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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)

DISCLOSEABLE TRANSACTIONS IN RELATION TO DISPOSAL OF AN INDIRECT WHOLLY-OWNED SUBSIDIARY AND CO-OPERATION AGREEMENT

THE AGREEMENT

The Board announces that on 19 November 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, an independent third party, entered into the Agreement, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to buy the Transfer Interest at the Consideration of RMB300,000 (approximately equivalent to HK\$351,000) so as to continue the Japanese ramen business currently operated by the Target Company.

Among other things, in accordance with the Agreement, the Vendor warrants the execution of the Trademark Licence Agreement to be entered into by the Trademark Licensor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, pursuant to which, the Trademark Licensor grants the use of the Trademark to the Purchaser and the Target Company, after the Disposal, in relation to the operation of Japanese ramen business with an one-time licence fee of RMB250,000 (approximately equivalent to HK\$292,000) for each restaurant to be operated by the Purchaser under the Trademark in Shanghai municipality, for a term of five (5) years commencing from the date of Completion. Meanwhile, monthly consultancy fee will be charged by the Vendor to the Purchaser in relation to technical assistance to be offered for the operation of Japanese ramen business under the Trademark, based on the number of restaurants to be operated by the Purchaser under the Trademark in Shanghai municipality.

IMPLICATION UNDER THE LISTING RULES

As one or more of the percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal contemplated under the Agreement constitute discloseable transactions and is subject to reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under the Chapter 19 of the GEM Listing Rules.

I. INTRODUCTION

The Board announces that on 19 November 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, an independent third party, entered into the Agreement, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to buy the Transfer Interest at the Consideration of RMB300,000 (approximately equivalent to HK\$351,000) so as to continue the Japanese ramen business currently operated by the Target Company.

Among other things, in accordance with the Agreement, the Vendor warrants the execution of the Trademark Licence Agreement to be entered into by the Trademark Licensor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, pursuant to which, the Trademark Licensor grants the use of the Trademark to the Purchaser and the Target Company, after the Disposal, in relation to the operation of Japanese ramen business with an one-time licence fee of RMB250,000 (approximately equivalent to HK\$292,000) for each restaurant to be operated by the Purchaser under the Trademark in Shanghai municipality, for a term of five (5) years commencing from the date of Completion. Meanwhile, monthly consultancy fee will be charged by the Vendor to the Purchaser in relation to technical assistance to be offered for the operation of Japanese ramen business under the Trademark, based on the number of restaurants to be operated by the Purchaser under the Trademark in Shanghai municipality.

II. PRINCIPAL TERMS OF THE AGREEMENT

Date: 19 November 2019

Parties: Butao (China) Limited (as the Vendor of the Transfer Interest)

Shanghai Yingshu Asset Management Company Limited* (上海盈屬資產管理有限公司) (as the Purchaser of the Transfer Interest), an independent third party

Consideration:	RMB300,000 (approximately equivalent to HK\$351,000) for the transfer of the Transfer Interest
Basis of the Consideration:	<p>The Consideration was determined after arm's length negotiations between the parties with reference to the net assets position and historical performance of the Target Company.</p> <p>The Purchaser undertakes to waive the indebtedness owed by the subsidiaries of the Company to the Target Company amounted to RMB950,000 (approximately equivalent to HK\$1,111,000) as of 31 October 2019, upon Completion.</p> <p>The Directors consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and its shareholders.</p>
Conditions Precedent:	<p>The Completion shall be conditional upon and subject to:</p> <ul style="list-style-type: none"> (i) all necessary consents and approvals in relation to the Agreement having been obtained by the parties respectively, and (ii) the Purchaser considered the due diligence carried out on the Target Company being satisfactory.
Completion:	<p>Completion is scheduled to take place on or before Monday, 2 December 2019, when the Purchaser acquires legal documents which prove the lawful validity of its ownership of the Transfer Interest for the Target Company.</p> <p>Upon Completion, the Group will cease to hold any interest in the Target Company. The Purchaser, through the Target Company, will continue to operate the Japanese ramen business under the Trademark in Shanghai municipality for a term of five (5) years pursuant to the Trademark Licence Agreement.</p>

