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MS Concept Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8447)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (collectively referred to as the “**Directors**” or individually a “**Director**”) of MS Concept Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.*

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2018:

- our revenue achieved approximately HK\$262.8 million, representing an increase of approximately HK\$27.9 million, or 11.9%, from approximately HK\$234.9 million for the year ended 31 March 2017.
- our profit decreased by approximately HK\$5.7 million, or 50.4%, from approximately HK\$11.3 million for the year ended 31 March 2017 to approximately HK\$5.6 million as a result of the recognition of listing expenses amounting to approximately HK\$9.9 million.
- excluding the non-recurring initial public offering (the “**IPO**”) listing and related expenses, our net profit from operation amounted to approximately HK\$15.5 million, representing an increase of approximately HK\$4.2 million, or 37.2%, from approximately HK\$11.3 million for the year ended 31 March 2017.
- Basic and diluted earnings per share was 0.74 HK cent (2017: 1.51 HK cents).
- The board of Directors (the “**Board**”) does not recommend the payment of a final dividend.

ANNUAL RESULTS

The Board announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2018, together with the audited comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Revenue	5	262,758	234,873
Cost of inventories sold		(84,478)	(79,244)
Gross profit		178,280	155,629
Other revenue and other income	6	823	1,083
Staff costs		(73,201)	(65,171)
Depreciation of property, plant equipment		(5,768)	(5,762)
Rentals and related expenses		(55,233)	(49,802)
Fuel and utility expenses		(5,432)	(5,335)
Administrative expenses		(20,132)	(16,285)
Listing expenses		(9,885)	–
Finance costs	7	(807)	(849)
Profit before tax	8	8,645	13,508
Income tax expenses	9	(3,089)	(2,196)
Profit and total comprehensive income for the year		<u>5,556</u>	<u>11,312</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		<u>5,556</u>	<u>11,312</u>
Earnings per share			
Basic and diluted earnings per share (<i>HK cents</i>)	11	<u>0.74</u>	<u>1.51</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment		11,076	13,016
Deferred tax assets		1,843	1,280
Non-current rental deposits		8,148	9,171
		21,067	23,467
Current assets			
Inventories		861	702
Trade receivables	12	2,680	918
Deposits, prepayments and other receivables		10,950	6,705
Amount due from a Director		–	4,093
Amounts due from shareholders		–	3,150
Amounts due from related companies		–	6,060
Pledged bank deposits		2,015	2,013
Cash and bank balances		13,770	5,113
		30,276	28,754
Current liabilities			
Amount due to a related company		74	8,294
Trade payables	13	17,560	10,188
Accruals and other payables		9,861	2,977
Tax payables		1,234	550
Bank borrowings		18,626	16,980
		47,355	38,989
Net current liabilities		(17,079)	(10,235)
Net assets		3,988	13,232
Capital and reserve			
Share capital		–	–
Reserve		3,988	13,232
Total equity		3,988	13,232

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2016	–	14,270	14,270
Profit and total comprehensive income for the year	–	11,312	11,312
Dividend paid	<u>–</u>	<u>(12,350)</u>	<u>(12,350)</u>
Balance at 31 March 2017 and 1 April 2017	–	13,232	13,232
Profit and total comprehensive income for the year	–	5,556	5,556
Dividend paid	<u>–</u>	<u>(14,800)</u>	<u>(14,800)</u>
Balance at 31 March 2018	<u><u>–</u></u>	<u><u>3,988</u></u>	<u><u>3,988</u></u>

NOTES

1. GENERAL

(a) General information of the Group

The Company was incorporated in the Cayman Islands on 8 November 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The issued shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of share offer (the “**Listing**”) with effect from 16 April 2018 (the “**Listing Date**”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2313, 23/F, Hong Kong Plaza, 186–191 Connaught Road West, Hong Kong. Its ultimate holding company is Future More Company Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Kwong Tai Wah (“**Mr. Kwong**”), Ms. Ip Yin King Ingrid (“**Ms. Ingrid Ip**”), Mr. Kwong Tai Wing Joseph (“**Mr. Joseph Kwong**”), Ms. Kwong Ching Yee Melanie (“**Ms. Melanie Kwong**”) and Ms. Kwong Man Yui (“**Ms. Kwong**”) (collectively referred to as the “**Controlling Shareholders**”).

