

TASTY CONCEPTS HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)



賞之味控股有限公司

Stock Code: 8096

FIRST QUARTERLY REPORT

2022/2023

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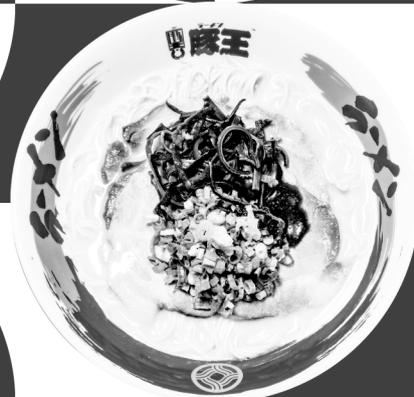
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*This report, for which the directors (the “**Directors**”) of Tasty Concepts Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given 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 three months ended 30 June 2022 was approximately HK\$8.6 million, representing a decrease of approximately 35.1% compared with that of the corresponding period in 2021.
- Loss for the three months ended 30 June 2022 attributable to owners of the Company was approximately HK\$3.0 million, compared with that of the corresponding period in year 2021 of approximately HK\$1.1 million.
- The Board did not recommend payment of any dividend for the three months ended 30 June 2022 (2021: Nil).

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2022

	Notes	For the three months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	8,600	13,260
Cost of inventories		(2,221)	(3,021)
Other income	5	710	205
Other gains and losses	5	(14)	1
Staff costs		(4,491)	(6,034)
Rental and related expenses		(555)	(729)
Depreciation expenses		(462)	(1,481)
Equity-settled share-based payments		(2,019)	–
Other expenses		(2,372)	(3,311)
Finance costs	6	(143)	(193)
Loss before taxation		(2,967)	(1,303)
Taxation	8	(86)	180
Loss for the period		(3,053)	(1,123)
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations		32	15
Total comprehensive expense for the period		(3,021)	(1,108)
Loss for the period attributable to:			
– owners of the Company		(2,957)	(1,123)
– non-controlling interests		(96)	–
		(3,053)	(1,123)
Total comprehensive expenses for the period attributable to:			
– owners of the Company		(2,925)	(1,108)
– non-controlling interests		(96)	–
		(3,021)	(1,108)
Loss per share			
Basic (HK cents)	10	(0.59)	(0.22)
Diluted (HK cents)	10	N/A	N/A

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 30 June 2022

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000 (Note i)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Share options reserve HK\$'000 (Note ii)	Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 April 2021 (audited)	5,000	64,646	9,107	26	(92)	(57,342)	-	21,345	-	21,345
Loss for the period	-	-	-	-	-	(1,123)	-	(1,123)	-	(1,123)
Other comprehensive income for the period	-	-	-	-	15	-	-	15	-	15
Total comprehensive income (expense) for the period	-	-	-	-	15	(1,123)	-	(1,108)	-	(1,108)
At 30 June 2021 (unaudited)	5,000	64,646	9,107	26	(77)	(58,465)	-	20,237	-	20,237
At 1 April 2022 (audited)	5,000	64,646	9,107	26	(118)	(71,175)	-	7,486	(1,969)	5,517
Loss for the period	-	-	-	-	-	(2,957)	-	(2,957)	(96)	(3,053)
Other comprehensive income for the period	-	-	-	-	32	-	-	32	-	32
Total comprehensive income (expenses) for the period	-	-	-	-	32	(2,957)	-	(2,925)	(96)	(3,021)
Recognition of equity-settled share-based compensation	-	-	-	-	-	-	2,019	2,019	-	2,019
At 30 June 2022 (unaudited)	5,000	64,646	9,107	26	(86)	(74,132)	2,019	6,580	(2,065)	4,515

Note:

- (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.
- (ii) Share options reserve represents the cumulative expenses recognised on the granting of share options to the grantees. Recognition of equity-settled share-based payments spread over the vesting period of the share options or if the case there is no vesting period required, equity-settled share-based payments are fully recognised on the grant date of the share options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2022

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 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 KY1-1108, Cayman Islands and 6th Floor, Goldsland Building, 22-26 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong respectively.

