TARGET
Intelligence Report

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TASTE•GOURMET GROUP LTD: FOR THOSE WHO WANT TO STUDY HOW TO MANAGE A STRING OF RESTAURANTS/EATERIES, READ THIS … AND LEARN HOW TO MAKE A PROFIT

While numerous executives of many companies, their shares, listed on one or more of the two equity markets of the **H**ong**k**ong **S**pecial **A**dministrative **R**egion (**HKSAR**) of the **P**eople's **R**epublic of **C**hina (**PRC**), citing that the root of their financial problems lies on the continuous outbreaks of new cases of the pandemic, known popularly, today, as COVID-19.

But senior management of Taste•Gourmet Group Ltd (嚐・高美集團有限公司) (Code: 8371, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd), seems to have taken a completely different view of the present situation as it applies to engaging in business in the HKSAR.

And, as a result, this Company has chalked up material profits – just to prove a point.

On Tuesday, June 28, 2022, Management of Taste•Gourmet Group Ltd, quite likely, must have delighted its shareholders by producing a Total Revenue in respect of the 2022 Financial Year, ended March 31, 2022, of $HK568,056,000.00, an increase, Year-On-Year, of about 49.87 percent.

As for Net Profits Attributable to Shareholders, the Bottom Line figure was $HK26,381,000.00, an increase of 5.66 percent, compared with the 2021 Financial Year's Net Profit of $HK24,967,000.00.

Mr Wong Ngai Shan (黃毅山), the Chairman of the Board of Directors of the Company, addressed his shareholders, at Pages five and six of the 2021-2022 Annual Report, as follows:

> '*… In the past year, the COVID-19 pandemic severely hindered the economic development of Hong Kong. In response to the pandemic, the government introduced a series of social distance measures, including but not limited to, capping the total number of customers in restaurants and per table, suspending catering premises' evening dine-in service, reducing daily business hours and suspending the movement of people between the Mainland and Hong Kong. All these measures hit the catering industry*

and the Group was not exempted from the impact of these uncontrollable factors.

'In a year full of external uncertainties and challenges, we never slowed down, and the Company responded positively. On the one hand, we explored ways to increase revenue through viable channels, and on the other hand, we decisively adopted the most stringent cost-cutting measures. On the premise of minimising the impact on the livelihood of our frontline staff and the satisfaction of our customers, we stepped up our efforts to strengthen our inventory management of our shops, obtained discounts from suppliers and rent concessions from our landlords, and reduced the salaries of our management. The Group strategically invested more resources in improving its management structure in order to increase its competitive edge in the market. On the logistics front, we broadened our procurement channels to avoid over-reliance on a single supplier and minimise the risk of shortage of supplies. Internally, in view of the constant shortage of manpower in the catering industry, we have introduced an automated order taking system in phases to relieve the work pressure of our staff and to effectively record and analyse sales data to enhance operational efficiency. In addition to enhancing internal staff training, we have also brought in a number of talents at senior management level to improve team building and restructure our personnel structure, which will help build a solid foundation for the Group's development and growth in the long run.

'*The Group's business in Shanghai progressed as planned, except for the fourth quarter when it was temporarily suspended due to a lock down as a result of an outbreak of the Omicron strain of COVID-19, and the Group expects the local business to continue to contribute to the Group post lockdown.*

'*In the past year, we opened a total of ten restaurants, including our self-operated new brands "Moments Together", "Yakiniku Guu", "Sankinn" and "SameSame", targeting the mid-to-high end of the market to attract a more diversified customer base and demand. The Group will continue to identify potential locations for further expansion in the current year.*

'*With the new market norm emerging from the impact of the pandemic, the industry is undergoing a rapid reshuffle with the best winning and the worst losing. We believe that managing crisis in a forward-looking manner will help the Group to progress and therefore we have flexibly optimised our operating model to cater for different consumption patterns, so that we can remain in this market and continue to expand. We believe that a diversified brand development strategy offers a wide range of quality food at a reasonable price to suit the tastes and preferences of our customers. We will also intensify our efforts on marketing and promotion. The Group was established with the intention of enhancing the dining experience of our customers…'.*

Ms Chan Wai Chun (陳慧珍), the Chief Executive Officer of the Company, put in her oar, so to speak, at Page Seven of the 2021-2022 Annual Report, under the heading, '***BUSINESS REVIEW***':

> '*During the year ended 31 March 2022 ("**FY2022**"), the Group opened nine new restaurants: (1) Yakiniku Guu at the Tai Hung Fai Centre in Tsuen Wan in May 2021; (2) Nabe Urawa at the Raffles City Changning in Shanghai in June 2021; (3) Same at Plaza 66 in Shanghai in August 2021; (4) Moments Together at the Elements in Tsim Sha Tsui in August 2021; (5) Takano Ramen at the New Town Plaza in Shatin in September 2021; (6) Dab-Pa Artisan at the K11 MUSEA in Tsim Sha Tsui in September 2021; (7) Moments Together at Taikoo Li in Shanghai; (8) Yakiniku Guu at the TMT Plaza in Tuen Mun; and (9) Sankinn Taiwanese Hotpot at the TMP Plaza in Tuen Mun. In July 2021, our La'taste Restaurant at the Grand Plaza in Mongkok was closed and reopened as (10) Yakiniku Guu branded Japanese Restaurant in August 2021.*
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> '*During FY2022, in addition to the closure of our (1) La'taste restaurant discussed above, the following restaurants were closed: (2) our Sweetology restaurant at the Metroplaza in Kwai Fong was closed upon the expiration of its lease in May 2021 and we decided not to renew its lease; (3) the lease of our Say Cheese restaurant at the Park Central in Tseung Kwan O was due to expire on 1 November 2021 which we decided not to renew, however a new tenant entered into a new lease with the landlord and our lease was terminated early at the end of August 2021 without having to reinstate the site to the original bare shell condition; (4) our La'taste restaurant in Central was closed upon the expiration of its lease in October 2021 and we decided not to renew its lease; and (5) our Say Cheese Kiosk at the Olympic City was closed upon the expiration of its lease in October 2021 and we decided not to renew its lease. Subsequent to 31 March 2022, our Nabe Urawa restaurant at the Raffles City Changning in Shanghai was closed as the footfall traffic was significantly lower than expectation.*
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> '*Currently, the demand for restaurant staff is much greater than the supply resulting in a shortage of staff in our restaurants. We have therefore decided not to renew the leases of those restaurants listed above as we can transfer the staff to the more efficient restaurants or to new restaurants that will be more efficient in order to generate more revenue/profit per staff employed.*'

It goes without saying, on scanning the above paragraphs, that Taste•Gourmet Group Ltd is engaged in the founding and operations of eateries, of one sort or another, in the HKSAR and, to a much-smaller extent, the PRC, proper, being separate and distinct from the HKSAR.

The above statements, penned by the Chairman, on one hand, and the Chief Executive Officer of the Company, on the other hand, could be said to be akin, in many respects, to having obtained intelligence as how best to operate and manage restaurants in a manner that results on causing the eateries to produce recurring profits.

As at March 31, 2022, senior Management of Taste•Gourmet Group Ltd determined not to have any material bank borrowings – unless absolutely necessary – according to Page 113 of the 2021-2022 Annual Report of the Company.

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