The Company is an investment holding company and the Group is principally engaged in provision of catering services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“**HK\$’000**”), unless otherwise stated.

(b) Reorganisation and basis of presentation

Pursuant to the reorganisation (the “**Reorganisation**”) as fully explained in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” of the prospectus of the Company dated 29 March 2018 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 23 March 2018. Immediately prior to and after the Reorganisation, the companies now comprising the Group were under common control by the Controlling Shareholders. The Reorganisation is merely a reorganisation of the Group with no change in management of such business and the ultimate owner of the business. Accordingly, the consolidated financial statements have been prepared on the basis by applying the principle of merger accounting, as if the Reorganisation had been completed at the beginning of the reporting period.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the reporting period or since their respective date of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group at 31 March 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation.

All intra-group transaction and balances have been eliminated on combination in full.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied and consistently applied HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for the Group’s financial year beginning on 1 April 2017 for both current and prior years.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement ²
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures ²
HKAS 40 (Amendments)	Transfers of Investment Property ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle except HKFRS 12 (Amendments) ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle ²
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 4 (Amendments)	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ¹
HKFRS 9	Financial Instruments ¹
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
HK (IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC)–Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

⁴ Effective for annual periods beginning on or after a date to be determined.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

The Group is principally engaged in the provision of catering services through a chain of restaurants in Hong Kong. Information reported to the Group's management for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no additional reportable segment and geographical information have been presented.

5. REVENUE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Restaurants operations	260,413	232,722
Sales of food	2,345	2,151
	<u>262,758</u>	<u>234,873</u>

6. OTHER REVENUE AND OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income	2	2
Management fee income	30	102
Tips income	385	435
Sponsorship income	200	279
Sundry income	206	265
	<u>823</u>	<u>1,083</u>

7. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	<u>807</u>	<u>849</u>

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	2018 HK\$'000	2017 HK\$'000
Auditors' remuneration:		
— Audit service (<i>Note</i>)	980	120
— Non-audit services	152	31
	<u>1,132</u>	<u>151</u>
Cost of inventories sold	84,478	79,244
Depreciation of property, plant and equipment	5,768	5,762
Loss on disposal and written-off of property, plant and equipment	86	1
Lease payments under operating leases in respect of restaurants and office premises:		
— Minimum lease payments	39,086	35,524
— Contingent rents	5,055	4,196
	<u>44,141</u>	<u>39,720</u>
Employee benefit expenses (including Directors' remuneration):		
— Salaries and other allowances	67,753	60,293
— Staff benefits	2,134	1,950
— Retirement benefit scheme contributions	3,314	2,928
	<u>73,201</u>	<u>65,171</u>
Listing expenses	<u>9,885</u>	<u>—</u>

Note: Exclude services for the listing of the Company.

9. INCOME TAX EXPENSES

	2018 HK\$'000	2017 HK\$'000
Current tax — Hong Kong Profits Tax		
Charge for the year	3,654	2,625
Over-provision in prior years	(2)	(8)
	<u>3,652</u>	<u>2,617</u>
Deferred tax credit	(563)	(421)
	<u>3,089</u>	<u>2,196</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

10. DIVIDENDS

Prior to the Reorganisation, the Company's subsidiaries had declared and paid dividend to the then shareholders during the reporting period as follows:

	2018 HK\$'000	2017 HK\$'000
Dividend paid	14,800	12,350

No final dividend has been paid or proposed by the Company since its incorporation. The Board does not recommend the payment of a final dividend for the year ended 31 March 2018.

