

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
2021/2022

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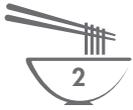
*This report, for which the directors (the “**Directors**”) of Tasty Concepts Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of 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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FINANCIAL HIGHLIGHTS

- The Group's revenue for the nine months ended 31 December 2021 was approximately HK\$35.5 million, representing a decrease of approximately 10.2% when compared with that of the corresponding period in 2020.
- Loss for the nine months ended 31 December 2021 was approximately HK\$3.8 million, when compared with that of a profit for the corresponding period in year 2020 of approximately HK\$2.5 million.
- The Board did not recommend payment of any dividend for the nine months ended 31 December 2021 (2020: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2021

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
 Revenue	4	10,809	14,459	35,494	39,506
Cost of inventories		(2,709)	(3,426)	(8,333)	(8,791)
Other income	5	216	4,049	455	9,971
Other gains and losses	5	—	5	1	799
Staff costs		(4,407)	(5,893)	(15,022)	(16,550)
Rental and related expenses		(378)	(1,029)	(1,921)	(2,730)
Depreciation and amortisation		(1,622)	(3,111)	(4,563)	(7,952)
Other expenses		(2,925)	(3,274)	(10,220)	(10,791)
Finance costs	6	(169)	(238)	(539)	(817)
(Loss) profit before taxation		(1,185)	1,542	(4,648)	2,645
Taxation	8	225	165	854	(133)
(Loss) profit for the period		(960)	1,707	(3,794)	2,512
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 operations		7	4	37	(2)
Total comprehensive (expense) income for the period		(953)	1,711	(3,757)	2,510
(Loss) earnings per share					
Basic (HK cents)	10	(0.19)	0.34	(0.76)	0.50



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2021

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000 <i>(Note)</i>	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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 (expenses) 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
At 1 April 2021 (audited)	5,000	64,646	9,107	26	(92)	(57,342)	21,345
Loss for the period	—	—	—	—	—	(3,794)	(3,794)
Other comprehensive income for the period	—	—	—	—	37	—	37
Total comprehensive income (expense) for the period	—	—	—	—	37	(3,794)	(3,757)
At 31 December 2021 (unaudited)	5,000	64,646	9,107	26	(55)	(61,136)	17,588

Notes: 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 2021

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 July 2018 under the Companies Act, 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 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.

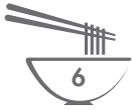
The Company acts as an investment holding company and its subsidiaries are principally engaged in operation of Japanese ramen restaurants in Hong Kong.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2021 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 2021 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 2021.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the nine months ended 31 December 2021 are consistent with those used in the Group's annual financial statements for the year ended 31 March 2021 except as described below.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021

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 2021. 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.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

3.1 Amendment to HKFRS 16 – Covid-19-Related Rent Concessions

The amendment is issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued. The Group early adopted the amendment since the annual reporting period for the year ended 31 March 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee 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 Leases if the changes were not a lease modification. 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.

3.2 Amendment to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the practical expedient available to lessees in accounting for COVID-19-related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

NEW AND AMENDMENTS TO HKFRSs IN ISSUED BUT NOT YET EFFECTIVE

Except for the 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 2021

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Recognised at a point in time:				
Operation of restaurants in Hong Kong	9,520	13,046	31,589	35,878
Operation of restaurants in the PRC	—	—	—	1,163
Sales of food and related products to franchisees	1,040	1,063	3,056	1,732
Recognised over time:				
Royalty fee income from franchisees (Note i)	197	249	693	439
License fee income from a licensee (Note ii)	6	8	18	31
Consultancy services income from a franchisee (Note iii)	46	93	138	263
	10,809	14,459	35,494	39,506

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 three or 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 3- or 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. Consultancy services income is due on a quarterly basis.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021

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 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	9,526	13,054	31,607	35,909
The PRC (Note i)	436	223	573	1,602
Macau Special Administrative Region of the PRC ("Macau") (Note ii)	847	1,182	3,314	1,995
	10,809	14,459	35,494	39,506

Notes:

- (i) The revenue is derived from operation of restaurant 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 2021

5. OTHER INCOME/OTHER GAINS AND LOSSES

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<u>Other income:</u>				
Government grants (Note)	—	3,702	—	7,299
Rental concessions	20	300	140	2,301
Imputed interest income	32	46	106	139
Bank interest income	—	1	—	34
Others	164	—	209	198
	216	4,049	455	9,971
<u>Other gains and losses:</u>				
Gain on termination of lease contracts	—	—	—	739
Net exchange gains	—	5	1	7
Gain on disposal of property and equipment	—	—	—	53
	—	5	1	799

Note: Government grants mainly represent 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"). There were no unfulfilled conditions and other contingencies attached to the receipt of the grants.

6. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interests on lease liabilities	154	214	486	737
Interests on bank borrowings	15	24	53	80
	169	238	539	817

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021

7. (LOSS) PROFIT BEFORE TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(Loss) profit before taxation has been arrived at after charging:				
Auditor's remuneration	141	117	426	404
Directors' remuneration	737	1,665	3,360	2,921
Other staff costs:				
– salaries, bonuses and allowances	3,513	4,035	11,157	12,980
– retirement benefits schemes contributions	157	193	505	649
Total staff costs	4,407	5,893	15,022	16,550
Depreciation of property and equipment	453	891	1,229	1,799
Depreciation of right-of-use assets	1,169	2,214	3,334	6,135
Amortisation of intangible assets	–	6	–	18

8. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
The taxation comprises:				
Hong Kong Profits Tax charged for the period	48	–	131	187
PRC Enterprise Income Tax ("EIT") charged for the period	–	–	2	–
Deferred tax credited for the period	(273)	(165)	(987)	(54)
	(225)	(165)	(854)	133

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2021

8. TAXATION (CONTINUED)

For the nine months ended 31 December 2020 and 2021, 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%.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the nine months ended 31 December 2020 and 2021.

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 2021 (2020: Nil).

10. (LOSS) EARNINGS PER SHARE

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(Loss) profit				
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	(960)	1,707	(3,794)	2,512

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	500,000,000	500,000,000	500,000,000	500,000,000

No separate diluted (loss) earnings per share information has been presented as there were no potential ordinary shares outstanding in issue for the nine months ended 31 December 2020 and 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 31 December 2021 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 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 31 December 2021, the Group operated 6 ramen restaurants in Hong Kong, and 1 additional Hong Kong style restaurant was opened and under operation up to the date of this report

FINANCIAL REVIEW

REVENUE

The revenue of the Group decreased by approximately 10.2% from approximately HK\$39.5 million for the nine months ended 31 December 2020 to approximately HK\$35.5 million for the nine months ended 31 December 2021. Revenue generated from operating restaurants by the Group in both Hong Kong and the PRC decreased during the nine months ended 31 December 2021 because some non-profitable restaurants were closed during the financial year 2021 as well as the closure of restaurants due to the expiration of tenancy agreements in relation to the properties occupied for business during the nine months ended 31 December 2021. However, revenue generated from sales of food and related products to and royalty fee income from a franchisee in Macau increased significantly, of which, the restaurant operated by the franchisee in Macau was once closed during corresponding period in year 2020 due to the coronavirus disease 2019 ("COVID-19") epidemic, but already have resumed to normal operation during the nine months ended 31 December 2021.

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	9,526	13,054	31,607	35,909
The PRC (Note (i))	436	223	573	1,602
Macau (Note (ii))	847	1,182	3,314	1,995
	10,809	14,459	35,494	39,506

Notes:

(i) The revenue is derived from operation of restaurant 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.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF INVENTORIES

Cost of inventories decreased by approximately HK\$0.5 million, or approximately 5.2%, from approximately HK\$8.8 million for the nine months ended 31 December 2020 to approximately HK\$8.3 million for the nine months ended 31 December 2021. The drop in cost of inventories sold in line with the decrease of the Group's revenue and amounted to approximately 22.3% and 23.5% of the Group's total revenue for the nine months ended 31 December 2020 and 2021, respectively. The ratio increased as compared to corresponding period in year 2020, which is mainly attributed to several value set meal bundles have been launched at preferential price during the nine months ended 31 December 2021, which led to a higher cost of inventories to revenue ratio. Besides, the increasing food costs given to the instability in supply of the main ingredients, e.g. pork, triggered by the outbreaks of the COVID-19 epidemic worldwide in the past year, which also giving rise to the increase in logistic and delivery costs for ingredients.

