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MS CONCEPT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8447)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

The board of directors (the “**Directors**” and the “**Board**”, respectively) of MS Concept Limited (the “**Company**”) announces the unaudited results of the Company and its subsidiaries for the nine months ended 31 December 2019.

This announcement, containing the full text of the 2019/2020 third quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to the information to accompany the preliminary announcement of third quarterly results. Printed version of the 2019/2020 third quarterly report of the Company containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course in the manner as required by the GEM Listing Rules.

By order of the Board

MS Concept Limited

Kwong Tai Wah

Chairman and Executive Director

Hong Kong, 7 February 2020

As at the date of this announcement, the executive Directors are Mr. Kwong Tai Wah (Chairman and Chief Executive Officer), Ms. Kwong Man Yui (Vice Chairlady) 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, 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 “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company (www.mrsteak.com.hk).

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE” AND “GEM”, RESPECTIVELY)

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.

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*This report, for which the directors (collectively the “**Directors**” and 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 (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 report 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 report misleading.*



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kwong Tai Wah
(*Chairman and Chief Executive Officer*)
Ms. Kwong Man Yui (*Vice Chairlady*)
Mr. Lam On Fai

Independent Non-Executive Directors

Mr. Lai Ming Fai Desmond
Dr. Cheng Lee Lung
Mr. Kwok Yiu Chung

BOARD COMMITTEES

Audit Committee

Mr. Lai Ming Fai Desmond (*Chairman*)
Dr. Cheng Lee Lung
Mr. Kwok Yiu Chung

Remuneration Committee

Mr. Kwok Yiu Chung (*Chairman*)
Mr. Lai Ming Fai Desmond
Dr. Cheng Lee Lung

Nomination Committee

Mr. Kwong Tai Wah (*Chairman*)
Dr. Cheng Lee Lung
Mr. Kwok Yiu Chung

Executive Committee

Mr. Kwong Tai Wah (*Chairman*)
Ms. Kwong Man Yui
Mr. Lam On Fai

COMPANY SECRETARY

Mr. Poon Tsz Hang

COMPLIANCE OFFICER

Ms. Kwong Man Yui

AUTHORISED REPRESENTATIVES

Mr. Kwong Tai Wah
Mr. Poon Tsz Hang

COMPLIANCE ADVISER

Alliance Capital Partners Limited

INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISER

as to Hong Kong laws
D. S. Cheung & Co.

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2313, 23/F, Hong Kong Plaza
186–191 Connaught Road West
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.mrsteam.com.hk

GEM STOCK CODE

8447

FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2019:

- our revenue achieved approximately HK\$184.8 million, representing a decrease of approximately HK\$13.7 million, or 6.9%, from approximately HK\$198.5 million for the nine months ended 31 December 2018;
- we recorded a net profit of approximately HK\$3.0 million, representing an increase of approximately HK\$0.8 million, or 36.4%, from approximately HK\$2.2 million for the nine months ended 31 December 2018;
- the net profit from operations decreased by approximately HK\$6.5 million, or 68.4%, from approximately HK\$9.5 million for the nine months ended 31 December 2018 if the non-recurring listing expenses were excluded.
- the board of Directors (the “**Board**”) has resolved not to declare the payment of a dividend.

THIRD QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 31 December 2019, together with the comparative unaudited figures for the nine months ended 31 December 2018 and certain comparative audited figures as at 31 March 2019. The financial information is as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2019

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	63,171	65,125	184,781	198,507
Cost of inventories sold		(20,167)	(20,336)	(60,382)	(64,106)
Gross profit		43,004	44,789	124,399	134,401
Other revenue and other income		190	213	835	749
Staff costs		(17,688)	(18,375)	(55,457)	(56,518)
Depreciation of property, plant and equipment		(10,980)	(1,291)	(32,597)	(4,037)
Rentals and related expenses		(4,204)	(13,708)	(11,324)	(41,575)
Fuel and utility expenses		(1,246)	(1,292)	(3,830)	(4,033)
Administrative expenses		(5,584)	(5,371)	(15,415)	(17,166)
Listing expenses		-	-	-	(7,293)
Finance costs		(936)	(213)	(2,822)	(645)
Profit before tax	5	2,556	4,752	3,789	3,883
Income tax expenses	6	(583)	(855)	(798)	(1,726)
Profit and total comprehensive income for the period		1,973	3,897	2,991	2,157
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		1,973	3,897	2,991	2,157
Earnings per share					
Basic and diluted (HK cents)	7	0.20	0.39	0.30	0.22