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

The unaudited condensed consolidated financial statements for the three months ended 30 June 2022 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 three months ended 30 June 2022 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 2022.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the three months ended 30 June 2022 are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2022 except as described below.

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 2022. The adoption of these new and revised HKFRSs in the current period has no material effect on the Groups’ financial positions and performance for the current and prior years and/or on the amounts and/or disclosures set out in these unaudited condensed consolidated financial statements.

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2022

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable for services provided and goods sold and net of discount, during the period.

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Recognised at a point in time:		
Operation of restaurants in Hong Kong	8,072	11,997
Sales of food and related products to franchisees	356	951
Recognised over time:		
Royalty fee income from franchisees (Note i)	167	259
License fee income from a licensee (Note ii)	5	7
Consultancy services income from a franchisee (Note iii)	–	46
	8,600	13,260

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 a fixed amount on 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	8,077	12,004
The PRC <i>(Note i)</i>	23	67
Macau Special Administrative Region of the PRC (" Macau ") <i>(Note ii)</i>	500	1,189
	8,600	13,260

Note:

- (i) The revenue is derived from the sales of food and related products to and 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 three months ended 30 June 2022

5. OTHER INCOME/OTHER GAINS AND LOSSES

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<u>Other income:</u>		
Rental concessions	136	120
Government grants (Note)	536	–
Imputed interest income	34	40
Others	4	45
	710	205
<u>Other gains and losses:</u>		
Net exchange (losses) gains	(14)	1

Note: Government grants mainly represent subsidies received from 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 grant.

6. FINANCE COSTS

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interests on lease liabilities	132	173
Interests on bank borrowings	11	20
	143	193

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the three months ended 30 June 2022***7. LOSS BEFORE TAXATION**

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	130	141
Directors' remuneration	447	1,311
Other staff costs:		
– salaries, bonuses and allowances	3,848	4,539
– retirement benefits schemes contributions	196	184
Total staff costs	4,491	6,034
Depreciation of property and equipment	108	327
Depreciation of right-of-use assets	354	1,154
Total depreciation expenses	462	1,481

8. TAXATION

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
The taxation comprises:		
Hong Kong Profits Tax charge for the period	16	49
Deferred tax charge (credit)	70	(229)
	86	(180)

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

For the three months ended 30 June 2021 and 2022, 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%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2022

9. DIVIDENDS

The board of Directors (the “Board”) did not recommend the payment of any dividend for the three months ended 30 June 2022 (2021: Nil).

10. LOSS PER SHARE

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

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(2,957)	(1,123)

	For the three months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	500,000,000	500,000,000

	For the three months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Basic loss per share (HK cents)	(0.59)	(0.22)
Diluted loss per share (HK cents) (Note)	N/A	N/A

Note: No separate diluted loss per share information has been presented for the three months ended 30 June 2021 and 2022 as there were either no potential ordinary shares in issue or the exercise price of the Company's share options was higher than the average market price for the shares during the period when those options are outstanding.

11. EVENT AFTER REPORTING PERIOD

On 22 July 2022, 50,000,000 share options were exercised by the grantees, leaving no outstanding share options granted by the Company, and 50,000,000 new shares were issued by the Company accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the three months ended 30 June 2022 and up to the date of this report, the Group has been principally engaged in operating ramen restaurants in Hong Kong, generating revenue from provision of catering services. Besides, the Group also generates revenue from (i) franchising its own brand to franchisees to operate ramen restaurants in Macau and the PRC and receive royalty fee and consultancy services income and income from sales of food and accessories products to the franchisees; and (ii) granting an exclusive licence to a licensee to use the Group's trademarks on licensed products, license fee income is charged based on the production volume.

