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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

Reference is made to the annual results announcement ("**Announcement**") and annual report ("**Annual Report**") for the year ended 31 March 2020 of Tasty Concepts Holding Limited (the "**Company**"), together with its subsidiaries (the "**Group**") published on 22 June 2020 and 30 June 2020. Capitalised terms used herein shall have the same meanings as those defined in the Announcement and Annual Report unless the context requires otherwise.

The Board hereby provides the following information to supplement the Announcement and Annual Report in regard to the recognition of impairment losses on property and equipment, right-of-use assets and intangible assets of the Group for the year ended 31 March 2020.

(i) Analysis on impairment losses on the Group's property and equipment, right-of-use assets and intangible assets for the year ended 31 March 2020

For the year ended 31 March 2020, the Group recognized impairment losses on property and equipment, right-of-use assets and intangible assets amounting to approximately HK$13.7 million, HK$14.8 million and HK$4.0 million respectively, in the view of the underperformance and loss-making of certain restaurants of the Group in Hong Kong and the PRC, which together represented approximately 57.6% of the Group's net loss for the year ended 31 March 2020.

Property and equipment of the Group mainly represents leasehold improvements, fixtures and equipment and construction in progress located in Hong Kong and the PRC for the restaurant, central kitchen and office. During the year ended 31 March 2020, impairment losses on property and equipment amounted to approximately HK$13.7 million were recognized, including corporate assets such as leasehold improvement and other fixture and equipment from head office and central kitchen allocated and other assets directly attributed to the loss-making restaurants, representing approximately 66.4% from the original aggregate carrying amount of the property and equipment as at year-end date before impairment losses recognized.

Right-of-use assets of the Group mainly represents right-of-use on leased properties in Hong Kong and the PRC capitalized for the use as restaurants, central kitchen, offices and staff dormitories. During the year ended 31 March 2020, impairment losses on right-of-use assets, including corporate right-of-use assets from the leased properties of head office and central kitchen allocated and other leased properties for the operation of loss-making restaurants amounted to approximately HK$14.8 million were recognized, representing approximately 55.7% of the original aggregate carrying amount of the right-of-use assets as at year-end date before impairment loss recognized.

Intangible assets of the Group mainly represents the exclusive franchise rights obtained from an independent third party for the use of the franchised trademarks, patents, all other intellectual property rights and other necessary assistance for the operation of the franchised restaurants in Hong Kong with a term of 20 years. During the year ended 31 March 2020, impairment losses on intangible assets amounted to approximately HK$4.0 million were recognized, representing approximately 100% of the original aggregate carrying amount of the intangible assets before impairment losses recognized. During the year ended 31 March 2020, the franchised restaurant operated by the Group was loss-making and corresponding allocated corporate assets and property and equipment as at year-end date amounted to approximately HK$7.0 million were impaired and recognized as impairment losses on property and equipment.

(ii) Details of the reasons for the recognition of impairment losses

Started from the late of year 2019, the on-going COVID-19 pandemic ("**COVID-19**") has been attributing huge negative impacts on the global and local economy. As for the period from 1 January 2020 to 31 March 2020, the Group's existing restaurants recorded an overall decrease in the number of customers visited by approximately 48% when compared to the same period last year. With such decrease in the number of customers, the Group's revenue had been decreased significantly since January 2020. In order to control the spread of the pandemic, the Hong Kong Government launched several social distancing measures in April 2020, of which some of them are specifically related to the catering business, forming further challenges to the Group's operation. The number of customers patronizing our restaurants did not show significant improvement in April 2020 when compared to March 2020. As a result, the management concluded there was an indication for impairment on the Group's assets and conducted impairment assessments on recoverable amounts of property and equipment, right-of use assets and intangible assets of relevant restaurants as at 31 March 2020.

(iii) The method, basis and key assumptions used in determining the amount of the relevant impairment losses

The management performed impairment review of the carrying amounts of the Group's property and equipment, right-of-use assets and intangible assets as at 31 March 2020 in accordance with Hong Kong Accounting Standard 36 "*Impairment of Assets*" ("**HKAS 36**").

HKAS 36 defines impairment loss as the amount by which the carrying amount of an asset or a cash generating unit ("**CGU**") exceeds its recoverable amount. Recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. Since there are insufficient comparable transactions in the market as at the year-end date, the management performed impairment review of the carrying amounts of each CGU as at 31 March 2020 according to HKAS 36 by estimating their value in use. The calculation of value in use of the relevant assets subjected to impairment testing are by reference to the present value of the estimated future cash flows expected to derive from the assets ("**Cash Flow Forecasts**").

HKAS 36 required to test the impairment by allocating the carrying amount of assets that can be attributed directly to each CGU or smallest group of CGU to which a portion of that carrying amount could be allocated on a reasonable and consistent basis. Thus, the management prepared the Cash Flows Forecasts by each restaurant (represented smallest CGU identified).

In addition, the management assessed whether there is indication that a corporate asset may be impaired and further allocated relevant corporate assets, such as leasehold improvements, fixture and equipment and right-of-use assets of the central kitchen and head office, to the CGU which they belonged to on a reasonable and consistent basis.