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	10,000	46,939	4,762	61,701
Profit and total comprehensive income for the period	–	–	2,991	2,991
Dividend paid	–	(15,000)	–	(15,000)
At 31 December 2019 (unaudited)	10,000	31,939	7,753	49,692
At 1 April 2018 (audited)	–	–	3,988	3,988
Issuance of new shares pursuant to Share Offer	2,500	65,000	–	67,500
Issuance of shares pursuant to Capitalisation Issue	7,500	(7,500)	–	–
Share issuing expenses	–	(10,561)	–	(10,561)
Profit and total comprehensive income for the period	–	–	2,157	2,157
At 31 December 2018 (unaudited)	10,000	46,939	6,145	63,084

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 have been listed and traded on GEM by way of Share Offer (the **"Listing"**) since 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. In the opinion of the Directors, the immediate and ultimate holding company of the Company is Future More Company Limited (**"Future More"**), a company incorporated in the British Virgin Islands (the **"BVI"**) 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"**). Mr. Kwong is the chairman of the Board (the **"Chairman"**), an executive Director and the chief executive officer of the Group (the **"CEO"**) and Ms. Kwong is an executive Director.

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

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the Listing (the **"Reorganisation"**), the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus dated 29 March 2018 for our Listing (the **"Prospectus"**).

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 are presented in Hong Kong Dollars (**"HK\$"**) which is also the functional currency of the Company and all values are rounded to the nearest thousand (**"HK\$'000"**), unless otherwise stated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basic of preparation

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 have been prepared under the historical cost basis and in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The unaudited consolidated financial statements for the nine months ended 31 December 2019 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company (the **"Audit Committee"**). The Audit Committee agreed with the accounting principles and practices adopted by the Company.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 do not include all the information and disclosures required in the annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements of the Group for the year ended 31 March 2019 (the **"2019 Financial Statements"**) included in the annual report of the Company dated 30 May 2019. The accounting policies adopted are consistent with those applied in the 2019 Financial Statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively referred to as the **"HKFRSs"**) issued by the Hong Kong Institute of Certified Public Accountants (the **"HKICPA"**), except those discussed below.

(b) Application of new and revised HKFRSs

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and Interpretations (collectively referred to as the **"new and revised HKFRSs"**) issued by the HKICPA, which are effective for the Group's financial period beginning from 1 April 2019. A summary of the new and revised HKFRs applied by the Group is set out as follows:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except for the application of HKFRS 16 stated below, the application of other new and revised HKFRSs has no material impact on the Group's financial performance and financial position for the current and/or prior periods and/or on the disclosure set out in the unaudited condensed consolidated financial statements.

The Group has not applied any new and revised HKFRSs that have been issued but not yet effective for the current accounting period.

HKFRS 16

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

- (i) Key changes in accounting policies resulting from application of HKFRS 16
The Group applied the following accounting policies in accordance with the transition provision of HKFRS 16.

Definition of a lease

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.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term lease and lease of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- 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.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease portion of lease liabilities resulting in net deductible temporary differences.