11. EARNINGS PER SHARE

The computations of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2018 HK\$'000	2017 HK\$'000
Earnings per share		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	5,556	11,312
	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	750,000	750,000

The calculation of basic earnings per share for the years ended 31 March 2018 and 2017 is based on the profit attributable to owners of the Company for the years ended 31 March 2018 and 2017 and on the assumption that the proposed 750,000,000 ordinary shares in issue, comprising 100 ordinary shares in issue as at the date of the Prospectus and 749,999,900 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the section headed "Share Capital" set out in the Prospectus, as if the shares as there were outstanding throughout the entire period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in issue.

12. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Credit card receivables	2,220	625
Other trade receivables	460	293
	<u>2,680</u>	<u>918</u>

The Group's trading terms with its customers are mainly by cash and credit card settlement. The settlement terms of credit card companies are usually 7 days after the service rendered date. Generally, there is no credit period granted to customers, except for certain well-established corporate customers in which credit period of up to 90 days is granted by the Group. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade receivables are interest-free.

The following is an aging analysis of trade receivables, presented based on the invoice dates, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0–30 days	2,608	833
31–60 days	29	26
61–90 days	41	25
Over 90 days	2	34
	<u>2,680</u>	<u>918</u>

At 31 March 2018, trade receivables with the amount of approximately HK\$2,061,000 (2017: HK\$575,000) was due from the Group's top debtor.

The following is an aging analysis of trade receivables which are not individually nor collectively considered to be impaired:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Neither past due nor impaired	2,671	884
One to three months past due	8	25
More than three months past due	1	9
	<u>2,680</u>	<u>918</u>

Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

13. TRADE PAYABLES

The following is an aging analysis of trade payables, based on the invoice dates:

	2018 HK\$'000	2017 <i>HK\$'000</i>
0–30 days	7,704	5,727
31–60 days	9,317	813
61–90 days	539	1,560
Over 90 days	–	2,088
	17,560	10,188

The average credit period granted by suppliers is normally within 90 days.

At 31 March 2018, amount of approximately HK\$9,511,000 (2017: HK\$7,290,000) included in trade payables was due to Elite Fresh Food Company Limited, a company controlled by Mr. Joseph Kwong and Ms. Melanie Kwong, who are the Controlling Shareholders of the Company, and Ms. Ingrid Ip, who is the close family member of Mr. Kwong and Ms. Kwong and one of the Controlling Shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In January 2018, our 13th restaurant located on the second floor of East Point City in Tseung Kwan O, Hong Kong (“**MS(EP)**”) commenced operations under our “Mr. Steak” brand. This new restaurant achieved breakeven in the second month of commercial operation and we believe that it will contribute an additional stable cash inflow to the Group.

As of 31 March 2018, we owned and operated 13 restaurants serving various cuisines, including six restaurants serving various western cuisine along with our signature steak under our “Mr. Steak” brand, one buffet restaurant serving international cuisine under our “Mr. Steak — Buffet à la minute” brand, three restaurants under our “Sky Bar” brand offering western cuisine along with our signature seafood dishes and a wide selection of wines and cocktails, two western specialty restaurants under our “Bistro Bloom” and “Bistro Bloom/Marbling” brands serving modern and trendy western food along with specialty meat cuts, and one Japanese specialty restaurant under our “Hana” brand serving “Nabemono” — Japanese hot pot dishes such as Sukiyaki, Shabu Shabu and Seiromushi.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from restaurant operations. For the year ended 31 March 2018, our revenue achieved approximately HK\$262.8 million, representing an increase of approximately HK\$27.9 million, or 11.9%, from approximately HK\$234.9 million for the year ended 31 March 2017. The increase in revenue was mainly due to the full-year contribution by our restaurant at Telford Plaza in Kowloon Bay, Hong Kong (“**MS(KB)**”) which commenced operation in October 2016 and the commencement of operation of MS(EP) since January 2018.

Cost of inventories sold

Cost of inventories sold is a major component of our operating expenses and comprises mainly cost of food ingredients and beverages. For the year ended 31 March 2018, our cost of inventories sold amounted to approximately HK\$84.5 million, representing an increase of approximately HK\$5.3 million, or 6.7%, from approximately HK\$79.2 million for the year ended 31 March 2017. The increase in cost of inventories sold was mainly due to the full-year contribution by MS(KB) which commenced operation in October 2016 and the commencement of operation of MS(EP) since January 2018.

