December 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 39.4% for the nine months ended 31 December 2019 and approximately 41.9% for the nine months ended 31 December 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 maintain 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 nine months ended 31 December 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. The rental and related expenses decreased by approximately HK\$0.5 million or 16.1% from approximately HK\$3.3 million for the nine months ended 31 December 2019 to approximately HK\$2.7 million for the nine months ended 31 December 2020, 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 nine months ended 31 December 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 nine months ended 31 December 2020, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$6.1 million (2019: approximately HK\$11.5 million) and depreciation charges for property and equipment and amortisation expenses of intangible assets amounted to approximately HK\$1.8 million (2019: approximately HK\$6.2 million). The decrease of depreciation and amortisation expenses amounted to approximately HK\$9.8 million or 55.3% 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\$16.3 million to approximately HK\$10.8 million from the nine months ended 31 December 2019 to 2020, representing a decrease of approximately 34.0%. 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 nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Utilities expenses	1,640	3,193
Audit and professional fees	2,821	3,739
Advertising and marketing expenses	157	529
Repair & maintenance fees	741	1,558
Business and product development	384	720
Motor vehicle and logistics expenses	886	1,156
Consumables	765	890
Insurance expenses	765	733
Cleaning expenses	403	662
Loss on written-off of property and equipment	—	130
Others (Note)	2,229	3,031
	10,791	16,341

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

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS ON DISPOSAL OF A SUBSIDIARY

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

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

FINANCE COSTS

Finance costs for the nine months ended 31 December 2020 represents (i) interests on lease liabilities amounted to approximately HK\$0.7 million (2019: approximately HK\$1.3 million), and (ii) interests on bank borrowings amounted to approximately HK\$80,000 (2019: approximately HK\$109,000).

TAXATION

Income tax expenses decreased by approximately 84.4% from approximately HK\$0.9 million for the nine months ended 31 December 2019 to approximately HK\$0.1 million for the nine months ended 31 December 2020, which is mainly because profit recorded during the nine months ended 31 December 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\$2.5 million for the nine months ended 31 December 2020, whereas a loss of approximately HK\$13.9 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 the “Employment Support Scheme” from the Hong Kong Government, (iii) rental concession received from landlords and (iv) closing down underperformed restaurant.

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.

During the nine months ended 31 December 2020, COVID-19 continued to create challenges to the food and beverage industry in Hong Kong, 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, emphasis of hygiene requirements and dine-in services in restaurants for certain specific timeshots were even prohibited.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Given the unpredictability of future development of COVID-19, the impacts to the Group could not be reasonably and accurately estimated at this stage, the management will keep on monitoring the market development and to react in a timely basis. Besides, management would be continuously adopting various cost control and cut-loss measures in order to maintain the competitiveness and profitability.

A series of marketing and promotion events have been launched during the nine months ended 31 December 2020, such as the brand new "Black King To-Go" (frozen ramen) first launched and free delivery upon certain amount of purchase to facilitate customers to enjoy the ramen anytime at home; set-meal for two served to facilitate the government's policy of the limitation on no more than two persons to be seated in one table in any catering premises; and "LeaveHomeSafe" venue QR code also set up for customers visited.

During the nine months ended 31 December 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. Meanwhile, the management would keep on evaluating the appropriateness of the timing and selection of locations for the business expansion. The Group's Nam Cheong shop was opened in August 2020, which also introduced 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 in order to provide delivery/pick-up services to facilitate the customers to enjoy our ramen at home without worry about the risk of cross infection of COVID-19 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.

OTHER INFORMATION

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

As at 31 December 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 31 December 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 31 December 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 (<i>Note 1</i>)	Interest of spouse	341,250,000	68.25%
Ms. Lee Wai Yu Giselle (<i>Note 2</i>)	Interest of spouse	341,250,000	68.25%

Notes:

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

Save as disclosed above, as at 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2020.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 February 2019 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Further details of the Share Option Scheme are set in the section headed “E. Share Option Scheme” in Appendix IV to the Prospectus.

For the nine months ended 31 December 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 emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions of Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the “**CG Code**”).

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the nine months ended 31 December 2020 and up to the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. At least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Lee Koon Tak (the chairman of the Audit Committee), Mr. Lai Man Hin and Mr. Ho Lai Chuen, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with management of the Company on the accounting principles and practices adopted by the Group in preparation of the third quarterly report of the Group for the nine months ended 31 December 2020. The condensed consolidated financial results for nine months ended 31 December 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, 5 February 2021

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