- (ii) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance which requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating lease under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with leases term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.
- (iv) use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK\$61.1 million and right-of-use assets approximately HK\$62.9 million at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.0%.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed at 31 March 2019	65,283
Lease liabilities discounted at relevant incremental borrowing rates	(4,240)
Lease liabilities at 1 April 2019	61,043
Analysed as	
Current	31,192
Non-current	29,851
	61,043

The carrying amount of right-of-use assets at 1 April 2019 comprises the following:

	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	62,878

The following adjustments were made to amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Impact on application of HKFRS 16 HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Property, plant and equipment	6,167	62,878	69,045
Current liabilities			
Accruals and other payables	3,537	1,835	5,372
Lease liabilities	–	31,192	31,192
Non-current liabilities			
Lease liabilities	–	29,851	29,851

3. 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.

4. REVENUE

Revenue represents amounts received and receivable from restaurant operations and sales of food, net of discounts. An analysis of revenue is as follows:

	Three months ended 31 December 2019 HK\$'000 (unaudited)		Nine months ended 31 December 2019 HK\$'000 (unaudited)	
		2018 HK\$'000 (unaudited)		2018 HK\$'000 (unaudited)
Restaurant operations	62,787	64,543	183,300	196,772
Sales of food	384	582	1,481	1,735
	63,171	65,125	184,781	198,507

The revenue from restaurants operations and sales of food is recognised at a point in time.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Three months ended 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	20,167	20,336	60,382	64,106
Depreciation of property, plant and equipment	10,980	1,291	32,597	4,037
Loss on disposal and write-off of property, plant and equipment	–	20	–	29
Lease payments under operating leases in respect of restaurants and office premises:				
— minimum lease payments	19	9,635	54	28,696
— contingent rents	1,155	1,184	2,247	3,956
	1,174	10,819	2,301	32,652
Employee benefit expenses (including Directors' remuneration):				
— Salaries and other allowances	16,764	17,272	51,530	52,637
— Staff benefits	186	332	1,650	1,436
— Retirement benefit scheme contributions	738	771	2,277	2,445
	17,688	18,375	55,457	56,518
Listing expenses	–	–	–	7,293

6. INCOME TAX EXPENSES

	Three months ended 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax:				
— Hong Kong Profits Tax	583	855	798	1,726

Hong Kong Profits Tax is calculated at 8.25% on estimated assessable profits up to HK\$2 million and 16.5% on any part of the estimated assessable profits over HK\$2 million for the three months and nine months ended 31 December 2018 and 2019.

7. EARNINGS PER SHARE

	Three months ended 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings per share				
— Earnings for the purpose of basic and diluted earnings per share	0.20	0.39	0.30	0.22
	'000	'000	'000	'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Number of Shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,000,000	1,000,000	1,000,000	986,364

The calculation of basic earnings per share for the three months and nine months ended 31 December 2018 and 2019 is based on the profit attributable to owners of the Company for the three months and nine months ended 31 December 2018 and 2019.

No adjustment has been made to the basic earnings per share presented for the three months and nine months ended 31 December 2018 and 2019 in respect of the dilution as the Company did not have any potential dilutive ordinary shares in issue during the periods.

8. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the nine months ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the nine months ended 31 December 2019, Hong Kong's economic situation remains challenging, with weak domestic demand and cautious consumer sentiment. The United States-Mainland trade tensions, together with the social unrest since June 2019, continue to overshadow consumption sentiment. The ad-hoc variation of shopping mall operation hours and public transport disruptions adversely affected the number of customer visits and business of our Group's restaurants, in particular (but not limited to) Causeway Bay, Mong Kok, and Yuen Long locations. For the nine months ended 31 December 2019, we recorded a revenue of approximately HK\$184.8 million, representing a decrease of approximately HK\$13.7 million, or 6.9%, from approximately HK\$198.5 million for the nine months ended 31 December 2018. Net profit was approximately HK\$3.0 million, representing a decrease of approximately HK\$6.5 million, or 68.4%, from approximately HK\$9.5 million for the nine months ended 31 December 2018 if non-recurring listing expenses of approximately HK\$7.3 million are excluded.