OTHER INCOME

Other income mainly comprised of subsidies granted by the Hong Kong Government, rental concessions received, imputed interest income, bank interest income and other miscellaneous income. The decrease in amount of approximately HK\$9.5 million was mainly attributed to (i) the decrease in government grants received under the "Anti-epidemic Fund" and "Employment Support Scheme" amounted to approximately HK\$7.3 million as corresponding subsidies were fully received and recognised during the financial year 2021 and (ii) the decrease in rental concessions received from landlords amounted to approximately HK\$2.2 million during the nine months ended 31 December 2021.

OTHER GAINS AND LOSSES

Other gains and losses mainly represented the gain on termination of lease contracts, net exchange gains and the gain on disposal of property and equipment for the nine months ended 31 December 2020. Insignificant amount of other gains or losses were recognised during the nine months ended 31 December 2021.

STAFF COSTS

Staff costs decreased by approximately 9.2% from approximately HK\$16.6 million for the nine months ended 31 December 2020 to approximately HK\$15.0 million for the nine months ended 31 December 2021. Given to less restaurants were operated by the Group during the nine months ended 31 December 2021, the staff costs dropped accordingly. Staff costs were the most significant portion of the operating costs, as a percentage of revenue, staff costs amounted to approximately 41.9% for the nine months ended 31 December 2020 and approximately 42.3% for the nine months ended 31 December 2021. 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 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\$0.8 million or 29.6% for the nine months ended 31 December 2021 compared to corresponding period in 2020, which was mainly because less tenancy agreements were entered by the Group during the nine months ended 31 December 2021 since certain restaurants were closed down during the financial year 2021 and during the nine months ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

DEPRECIATION AND AMORTISATION

Depreciation and amortisation represents depreciation charges for (i) leasehold improvements, (ii) fixtures and equipment, (iii) right-of-use assets and (iv) amortisation expenses of intangible assets of the Group. For the nine months ended 31 December 2021, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$3.3 million (2020: approximately HK\$6.1 million) and depreciation charges for property and equipment and amortisation expenses of intangible assets amounted to approximately HK\$1.2 million (2020: approximately HK\$1.8 million). The decrease in depreciation and amortisation expenses amounted to approximately HK\$3.4 million or 42.6% owing to the impairment losses recognised for certain of the Group's property and equipment and right-of-use assets as at 31 March 2021.

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\$10.8 million to approximately HK\$10.2 million from the nine months ended 31 December 2020 to 2021, representing a decrease of approximately 5.3%. 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
 Utilities expenses	1,817	1,640
Audit and professional fees	2,541	2,821
Advertising and marketing expenses	114	157
Repair & maintenance fees	878	741
Business and product development	592	384
Motor vehicle and logistics expenses	875	886
Consumables	849	765
Insurance expenses	534	765
Cleaning expenses	368	403
Provisions for surcharge and penalty for litigations (Note (i))	(257)	—
Others (Note (ii))	1,909	2,229
	10,220	10,791

Notes:

(i) The Group has been involved in several claims in relation to rent arrears during the nine months ended 31 December 2021, of which over provisions for estimated surcharge and penalty that might be bore by the Group from the litigations amounted to approximately HK\$257,000 was reversed in accordance to the latest development of the litigation to be claimed during the nine months ended 31 December 2021 (2020: nil).

(ii) 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 nine months ended 31 December 2021 represents (i) interests on lease liabilities amounted to approximately HK\$0.5 million (2020: approximately HK\$0.7 million), and (ii) interests on bank borrowings amounted to approximately HK\$53,000 (2020: approximately HK\$80,000).

TAXATION

Income tax credits amounted to approximately HK\$0.9 million was recognised for the nine months ended 31 December 2021 (2020: income tax expenses approximately HK\$0.1 million), which is mainly due to deferred tax credited to profit or loss resulting from the tax impact in temporary difference between the tax base and the carrying amounts of the Group's property and equipment and right-of-use assets.