Gross profit and gross profit margin

Our gross profit for the year ended 31 March 2018 amounted to approximately HK\$178.3 million, representing an increase of approximately HK\$22.7 million, or 14.6%, from approximately HK\$155.6 million for the year ended 31 March 2017. The increase in gross profit was mainly due to full-year contribution by MS(KB) which commenced operation in October 2016 and the commencement of operation of MS(EP) since January 2018.

The overall gross profit margin increased from approximately 66.2% for the year ended 31 March 2017 to approximately 67.8% for the year ended 31 March 2018. The increase in overall gross profit margin was mainly due to the commencement of operation of MS(KB) and MS(EP) which are operating under our “Mr. Steak” brand with generally higher gross profit margin.

Other revenue and other income

Other revenue and other income primarily consists of tips income, sponsorship income and sundry income. Our other revenue decreased by approximately HK\$0.3 million, or 27.3%, from approximately HK\$1.1 million for the year ended 31 March 2017 to approximately HK\$0.8 million for the year ended 31 March 2018. The decrease in other revenue and other income was mainly due to decrease in management fee income, tips income and sponsorship income.

Staff costs

Staff costs comprise salaries and benefits, including wages, salaries, bonuses, staff benefits and retirement benefit scheme contributions for all employees.

Our staff costs increased by approximately HK\$8.0 million, or 12.3%, from approximately HK\$65.2 million for the year ended 31 March 2017 to approximately HK\$73.2 million for the year ended 31 March 2018. The increase in staff costs was mainly due to full-year contribution by MS(KB) which commenced operation in October 2016 and the commencement of operation of MS(EP) since January 2018. For the years ended 31 March 2017 and 2018, our staff costs represented approximately 27.8% and 27.9% of our revenue, respectively.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment represents depreciation charges for our property, plant and equipment, which comprise leasehold improvement, furniture and fixtures, catering and other equipment.

Our depreciation of property, plant and equipment remained at a stable level with approximately HK\$5.8 million for the years ended 31 March 2017 and 2018. As a percentage of revenue, our depreciation of property, plant and equipment represented approximately 2.5% and 2.2% for the corresponding years, respectively.

Rentals and related expenses

Rentals and related expenses primarily represent the rental payments under operating leases, government rates and property management fee paid for our restaurants and office premises.

Our rental and related expense increased by approximately HK\$5.4 million, or 10.8%, from approximately HK\$49.8 million for the year ended 31 March 2017 to approximately HK\$55.2 million for the year ended 31 March 2018. The increase in rental and related expenses was mainly due to the full-year contribution by MS(KB) which commenced operation in October 2016 and the commencement of operation of MS(EP) since January 2018. For the years ended 31 March 2017 and 2018, our rentals and related expenses represented approximately 21.2% and 21.0% of our revenue, respectively.

Fuel and utility expenses

Fuel and utility expenses primarily consist of expenses incurred for electricity, gas and water utilities. Our fuel and utility expenses increased by approximately HK\$0.1 million, or 1.9%, from approximately HK\$5.3 million for the year ended 31 March 2017 to approximately HK\$5.4 million for the year ended 31 March 2018.

For the years ended 31 March 2017 and 2018, our fuel and utility expenses represented approximately 2.3% and 2.1% of our revenue, respectively.

Administrative expenses

Administrative expenses mainly include credit card handling charges, advertising and promotion expenses for our brands, cleaning expenses for both our restaurants and office, consumables for our restaurant operations, legal and professional fees and insurance.

Our administrative expenses increased by approximately HK\$3.8 million, or 23.3%, from approximately HK\$16.3 million for the year ended 31 March 2017 to approximately HK\$20.1 million for the year ended 31 March 2018. The increase in administrative expenses was mainly due to the increase in credit card handling charges resulting from the increase in revenue with credit payments by customers, the engagement of a dish cleaning service provider and the increase in auditors' remuneration.