The Group continued to engage in the provision of casual dining in Hong Kong. Upon the closure of 2 restaurants located at Shatin ("**MS(ST)**") and Lee Theatre Plaza in Causeway Bay ("**SB(CWB)**") in April 2018 and November 2018, respectively, our experienced management team is actively looking for suitable locations and opportunities to expand our restaurant network in Hong Kong. In August 2019, our new restaurant operated under the brand "Hana" located at Citygate in Tung Chung, Hong Kong ("**Hana(TC)**") commenced commercial operation.

Up to the date of this report, we operate twelve restaurants serving various cuisines in Hong Kong, including five 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, two restaurants under our "Sky Bar" brand, two western specialty restaurants under our "Bistro Bloom" and "Bistro Bloom/Marbling" brands, and two Japanese specialty restaurant under our "Hana" brand serving "Nabemono" — Japanese hot pot dishes such as Sukiyaki, Shabu Shabu and Seiomushi.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from restaurant operations. For the nine months ended 31 December 2019, our revenue achieved approximately HK\$184.8 million, representing an increase of approximately HK\$13.7 million, or 6.9%, from approximately HK\$198.5 million for the nine months ended 31 December 2018. The decrease in revenue was mainly due to the combined effect of (a) the closure of SB(CWB) in November 2018; (b) the decrease in customer visits to our Group's restaurants amid weakened market sentiment and ad-hoc variation of shopping mall operation hours and public transport disruptions; and (c) the opening of Hana(TC) since August 2019.

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 nine months ended 31 December 2019, our cost of inventories sold amounted to approximately HK\$60.4 million, representing a decrease of approximately HK\$3.7 million, or 5.8%, from approximately HK\$64.1 million for the nine months ended 31 December 2018. The decrease in cost of inventories sold was mainly due to the combined effect of the decrease in food consumption under the closure of SB(CWB) and the decrease in number of customer visits of our restaurants located in, including but not limited to Causeway Bay, Mongkok and Yuen Long for the reason as discussed above, and offset by the increase in food consumption under the opening of Hana(TC) since August 2019.

Gross profit and gross profit margin

Our gross profit for the nine months ended 31 December 2019 amounted to approximately HK\$124.4 million, representing a decrease of approximately HK\$10.0 million, or 7.4%, from approximately HK\$134.4 million for the nine months ended 31 December 2018. The decrease in gross profit was mainly due to the factors as discussed above.

The overall gross profit margin decreased slightly by approximately 0.4% from approximately 67.7% for the nine months ended 31 December 2018 approximately 67.3% for the nine months ended 31 December 2019. The slight decrease in gross profit margin was mainly due to higher average food costs of our restaurant operated under the brand "Mr. Steak — Buffet à la minute" at World Trade Centre, Causeway Bay with a decrease in number of customers visits from the ad-hoc variation or shortening of opening hours of the shopping mall during the period.

Other revenue and other income

Other revenue and other income primarily consist of sponsorship income, tips income, bank interest income and sundry income. Our other revenue and other income was stable and maintained at approximately HK\$0.7 million and HK\$0.8 million for the nine months ended 31 December 2018 and 2019, respectively.

Staff costs

Staff costs comprise salaries and benefits, including wages, salaries, bonuses, staff benefits, retirement benefit scheme contributions for all employees and Directors' remunerations. Our staff costs decreased slightly by approximately HK\$1.0 million, or 1.8%, from approximately HK\$56.5 million for the nine months ended 31 December 2018 to approximately HK\$55.5 million for the nine months ended 31 December 2019. The decrease in staff costs was mainly due to the combined effect of the closure of SB (CWB) in November 2018 and the opening of Hana(TC) in August 2019.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment represents depreciation for right-of-use assets, leasehold improvement, furniture and fixtures, catering and other equipment. The depreciation of our property, plant and equipment increased by approximately HK\$28.6 million, from approximately HK\$4.0 million for the nine months ended 31 December 2018 to approximately HK\$32.6 million for the nine months ended 31 December 2019, was mainly due to the recognition of right-of-use assets upon the adoption of HKFRS 16 for our financial period beginning on 1 April 2019. For the effect upon the adoption of HKFRS 16, please refer to note 2(b) to the unaudited condensed consolidated financial statements included in this report.