(LOSS) PROFIT FOR THE PERIOD

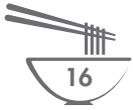
The Group recorded a loss of approximately HK\$3.8 million for the nine months ended 31 December 2021, whereas a profit of approximately HK\$2.5 million for corresponding period in 2020, which was primarily due to (i) the decrease in government grants received by the Group from the "Anti-epidemic Fund" and the "Employment Support Scheme" from the Hong Kong Government; (ii) closure of profitable restaurants in Hong Kong; and (iii) the decrease in rental concessions received from landlords.

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.

Followed by the Vaccination Programme launched by the Hong Kong Government since early of year 2021, together with the enhanced awareness of hygiene and effective preventive measures taken by the public, the local COVID-19 pandemic in Hong Kong was once under control during the year 2021. Therefore, for restaurants of the Group operated both for the nine months ended 31 December 2020 and 2021, most of them had recorded improvement in financial results given that the local pandemic was alleviated for the past few months.





MANAGEMENT DISCUSSION AND ANALYSIS

However, a few of the Group's restaurants were closed during financial year 2021, including all restaurants in the PRC and several of restaurants in Hong Kong, and for the nine months ended 31 December 2021 in order to cutting loss and due to expiration of lease contracts, the sources of income of the Group narrowed. The management would be continuously evaluating the appropriateness of the timing and selection of locations for the business expansion. In January 2022, a Hong Kong style restaurant under a newly established brand with collaboration with experts with extensive experiences has been opened by the Group in Central, which is aimed to provide affordable but distinctive dishes to office workers around and to develop different markets by diversifying the Group's customer base.

Unfortunately, the worldwide COVID-19 pandemic is still considered unsteady and wayward, strict global travelling restriction measures are still implemented by many countries and cities. Moreover, the 5th wave of the local COVID-19 epidemic in Hong Kong had recurred and an explosive community outbreak rebounded to a rigorous level since January 2022, The Hong Kong Government has tightened the social distancing measures since January 2022 (but without a concrete timeframe for the duration of these measures), among which, prohibiting dine-in services provided by restaurants during certain of timeslots directly affecting the Group's business, leading to a significant drop in customers visited, forming substantial challenges to the Group. The management will keep on monitor the market development and to react in a timely basis.

Despite that it could be difficult to predict the future development of the COVID-19 pandemic, in the long run, the COVID-19 pandemic may continue to have a negative impact to the global and local economy which may adversely affect the Group's business, the Group believes that every challenge is an opportunity. The COVID-19 pandemic equipped the management with the flexibility to handle unexpected and unfamiliar situations and enhanced the awareness and responsiveness to the changes in market environment.

Meanwhile, the management will be endeavouring to enhance the quality of the food and providing excellent services to our customers. As the Group understands that throughout the good times or bad times, quality of food and service matter to our customers.

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



OTHER INFORMATION

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

As at 31 December 2021, 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	226,065,000	45.21%
Mr. Tang Hing Chee <i>(Note)</i>	Interested in a controlled corporation/ Interest of spouse	226,065,000	45.21%

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 45.21% of the issued share capital of the Company in which Brilliant Trade is interested in.

As at the date of this report, Mr. C Tang and Mr. HC Tang's interests in the shares has reduced to 33.21% respectively, as Brilliant Trade sold its beneficially owned shares.

With effect from 1 February 2022, Mr. HC Tang has resigned as an executive Director.

Save as disclosed above, as at 31 December 2021, 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 2021, 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 (Note 1)	Beneficial owner	226,065,000	45.21%
Ms. Tai Shiu Bun Mariana (Note 2 and 4)	Interest of spouse	226,065,000	45.21%
Ms. Lee Wai Yu Giselle (Note 3 and 4)	Interest of spouse	226,065,000	45.21%

Notes:

- (1) As at the date of this report, Brilliant Trade's interests in shares has reduced to 33.21% as it sold its beneficially owned shares.
- (2) 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.
- (3) 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.
- (4) As at the date of this report, Ms. Tai and Ms. Lee Wai Yu Giselle's interests in the shares has reduced to 33.21% respectively, as Brilliant Trade sold its beneficially owned shares.

Save as disclosed above, as at 31 December 2021, 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 2021.

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 2021.

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 2021.