As at 30 June 2022 and up to the date of this report, the Group operated 6 ramen restaurants and 1 Hong Kong style restaurant respectively in Hong Kong.

FINANCIAL REVIEW

REVENUE

The revenue of the Group decreased by approximately 35.1% from approximately HK\$13.3 million for the three months ended 30 June 2021 to approximately HK\$8.6 million for the three months ended 30 June 2022. The decrease in revenue was mainly because of the closure of a restaurant due to the expiration of tenancy agreement in July 2021. Moreover, revenue generated from a franchisee in Macau decreased significantly due to various strict coronavirus disease 2019 ("COVID-19") pandemic prevention measures were implemented by the Government of Macau during the second quarter of year 2022, leading to certain suspension of the operation for the franchised restaurant. Furthermore, the 5th wave of local COVID-19 pandemic in Hong Kong also led to a significant decline in customers visited due to the restricted operating hours enforced by the Hong Kong Government among restaurants covering mostly the whole April 2022, forming rigorous challenges to the catering industry.

Information about the Group's revenue from external customers presented based on the location of the customers is detailed below:

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	8,077	12,004
The PRC (Note i)	23	67
Macau (Note ii)	500	1,189
	8,600	13,260

Note:

(i) The revenue is derived from the sales of food and related products to and 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\$0.8 million, or approximately 26.5%, from approximately HK\$3.0 million for the three months ended 30 June 2021 to approximately HK\$2.2 million for the three months ended 30 June 2022. The decrease in cost of inventories in line with the drop in the revenue. The cost of inventories sold amounted to approximately 22.8% and 25.8% of the Group's total revenue for the three months ended 30 June 2021 and 2022, respectively. The ratio increased as compared to corresponding period in year 2021, which is mainly attributed to the decrease in the economic efficiency resulting from the drop in production volume in the central kitchen caused by the closure of restaurant and the decline in customers visited.

OTHER INCOME

Other income mainly comprised of subsidies granted by the Hong Kong Government, rental concessions received, imputed interest income and other miscellaneous income. The increase in amount of approximately HK\$0.5 million was mainly attributed to the increase in government grants received under the "Employment Support Scheme" amounted to approximately HK\$0.5 million.

OTHER GAINS AND LOSSES

Other gains and losses mainly represented net exchange losses or gains for the three months ended 30 June 2021 and 2022.

STAFF COSTS

Staff costs decreased by approximately 25.6% from approximately HK\$6.0 million for the three months ended 30 June 2021 to approximately HK\$4.5 million for the three months ended 30 June 2022. The decrease in staff costs was mainly attributable to the decrease in discretionary bonus distributed to Directors and (ii) the decrease in head counts due to closure of a restaurant operated by the Group. Staff costs were the most significant portion of the operating costs, as a percentage of revenue, staff costs amounted to approximately 45.5% for the three months ended 30 June 2021 and approximately 52.2% for the three months ended 30 June 2022.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

RENTAL AND RELATED EXPENSES

Rental and related expenses for the three months ended 30 June 2022 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\$0.2 million or 23.9% for the three months ended 30 June 2022 compared to corresponding period in year 2021, which was mainly because less tenancy agreements were entered by the Group during the three months ended 30 June 2022 since certain lease contract was terminated and a restaurant was closed during the financial year 2022.

DEPRECIATION EXPENSES

Depreciation expenses for the three months ended 30 June 2022 represents depreciation charge for (i) leasehold improvements, (ii) fixtures and equipment and (iii) right-of-use assets of the Group. For the three months ended 30 June 2022, the Group has recorded depreciation of right-of-use assets amounted to approximately HK\$0.4 million (2021: approximately HK\$1.2 million) and depreciation charges for property and equipment amounted to approximately HK\$0.1 million (2021: approximately HK\$0.3 million). The decrease of depreciation expenses amounted to approximately HK\$1.0 million or 68.8% owing to the impairment losses recognised for certain of the Group's property and equipment and right-of-use assets as at 31 March 2022.

EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company has conditionally adopted by the resolutions in writing of all the shareholders passed on 21 February 2019 a share option scheme (the "**Share Option Scheme**"). The Share Option Scheme enables the Company to grant share options to any director, employee or other stakeholders to the Company or any of its subsidiaries, as incentives or rewards for their contributions to the Group.

On 26 April 2022, the Company has granted a total of 50,000,000 share options to the eligible employees of the Group. The following table discloses movements in the Company's share options during the three months ended 30 June 2022:

Name or category of participants	Date of grant	Number of share options					At 30 June 2022	Exercise period	Exercise price HK\$
		At 1 April 2022	Granted	Exercised	Cancelled	Lapsed			
Employees (in aggregate)	26 April 2022	-	50,000,000	-	-	-	50,000,000	26 April 2022– 25 April 2024	0.0758

Note:

On 22 July 2022, 50,000,000 share options were exercised and the Company issued 50,000,000 new shares accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

The fair values of the share options granted under the Share Options Scheme were determined using the Binomial Option Pricing Model. The fair values of the share options and the significant inputs into the model and assumption were as follows:

Number of share options	50,000,000
Share price on grant date	HK\$0.075
Exercise price	HK\$0.0758
Expected volatility	124.49%
Weighted average contractual life	2 years
Risk-free interest rate	2.109%
Fair value per share option	HK\$0.04038

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss as the equity-settled share-based payments over the vesting period with a corresponding increase in the share options reserve within equity, or in the case there is no vesting period required, equity-settled share-based payments are fully recognised in profit or loss on the grant date of the share options and record an increase of share options reserve in equity.

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\$3.3 million to approximately HK\$2.4 million from the three months ended 30 June 2021 to the three months ended 30 June 2022, representing a decrease of approximately 28.4%. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The breakdown of the Group's other expenses are set out as below:

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Utilities expenses	469	653
Audit and professional fees	418	720
Advertising and marketing expenses	227	62
Repair and maintenance fees	79	483
Business and product development expenses	138	149
Motor vehicle and logistics expenses	288	358
Consumables	178	290
Insurance expenses	233	194
Cleaning expenses	154	110
Provisions for surcharge and penalty for litigations (<i>Note i</i>)	12	59
Others (<i>Note ii</i>)	176	233
	2,372	3,311

Note:

(i) The Group has been involved in several claims in relation to rent arrears during the three months ended 30 June 2022, of which provisions for estimated surcharge and penalty that might be borne by the Group from the litigations amounted to approximately HK\$12,000 was provided and recognised during the three months ended 30 June 2022 (2021: approximately HK\$59,000).

(ii) Others include office expenses, sundry expenses and handling charges to electronic payment or delivery platforms.

FINANCE COSTS

Finance costs for the three months ended 30 June 2022 represents (i) interests on lease liabilities amounted to approximately HK\$0.1 million (2021: approximately HK\$0.2 million) and (ii) interests on bank borrowings amounted to approximately HK\$11,000 (2021: approximately HK\$20,000).

TAXATION

Income tax expense amounted to approximately HK\$86,000 for the three months ended 30 June 2022 (2021: income tax credit of approximately HK\$0.2 million), which is representing the deferred tax charged 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.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS FOR THE PERIOD

The Group recorded a loss attributable to owners of the Company of approximately HK\$3.0 million for the three months ended 30 June 2022 (2021: approximately HK\$1.1 million). The increase in loss was primarily due to (i) the decrease in revenue due to closure of a restaurant and strict pandemic prevention measures among restaurants implemented by the Hong Kong Government during certain period of the second quarter of year 2022; and (ii) the recognition of equity-settled share-based payments.

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.

Although the peak of 5th wave local COVID-19 pandemic in Hong Kong had been over in May 2022, the risk of explosive community outbreak is still considered at high level as advised by experts. After a short period of alleviation of the local pandemic during May and June 2022, the local number of confirmed COVID-19 cases has a trend to edge up since July 2022. It is difficult to predict the timeframe for the next massive community outbreak and when the prevention measures will be tightened by the Hong Kong Government again, difficulties and challenges for catering industry are still foreseeable ahead.