Rentals and related expenses

Rentals and related expenses primarily represent the turnover rent, low value and short term lease payments, government rates and property management fee paid for our restaurants and office premises. Our rental and related expense decreased by approximately HK\$30.3 million, or 72.8%, from approximately HK\$41.6 million for the nine months ended 31 December 2018 to approximately HK\$11.3 million for the nine months ended 31 December 2019. The decrease in rental and related expenses was mainly due to the adoption of HKFRS 16 during our financial period beginning on 1 April 2019 where the lease payments were offset against the lease liabilities recognised in the consolidated statement of financial position instead of charging to profit or loss as rental expenses for the nine months ended 31 December 2019.

Fuel and utility expenses

Fuel and utility expenses primarily consist of expenses incurred for electricity, gas and water utilities. Our fuel and utility expenses decreased by approximately HK\$0.2 million, or 5.0%, from approximately HK\$4.0 million for the nine months ended 31 December 2018 to approximately HK\$3.8 million for the nine months ended 31 December 2019 mainly due to the combined effect of (a) the closure of MS(ST) and SB(CWB) in April 2018 and November 2018, respectively; and (b) the commencement of operation of Hana (TC) in August 2019.

Administrative expenses

Administrative expenses mainly include credit card handling charges, advertising and marketing expenses for our brands, cleaning expenses for both our restaurants and office premises, consumables for our restaurant operations, legal and professional fees and insurance. Our administrative expenses decreased by approximately HK\$1.8 million, or 10.5%, from approximately HK\$17.2 million for the nine months ended 31 December 2018 to approximately HK\$15.4 million for the nine months ended 31 December 2019. The decrease in administrative expenses was mainly due to the decrease in professional expenses where higher professional expenses were incurred in the first year of listing for the nine months ended 31 December 2018.

Finance costs

Finance costs mainly represent interest on our bank borrowings and interest on lease liabilities. Our finance costs increased by approximately HK\$2.2 million from approximately HK\$0.6 million for the nine months ended 31 December 2018 to approximately HK\$2.8 million for the nine months ended 31 December 2019 was mainly due to the recognition of interest on lease liabilities upon the adoption of HKFRS 16 during the nine months ended 31 December 2019.

Income tax expenses

Our income tax expenses decreased by approximately HK\$0.9 million, or 52.9%, from approximately HK\$1.7 million for the nine months ended 31 December 2018 to approximately HK\$0.8 million for the nine months ended 31 December 2019.

For the nine months ended 31 December 2018 and 2019, our restaurant operations in Hong Kong are subject to Hong Kong Profits Tax of 8.25% on estimated assessable profits up to HK\$2 million and 16.5% on any part of the estimated assessable profits over HK\$2 million arising in Hong Kong. Excluding the non-recurring listing expenses, our profit from operations before taxation for the nine months ended 31 December 2018 and 2019 amounted to approximately HK\$11.2 million and HK\$3.8 million and the effective tax rate was approximately 15.4% and 21.1%, respectively. The increase in effective tax rate was mainly due to the change in calculation of tax provision for the period.

Net profit for the period

We recorded a profit for the period amounting to approximately HK\$3.0 million while we recorded a profit of approximately HK\$2.2 million for the nine months ended 31 December 2018 after the recognition of non-recurring listing expenses of approximately HK\$7.3 million. Excluding the non-recurring listing expenses, our net profit amounted to approximately HK\$9.5 million and HK\$3.0 million for the nine months ended 31 December 2018 and 2019, respectively, representing a decrease of approximately HK\$6.5 million, or 68.4%, as a result of the combined effects discussed above.

CHARGES ON ASSETS

As at 31 December 2019, the pledged bank deposits of the Group were approximately HK\$2.0 million (31 March 2019: HK\$2.0 million).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investment, material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the nine months ended 31 December 2019.

FOREIGN CURRENCY

During the nine months ended 31 December 2019, 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.

CAPITAL COMMITMENT

As at 31 December 2019, the Group did not have any material capital commitment (31 March 2019: Nil).