Finance costs

Finance costs mainly represent interest on our bank borrowings. Our finance costs remained at a stable level with approximately HK\$0.8 million for the years ended 31 March 2017 and 2018.

Income tax expense

Our restaurant operations in Hong Kong are subject to Hong Kong profits tax of 16.5% on estimated assessable profit arising in Hong Kong.

Our income tax expenses increased by approximately HK\$0.9 million, or 40.9%, from approximately HK\$2.2 million for the year ended 31 March 2017 to approximately HK\$3.1 million for the year ended 31 March 2018. The effective tax rate for our restaurant operations in Hong Kong was approximately 16.3% and 35.7% for the year ended 31 March 2017 and 2018, respectively. The increase in effective tax rate was mainly due to the inclusion of non-recurring listing expenses of our IPO amounting to approximately HK\$9.9 million, which were non-deductible expenses.

Profit for the year

Our profit for the year decreased by approximately HK\$5.7 million, or 50.4%, from approximately HK\$11.3 million for the year ended 31 March 2017 to approximately HK\$5.6 million for the year ended 31 March 2018 as a result of the recognition of our IPO listing and related expenses amounting to approximately HK\$9.9 million.

Excluding the non-recurring IPO listing expenses, our net profit from operation amounted to approximately HK\$15.5 million for the year ended 31 March 2018, representing an increase of approximately HK\$4.2 million, or 37.2%, from approximately HK\$11.3 million for the year ended 31 March 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	<i>Notes</i>	As at 31 March 2018	2017
Current ratio	<i>1</i>	0.6	0.7
Quick ratio	<i>2</i>	0.6	0.7
Gearing ratio	<i>3</i>	<u>469%</u>	<u>191%</u>

Notes:

1. Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year.
2. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the year divided by the total current liabilities of the respective year.
3. Gearing ratio is calculated based on the total debts at the end of the year divided by the equity attributable to owners of the Company at the end of the year. Total debts include payables incurred not in the ordinary course of business.

As at 31 March 2018, the total equity of the Group was approximately HK\$4.0 million (2017: HK\$13.2 million) which was attributable to equity shareholders of the Company. The Group had cash and cash equivalents of approximately HK\$13.8 million as at 31 March 2018 (2017: HK\$5.1 million).

The Group continues to enjoy a stable and strong net cash inflow from operations. During the year ended 31 March 2018, the cash generated from operations amounted to approximately HK\$24.0 million (2017: HK\$24.2 million)

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debts in a balanced position.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investment, material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2018.

FOREIGN CURRENCY

During the year ended 31 March 2018, most of the transactions of the Group were denominated and settled in Hong Kong dollars, the functional and reporting currency of the Group.

The Group does not have a significant foreign exchange exposure and has currently not implemented any foreign currency hedging policy. The management will consider hedging against significant foreign exchange exposure should the need arise.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the issue of a total of 250,000,000 new ordinary shares of the Company (the “**Shares**”) at the offer price of HK\$0.27 per Share under the share offer as set out in the Prospectus, after deducting underwriting commission and other expenses relating to the listing of the Shares on GEM of the Stock Exchange on 16 April 2018, amounted to approximately HK\$39.6 million. The net proceeds have been intended to be applied in the same proportion and in the same manner as shown in the Prospectus. An analysis of the utilization of the net proceeds during the year is set out below:

Business objective and strategy	Approximately % of net proceeds %	Planned amount HK\$ million	Actual amount utilized as at 31 March 2018 HK\$ million	Notes
Expanding our restaurant network in strategic locations in Hong Kong	63.5	25.1	–	1
Maintaining steady food quality by setting up a central kitchen	14.6	5.8	–	1
Enhancing and upgrading our restaurant facilities	13.5	5.3	–	2
Strengthening customer relationship and our brand awareness	5.7	2.3	–	3
General working capital	2.7	1.1	–	
	<u>100</u>	<u>39.6</u>	<u>–</u>	

Notes:

1. The Group is in the progress to identify suitable locations fulfilling our expected scale of operations.
2. Renovation and refurbishment will be carried out upon renewal of leases of our restaurants.
3. The Group is in the progress to solicit appropriate social platforms and marketing agents.