Based on result of the assessments, impairment loss was recognised on the restaurants which generated net cash inflow but recoverable amount is less than the CGU's carrying value; for those restaurants which would not generated a net cash inflow, all the relevant assets including corporate assets allocated have been fully impaired as at 31 March 2020. Impairment loss was recognised and allocated on a systematic basis over the carrying value of assets.

Cash Flow Forecasts as at 31 March 2020

The value in use calculations of relevant assets covering a 5 year cash flow projection period (Y1 to Y5), cash flows beyond the projection period were projected using a terminated growth rate of 2.3 % per annum by extrapolating the cash flow projections onwards for restaurants which generated estimated positive net cash inflow.

A table summarized the key inputs, estimates and assumptions adopted in the Cash Flow Forecasts as follows:

	Cash Flow Forecasts for the year ended		
	31 March 2021 (Y1)	**31 March 2022 (Y2)**	**31 March 2023 to 2025 (Y3 to Y5)**
Inputs:			
Expected revenue growth rate	10% growth based on actual revenue in March 2020	10% to 15%	15%
Expected gross profit margins range	68.1% to 72.5%	68.1% to 72.5%	68.1% to 72.5%
Corporate tax rate	16.5% for subsidiaries incorporated and operating restaurants in Hong Kong 25% for subsidiaries incorporated and operating restaurants in the PRC	16.5% for subsidiaries incorporated and operating restaurants in Hong Kong 25% for subsidiaries incorporated and operating restaurants in the PRC	16.5% for subsidiaries incorporated and operating restaurants in Hong Kong 25% for subsidiaries incorporated and operating restaurants in the PRC
Discount rate (Weighted average cost of capital ("**WACC**"))	17.8%	17.8%	17.8%

Key assumptions and estimates adopted for the value in use calculation above were determined based on the past performance of each restaurant (the smallest CGU identified), such as service capacity, table turnover rate, as well as management's expectations for the market development.

WACC is adopted as discount rate for the Cash Flow Forecasts with adjustment of tax effect when applying present value techniques in the value in use calculation, which is by reference to an valuation performed by an independent valuer in determining the value in use of the Group's intangible assets as at 31 March 2020.

Apart from assessing the external market and economic condition, the management assess if there is an indicator for impairment on the Group's assets by reference to the earnings before interest, taxes, depreciation and amortization ("**EBITDA**") for each restaurant individually (the smallest CGU identified). The restaurants with directly attributed assets and allocated corporate assets that were subject to impairment during the year ended 31 March 2020 recorded positive amount of EBITDA in the previous financial year, hence no indicators for impairment of the corresponding assets were noted to the management at the relevant time and thus, no impairment assessment/valuation is available for comparison.

(iv) The assessment of the Board and Audit Committee on the fairness and reasonableness of the impairment losses

The Board and Audit Committee had paid close attention to the impairment tests conducted by the management, especially considering that the food and beverage industry is facing challenges with global economy instability triggered by the outbreak of COVID-19 as well as different measures implemented for social distancing and restrictions in tourists over the world. In assessing the fairness and reasonableness of the impairment losses, the Board and Audit Committee had performed the followings:

1. *Reviewed and understood the assumptions, calculation and methodology applied in the Cash Flow Forecasts for the valuation of value-in-use of each CGU*

   Impairment tests on the Group's property and equipment, right-of-use assets and intangible assets relies on the estimated value in use of the assets by discounting estimated future cash flows using appropriate discount rates. The Board and Audit Committee had reviewed the Cash Flow Forecasts and understood the assumptions, calculations and valuation methodology to arrive the amount of value in use of each CGU e.g. revenue growth rates, basis for the growth, economic life of assets, reference made by historical performance and market comparable data and critically assessed the fairness and reasonableness of all of the inputs applied in the Cash Flow Forecasts with their own knowledge of the business, the Group's assets, the environment that the Group operates in, and the prospects of the business.

2. *Assessed if the inputs and assumptions adopted in the Cash Flow Forecasts reflecting the latest business development and economic trends in the industry*

   The Board and Audit Committee had further assessed and confirmed that the inputs or assumptions adopted in the Cash Flow Forecasts had taken into account the latest economic and industrial trends as well as the current market conditions which were reflected in the financial projections and the discount rates. Sensitivity analysis performed for key assumptions were also reviewed by the Board and Audit Committee.

   Also, the Board and Audit Committee had assessed and concurred that the external expert (an independent valuer) have adequate skills to deal with the impairment issues.

The Board have been continuously keeping track with the trend of the food and beverage industry and keep an eye on monitoring the economic development to ensure better capital management and strategic planning for the Group with the consideration of the risk of impairment on assets.

By order of the Board
Tasty Concepts Holding Limited
Tang Hing Chee
Chairman

Hong Kong, 15 July 2020

As at the date of this announcement, the Directors are:

Executive Director:
Mr. Tang Chun Ho Chandler (Chief Executive Officer)

Non-executive Director:
Mr. Tang Hing Chee (Chairman)

Independent non-executive Directors:
Mr. Lai Man Hin
Mr. Ho Lai Chuen
Mr. Lee Koon Tak

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 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.