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TASTY CONCEPTS HOLDING LIMITED
賞之味控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE TENANCY AGREEMENT
AND
BREACH OF GEM LISTING RULES

Reference is made to the Announcement of the Company dated 23 August 2022 (the “**Announcement**”) in relation to the Tenancy Agreement and the breach of the GEM Listing Rules incidental to the Tenancy Agreement (the “**Non-Compliance Incident**”).

Unless otherwise defined, capitalised terms used herein shall have the meanings ascribed to them in the Announcement.

The Board wishes to provide further information about the Tenancy Agreement and the Non-Compliance Incident.

CHRONOLOGY AND REASONS LEADING TO THE TENANCY AGREEMENT AND BREACH OF GEM LISTING RULES

In April 2022, the Group intended to set up a new restaurant and the operations team headed by the Chief Operating Officer (the “**COO**”) who was responsible for identifying suitable sites for the consideration by the Board. In mid-June 2022, the operations team identified the Premises as a suitable site for the setting up of a restaurant and contacted the Landlord for negotiation. The Landlord offered a lease term of six years and the operations team tried to negotiate for a shorter lease term which was then rejected by the Landlord. The COO reported the progress of negotiations with the Landlord to the Chief Executive Officer (the “**CEO**”). On 27 June 2022, the Board discussed the latest business developments of the Group, including but not limited to the evaluation of business prospects to open new restaurants in Tuen Mun and identification of the Premises and resolved that the CEO be and was authorised to deal with the Landlord on behalf of the Company on the terms and conditions of the Tenancy Agreement. On 6 July 2022, the CEO signed on the execution page of the draft Tenancy Agreement and kept by the Group’s Administrative Officer (the “**AO**”), of which it was signed based on the assumption that the Tenancy Agreement would only be concluded and dated upon final agreement between the Landlord and the Group. Due to miscommunication between the AO and the CEO as to the

effective date of the Tenancy Agreement, the AO misunderstood that the Tenancy Agreement was finalised and ready for the Landlord's collection. The Landlord collected the Tenancy Agreement from the AO subsequently without the senior management's knowledge.

On 21 July 2022, operations team was verbally informed by the Landlord that the Landlord intended to finalise and date the Tenancy Agreement on the next day. The Chief Financial Officer (the "CFO") noted that the Tenancy Agreement might constitute a major transaction, which was immediately escalated to the Executive Directors for review. The Executive Directors noted that the Tenancy Agreement might constitute a major transaction instead of a discloseable transaction and the entering into the Tenancy Agreement without majority approval of the Shareholders would constitute a breach of Rule 19.40 of the GEM Listing Rules. Shortly, the CEO entered into oral discussions with the Landlord demanding the suspension and amendment of the Tenancy Agreement, which the demands were rejected by the Landlord.

Subsequently, operations team was verbally informed by the Landlord that the Tenancy Agreement was formally dated 22 July 2022 and stamped on 4 August 2022. The Board sought professional advice from its legal advisers in respect the possible course of actions to be taken by the Group to rectify its breaches of the GEM Listing Rules.

The Non-Compliance Incident was a single incident due to

- (i) the inadvertent oversight of certain management and staff of the Group, whom based on prior experience of negotiation and conclusion of tenancy agreements entered into by the Group for a lease term of normally two to four years, mistakenly believed that the Tenancy Agreement with a longer lease term of six years would only constitute a discloseable transaction of the Company and was not subject to Shareholders' approval; and
- (ii) the miscommunication between the AO and the CEO as to the effective date of the Tenancy Agreement.

Upon the review by the Board, the Board is of the view that the Non-Compliance Incident was primarily due to the failure of certain management and staff to give sufficient consideration to the effect of rights-of-use assets to be recognised under a tenancy agreement with longer than average lease term. The Board has reminded all management and staff that each and every transaction not entered into in the ordinary course of business of the Group including but not limited to any tenancy agreements should be reviewed and considered on a case-by-case basis in ensuring conformity with the GEM Listing Rules.

The Board has further reminded the senior management and staff of the Group that, even for discloseable transactions, such transactions are still subject to the reporting and announcement requirements of the GEM Listing Rules. The senior management and staff must obtain an unequivocal understanding of the key terms of the agreements to be entered into by the Group in the future to ensure timely dissemination of information to the Shareholders.

FULL ANALYSIS OF THE SPECIFIC GEM LISTING RULES THAT THE COMPANY HAS BREACHED

Chapter 19

As one or more than one of the applicable percentage ratios in respect of the transaction contemplated under the Tenancy Agreement is above 25% but all of them are less than 100%, the entering into of the Tenancy Agreement would constitute a major transaction of the Company under Rule 19.06(3) of the GEM Listing Rules and should have been subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. Therefore, the failure by the Company to timely report and announce the details of the Tenancy Agreement as at the date of the Tenancy Agreement constituted a breach of Rule 19.34 of the GEM Listing Rules.

Further, although the Tenancy Agreement and the transaction contemplated thereunder would be a major transaction of the Company under Chapter 19 of the GEM Listing Rules, the Tenancy Agreement was not conditional upon the approval by the Shareholders pursuant to the terms and conditions of the Tenancy Agreement. Performance of obligations under the Tenancy Agreement by Fortune City will lead to a breach of Rule 19.40 of the GEM Listing Rules by the Company that a major transaction must be made conditional on approval by Shareholders. The Group had entered into oral discussions with the Landlord demanding the suspension and amendment of the Tenancy Agreement, which the demand was then rejected by the Landlord.

Notwithstanding to the above, the Board considered it is necessary to convene the EGM to obtain the approval of the Tenancy Agreement from the Shareholders.

Chapter 20

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Landlord (including its ultimate beneficial owners) is an Independent Third Party. As the Landlord is not a connected person of the Company, accordingly, the Tenancy Agreement is not a connected transaction (as defined in Chapter 20 of the GEM Listing Rules).

RIGHTS-OF-USE ASSET

The Group's determination of right-of-use asset is calculated pursuant to HKFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and as a lessee, right-of-use asset and corresponding lease liability shall be recognised at the lease commencement date.

The entering into of the Tenancy Agreement as a tenant will require the Group to recognise the right-of-use asset in the consolidated financial statements of the Company with a cost of approximately HK\$6.6 million at initial recognition, which comprises of:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

REMEDIAL ACTIONS

In respect of the remedial actions set out in the Announcement, the Board wishes to supplement the following details:

- (i) In respect training provided to the Directors and the senior management to reinforce their understanding of and to emphasize the importance of compliance with the GEM Listing Rules the Company will engage its internal control consultant to provide eight hours training to the Directors and the senior management of the Group on Chapters 17, 19 and 20 of the GEM Listing Rules.
- (ii) A register of material contracts with contract sums over HK\$1 million (the amount is subject to annual review by the audit committee of the Board) will be maintained by the Group's operations team and subject to review by the finance department on a monthly basis.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 22 September 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 announcement 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 announcement misleading.

This announcement will remain on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.butaoramen.com.