Licence of Trademark:	<p>The Vendor warrants the execution of the Trademark Licence Agreement to be entered into by the Trademark Licensor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, in relation to granting the Purchaser and the Target Company, after the Disposal, for the use of the Trademark in relation to the operation of Japanese ramen business in Shanghai municipality for a term of five (5) years, with pre-emptive rights for renewal discussion and term renewal.</p> <p>The Purchaser agrees to open and operate not less than three (3) restaurants under the Trademark (including continue to operate a restaurant currently run by the Target Company after the Disposal) within 2 years upon Completion. If the Purchaser fails to accomplish the above, the Trademark Licensor will have the right to grant the Trademark to any third party and the Vendor can unilaterally terminate the Agreement in respect of the licence of the Trademark and the management consultancy services without any penalty.</p>
Licence Fee for the Trademark:	<p>An one-time licence fee of RMB250,000 (approximately equivalent to HK\$292,000) for any one restaurant operated under the Trademark for five (5) years in Shanghai municipality. An additional one-time licence fee not less than RMB250,000 (approximately equivalent to HK\$292,000) is payable for each new restaurant operated under the Trademark.</p>
Management consultancy:	<p>The Vendor offers technical assistance to the Purchaser for the operation of Japanese ramen business under the Trademark. Consultancy services also include rendering advice for new restaurants to be opened under the Trademark in Shanghai municipality.</p>
Consultancy Fee:	<p>Monthly consultancy fee is payable for each restaurant to be operated under the Trademark:</p> <p>(i) RMB15,000 (approximately equivalent to HK\$18,000) for one to three (1-3) restaurants;</p>

- (ii) RMB12,000 (approximately equivalent to HK\$14,000) for four to six (4-6) restaurants; or
- (iii) RMB10,000 (approximately equivalent to HK\$12,000) for seven (7) restaurants or more.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the PRC and is principally engaged in assets management business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a related company of the landlord of the existing Japanese ramen restaurant operated by the Target Company and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of food catering services through a chain of Japanese ramen restaurants in Hong Kong and the PRC.

INFORMATION OF THE TARGET COMPANY

Set out below is a summary of the unaudited financial information of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 March 2018 and 2019 and for the six months ended 30 September 2019:

	For the six months ended 30 September 2019	For the year ended 31 March	
	2019	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	2,787	7,337	9,835
Net (loss)/profit before taxation	(547)	(55)	1,496
Net (loss)/profit after taxation	(547)	(55)	1,208

As at 30 September 2019, the unaudited net assets value of the Target Company amounted to approximately RMB1,344,000 (approximately equivalent to HK\$1,572,000), after adjustments of excluding the indebtedness owed by the subsidiaries of the Company to the Target Company to be waived by the Purchaser upon Completion.

FINANCIAL EFFECT OF THE DISPOSAL

Immediately after Completion, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's financial statements.

Upon Completion, the Group expects to recognise an unaudited loss of approximately RMB1,104,000 (approximately equivalent to HK\$1,291,000) on the Disposal, being the difference between the Consideration and the unaudited carrying value of the net assets of the Target Company as at 30 September 2019 after adjustment of excluding the indebtedness owed by the subsidiaries of the Company to the Target Company to be waived by the Purchaser upon Completion and the estimated costs and expenses in relation to the Disposal.

The actual financial impact of the Disposal will be finalised upon the relevant financial information on the date of the Completion becomes available. The actual gain or loss on the Disposal to be recorded by the Group shall depend on the net assets/liabilities value of the Target Company as at Completion and the actual professional fees incurred, which shall be subject to final audit.

The net proceeds arising from the Disposal will be used for general working capital of the Group.