However, people around the world are gradually adapting the new normal, instead of seeking "Zero-COVID", most people would go for "Coexist with the virus". Since early 2022, more and more countries and cities have loosened the inbound travelling restriction measures and the requirement of quarantine duration have been shortened, hopefully the global travel can be resumed to a certain level and stimulate the economic growth.

The management will keep on monitor the market development and to react in a timely basis. Meanwhile, we will be endeavoring to enhance the quality of the food and providing excellent services 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 30 June 2022, 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 of interest	Number of shares held/interested	Percentage of shareholding
Mr. Tang Chun Ho Chandler ("Mr. C Tang") (Note)	Interested in a controlled corporation	30,010,000	6.00%

Note:

Brilliant Trade Enterprises Limited ("Brilliant Trade") is owned as to 35% by Mr. C Tang, whom by virtue of the SFO is deemed to be interested in 6.00% of the issued share capital of the Company in which Brilliant Trade is interested in.

Save as disclosed above, as at 30 June 2022, 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.

OTHER INFORMATION

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

As at 30 June 2022, the following persons/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 interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long position in the shares

Name	Capacity/Nature of interest	Number of shares held/interested	Percentage of shareholding
Brilliant Trade	Beneficial owner	30,010,000	6.00%
Mr. Tang Hing Chee (Note 1)	Interested in a controlled corporation/ Interest of spouse	30,010,000	6.00%
Ms. Tai Shiu Bun Mariana (Note 2)	Interest of spouse	30,010,000	6.00%
Ms. Lee Wai Yu Giselle (Note 3)	Interest of spouse	30,010,000	6.00%

Notes:

- (1) Brilliant Trade was 35%, 35%, 15% and 15% owned by Mr. C Tang, Mr. Tang Hing Chee ("Mr. HC Tang"), father of Mr. C Tang, Ms. Tai Shiu Bun Mariana, mother of Mr. C Tang, and Ms. Tang Wing Shan Ariel, sister of Mr. C Tang.
- (2) Ms. Tai Shiu Bun Mariana is the spouse of Mr. HC Tang. Accordingly, Ms. Tai Shiu Bun Mariana 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.

Save as disclosed above, as at 30 June 2022, 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 interested 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

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 Company's shares during the three months ended 30 June 2022.

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 three months ended 30 June 2022.

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 three months ended 30 June 2022.

SHARE OPTION SCHEME

The Company's 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. 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.

OTHER INFORMATION

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).

For the three months ended 30 June 2022, a total of 50,000,000 share options were granted on 26 April 2022 (the “**Date of Grant**”) under the Share Option Scheme with an exercise price of HK\$0.0758. Basis of determining the exercise price of HK\$0.0758 per share was representing the highest of: (i) the closing price of HK\$0.075 per share as stated in the Stock Exchange’s daily quotation sheet on the Date of Grant; (ii) the average closing price of HK\$0.0758 per share as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.01 per share.

On 22 July 2022, 50,000,000 share options were exercised and the Company issued 50,000,000 new shares accordingly.

As at the date of this report, there was no outstanding share options granted but yet to be exercised under the Share Option Scheme.

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**”).

During the three months ended 30 June 2022, to the best knowledge of the Board, the Company has complied with the code provisions set out in the CG Code except for the deviation from Code Provision C.2.1 of the CG Code as set out below.

OTHER INFORMATION

Code 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.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The 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 this report and the first quarterly results announcement of the Group for the three months ended 30 June 2022. The condensed consolidated financial results for the three months ended 30 June 2022 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
Chairman and Executive Director

Hong Kong, 8 August 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. Lai Man Hin, Mr. Ho Lai Chuen and Mr. Lee Koon Tak as independent non-executive Directors.