OTHER INFORMATION

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) was adopted pursuant to a resolution passed on 21 February 2019 for the primary purpose of providing incentives to eligible participants for their contributions to the Group. Under the Share Option Scheme, the Directors may grant options to employees (fulltime and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. A nominal consideration of HK\$1 is payable by the grantee on acceptance of the grant of an option. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of all the 500,000,000 shares in issue. Therefore, it is expected that the Company may grant options in respect of up to 50,000,000 shares (on such number of shares as shall result from a sub-division or a consolidation of such 50,000,000 shares from time to time) to the participants under the Share Option Scheme. The Company may seek approval of the shareholders in a general meeting to refresh the 10% limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the 1% limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in a general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be further granted must be fixed before the approval of the shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the GEM Listing Rules.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 21 February 2019).

During the nine months ended 31 December 2020 and 2021, the Group did not grant any share option under the Share Option Scheme.



OTHER INFORMATION

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 2021 and up to the date of this report except for the deviation from code provision C.2.1 of the CG Code which is explained below:

Provision C.2.1 of CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As Mr. C Tang performs the roles of chairman and chief executive officer of the Company, the Company has deviated from this Code Provision from 1 February 2022. However, the Board believes that it is appropriate and in the interests of the Company for Mr. C Tang to take up both roles at the present stage as it helps to ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group. The Board also believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with not less than half the number thereof being independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

EVENTS AFTER REPORTING PERIOD

ON-GOING COVID-19 PANDEMIC DEVELOPMENT

Subsequent to 31 December 2021 and up to now, the on-going COVID-19 pandemic had caused certain level of adverse impacts to the Group's business and financial performance. The local COVID-19 pandemic in Hong Kong was once under control with the raise of the public epidemic prevention awareness as well as the Vaccination Programme implemented by the Hong Kong Government since early of year 2021. However, the 5th wave of the local COVID-19 epidemic in Hong Kong had recurred and an explosive community outbreak rebounded to a rigorous level since January 2022; dining in restaurants have been prohibited since January 2022 during certain of timeslot, without a concrete schedule for loosening such and co-related measures, which is undoubtedly causing the food and beverage industry and the local economy challenges again. Up to the date of this report, the Group keeps an eye on monitoring the development of the pandemic as well as its impacts on the Group's ongoing performance and is currently unable to estimate the quantitative impacts to the Group.

OTHER INFORMATION

LITIGATIONS

The Group are involved in several claims in relation to rent arrears during the nine months ended 31 December 2021 and certain cases are still active up to the date of this report, related estimated financial impacts and provisions of the potential claims have already recorded in the Group's condensed consolidated financial statements. The management and the legal advisors of the Company have taken collective effort to resolve these cases. As at 31 December 2021, and up to the date of this report, the following cases are open and might affect the Group:

Action Number	Filing Date	Status
(a) DCDT4016/2020	30 October 2020	Live
(b) DCCJ30/2021	5 January 2021	Live

Further details are set out in Note 38 to the Group's consolidated financial statement for the year ended 31 March 2021, which are set out in the Company's annual report 2021 dated 24 June 2021.

DISPOSAL OF SHARES BY A CONTROLLING SHAREHOLDER

On 7 January 2022, Brilliant Trade, a controlling shareholder (as defined in the GEM Listing Rules) of the Company, had disposed of 60,020,000 shares of the Company (the "**Sale Shares**") on open market (the "**Disposal**"), representing approximately 12.0% of the total issued shares of the Company (the "**Shares**"), at the average consideration of approximately HK\$0.167 per Sale Share, for a total consideration of approximately HK\$10,024,000, through on-market transactions on the trading platform of the Stock Exchange. Further details of the Disposal are set out in the Company's announcement dated 7 January 2022.

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

With effect from 1 February 2022, Mr. HC Tang has resigned as an executive Director, the chairman of each of the Board and the nomination committee (the "**Nomination Committee**") of the Company. Ms. Sung Kwan Wun has been appointed as the executive Director and Mr. C Tang has been appointed as the chairman of each of the Board and the Nomination Committee. Further details are set out in the Company's announcement dated 28 January 2022.

Save as disclosed in this report, there is no other important event affecting the Group since 31 December 2021 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 2021. The condensed consolidated financial results for nine months ended 31 December 2021 are unaudited, but have been reviewed by the Audit Committee. Such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 7 February 2022

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