Shareholders and potential investors of the Company should note that the conditions precedent set out in the Agreement may not be met and the Completion may or may not materialise. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The Board considers that the financial performance of the Target Company has been worsening in recent years due to the gloomy economic environment triggered by the uncertainties over the China-US trade relationship as well as the intensified competition of the Japanese ramen catering industry in the PRC. Taking into account the increasingly challenging operating environment, the Board is of the view that the Disposal serves as a good opportunity for the Group to cut loss and better allocate its resources in pursuing other business opportunities.

Besides, with the arrangement of granting the use of the Trademark to the Purchaser to continue operating restaurants in Shanghai municipality, which not only generate positive cash inflow to the Group but also provide an opportunity for the Group to maintain and expand the restaurant network in the PRC. The Board is of the view that, the Disposal as well as the co-operation with the Purchaser can help the Group to improve brand penetration while simultaneously consume less resources for operation and management in the PRC.

In view of the above, the Board considers that the terms of the Disposal and the co-operation with the Purchaser as detailed above are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As one or more of the percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal contemplated under the Agreement constitute discloseable transactions and is subject to reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under the Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the same meanings set out below:

“Agreement”	the Co-operation Agreement entered into between the Vendor and the Purchaser dated 19 November 2019, pursuant to which, (i) the Vendor agreed to sell and the Purchaser agreed to buy the Transfer Interest; (ii) the Vendor warrants the execution of the Trademark Licence Agreement to be entered into by the Trademark Licensor and the Purchaser; and (iii) the Vendor agreed to offer technical assistance to the Purchaser for the operation of the Japanese ramen business under the Trademark
“Board”	the board of the Directors
“Company”	Tasty Concepts Holding Limited (賞之味控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8096)

“Completion”	completion of the transfer of the Transfer Interest in accordance with the terms of the Agreement, which is scheduled to take place on or before Monday, 2 December 2019
“Consideration”	RMB300,000 (approximately equivalent to HK\$351,000) for the transfer of the Transfer Interest
“Director(s)”	the director(s) of the Company
“Disposal”	the transfer of the Transfer Interest by the Vendor to the Purchaser pursuant to the Agreement
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM as amended by the Stock Exchange from time to time
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	an individual(s) or a company(ies) who or which is or are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the Directors, chief executive or substantial shareholder(s) of the Company, its subsidiaries or any of their respective associate(s)
“Purchaser”	Shanghai Yingshu Asset Management Company Limited* (上海盈屬資產管理有限公司), an independent third party, which is a company incorporated in the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	<p>Shangmian (Shanghai) Catering Management Company Limited* (賞面(上海)餐飲管理有限公司), an indirect wholly-owned subsidiary of the Company, which is a wholly foreign-owned enterprise in the PRC and established a branch in Jing’an district, Shanghai municipality, namely Shangmian (Shanghai) Catering Management Company Limited Jing’an branch* (賞面(上海)餐飲管理有限公司靜安分公司)</p> <p>The Target Company has a fully paid up capital of RMB2,000,000 (approximately equivalent to HK\$2,339,000) and currently operates a Japanese ramen restaurant under the trade name of “Butao” “豚王” in Shanghai municipality</p>
“Transfer Interest”	100% of the equity interest in the Target Company to be transferred by the Vendor to the Purchaser pursuant to the Agreement
“Trademark”	“Butao” “豚王”
“Trademark Licence Agreement”	an agreement entered into between the Trademark Licensor and the Purchaser dated 19 November 2019, pursuant to which, the use of Trademark is granted by the Trademark Licensor to the Purchaser and the Target Company, after the Disposal, in relation to the operation of Japanese ramen business in Shanghai municipality, for a term of five (5) years
“Trademark Licensor”	Kind Most Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company and holds the registered Trademark for the use and licences in the PRC

“Vendor”

Butao (China) Limited, an investment holding company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company

** For identification purpose only*

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

Hong Kong, 19 November 2019

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. Ho Chun Yin Steven

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.