The Directors will continuously evaluate the Group’s business objective and will change or modify the plans against the changing market conditions to suit the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2018, the Group employed approximately 256 employees (2017: 287 employees). The Group offers attractive remuneration packages, including competitive wages, fringe benefits, discretionary bonuses and internal promotion opportunities to our employees.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was conditionally approved by the then shareholder and adopted by the Company on 23 March 2018. For the principal terms of the Share Option Scheme, please refer to “D. Share Option Scheme” in Appendix IV to the Prospectus.

No share options have been granted by the Company under the Share Option Scheme since its adoption.

CHARGES ON ASSETS

As at 31 March 2018, the pledged bank deposits of the Group were approximately HK\$2.0 million (2017: HK\$2.0 million).

CAPITAL COMMITMENT

As at 31 March 2018, the Group did not have any material capital commitment (2017: HK\$0.5 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2017 and 2018.

DIVIDEND

No dividend has been paid or proposed by the Company since its date of incorporation. The Board does not recommend the payment of a final dividend for the year ended 31 March 2018.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**2018 AGM**”) is scheduled to be held on Thursday, 13 September 2018. A notice convening the 2018 AGM will be issued and dispatched to the shareholders of the Company (the “**Shareholders**”) in due course in the manner required by the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Monday, 10 September 2018 to Thursday, 13 September 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2018 AGM, the non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 7 September 2018.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 MARCH 2018

The issued shares were initially listed on GEM of the Stock Exchange on 16 April 2018 and 250,000,000 ordinary shares were issued at HK\$0.27 per offer share on 16 April 2018 (the **"Share Offer"**) in connection with the listing as detailed in the Prospectus and the announcement of the Company dated 13 April 2018 in relation to, among others, the allotment results of the Share Offer. After deducting related listing expenses, the net proceeds of the Share Offer were approximately HK\$39.6 million.

REQUIRED STANDARD OF DEALINGS

The Company has adopted its securities dealing code (the **"Own Code"**) regarding dealings in the Company's securities by the Directors, senior management and certain employees of the Group (who are likely to be in possession of unpublished inside information in relation to the Company or its securities) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the **"Required Standard of Dealings"**).

The Required Standards of Dealings was not applicable to the Directors before the Listing Date. A specific enquiry has been made by the Company with each of the Directors and all of them have confirmed that they had complied with the required standards set out in the Required Standard of Dealings and the Own Code throughout the period from the Listing Date and up to the date of this announcement (the **"Period"**).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not redeem any of its securities listed and traded on the Stock Exchange, nor did the Company or any of its subsidiaries purchase or sell any of such securities during the Period.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability. As the Shares in issue were initially listed on GEM of the Stock Exchange on 16 April 2018, the Corporate Governance Code (“CG Code”) as contained in Appendix 15 to the GEM Listing Rules was not applicable to the Company for the period from 8 November 2017 (date of incorporation) to 15 April 2018, being the period before the Listing Date. The Company has adopted and complied with all applicable code provisions as set out in the CG Code as from the Listing Date, except for the following code provision A.2.1 of the CG Code.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, Mr. Kwong was the Chairman and the chief executive officer of our Group. In view of the fact that Mr. Kwong has been operating and managing the Group since 2000, the Board believes that it is in the best interest of the Group to have Mr. Kwong taking up both roles for effective management and business development. Therefore, our Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

AUDIT COMMITTEE

The audit committee of the Board has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2018 and recommended the same to the Board for approval.

By order of the Board
MS Concept Limited
Kwong Tai Wah
Chairman and Chief Executive Officer

Hong Kong, 26 June 2018

At the date of this announcement, the Executive Directors are Mr. Kwong Tai Wah, Ms. Kwong Man Yui and Mr. Lam On Fai; and the Independent Non-executive Directors are Mr. Lai Ming Fai Desmond, Dr. Cheng Lee Lung and Mr. Kwok Yiu Chung.

This announcement will remain on the Stock Exchange’s website at www.hkexnews.hk and on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.mrsteak.com.hk.