CONTINGENT LIABILITIES

At 31 December 2019, the Group did not have any material contingent liabilities (31 March 2019: Nil).

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the nine months ended 31 December 2019.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the issue of a total of 250,000,000 new 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, amounted to approximately HK\$39.6 million. The Company intends to apply the net proceeds in the same proportion and in the same manner as shown in the Prospectus. An analysis of the utilisation of the net proceeds during the nine months ended 31 December 2019 is set out below:

Business objective and strategy	Notes	Approximately	Planned	Actual amount
		% of net proceeds %	amount HK\$ million	utilised as at 31 December 2019 HK\$ million
Expanding our restaurant network in strategic locations in Hong Kong	1	63.5	25.1	3.9
Maintaining steady food quality by setting up a central kitchen	1	14.6	5.8	–
Enhancing and upgrading our restaurant facilities	2	13.5	5.3	0.5
Strengthening customer relationship and our brand awareness	3	5.7	2.3	1.0
General working capital		2.7	1.1	1.1
		100	39.6	6.5

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 our business plans in response to the changing market conditions to cope with the business growth of the Group.

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

SUBSEQUENT EVENTS AFTER THE NINE MONTHS ENDED 31 DECEMBER 2019

No event that has a significant impact on the Group has occurred since 31 December 2019 and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and the chief executives in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)), which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Directors	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding (Note 3)
Mr. Kwong (Notes 1 and 2)	Interest of a controlled corporation; interests held jointly with another person	750,000,000	75%
Ms. Kwong (Notes 1 and 2)	Interest of a controlled corporation; interests held jointly with another person	750,000,000	75%

Notes:

1. On 23 November 2017, Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong entered into a concert party deed (the **"Concert Party Deed"**) to acknowledge and confirm that, among other things, each of them has acted and shall continue to act in concert in respect of each of Meric Investment Limited, Lord Master Limited and the Company. Details of the Concert Party Deed are set out in the section headed "History, Development and Reorganisation — Parties acting in concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong is deemed to be interested in the Shares registered in the name of Future More (i.e. 75% of the issued Shares) by virtue of the SFO. Mr. Kwong is the Chairman, an executive Director and the CEO and Ms. Kwong is an executive Director.
2. As at 31 December 2019, (i) Future More held 750,000,000 Shares and Future More was owned as to 14% by Mr. Kwong, 18% by Ms. Ingrid Ip, 18% by Ms. Kwong, 25% by Mr. Joseph Kwong and 25% by Ms. Melanie Kwong respectively; and (ii) Mr. Kwong was the sole director of Future More.
3. These percentages are calculated on the basis of 1,000,000,000 Shares in issue as at 31 December 2019.

Long positions in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/ nature of interest	Number of shares held	Percentage of shareholding
Mr. Kwong	Future More	Beneficial owner	14	14%
Ms. Kwong	Future More	Beneficial owner	18	18%

Save as disclosed above and so far as is known to the Directors, as at 31 December 2019, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Interests and short positions of substantial shareholders and other persons in the Shares and underlying Shares

As at 31 December 2019 and so far as is known to the Directors, the following entity(ies) or person(s) (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying Shares, which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of substantial shareholder	Capacity/ Nature of interests	Number of Shares held	Percentage of shareholding (Note 3)
Future More (Notes 1 and 2)	Beneficial owner	750,000,000	75%
Ms. Ingrid Ip	Interest in controlled corporation	750,000,000	75%
Mr. Joseph Kwong	Interest in controlled corporation	750,000,000	75%
Ms. Melanie Kwong	Interest in controlled corporation	750,000,000	75%

Notes:

1. Pursuant to the Concert Party Deed, Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong have agreed to acknowledge and confirm that, among other things, each of them has acted and will continue to act in concert in respect of each of Meric Investment Limited, Lord Master Limited and the Company. Details of the Concert Party Deed are set out in the section headed "History, Development and Reorganisation — Parties acting in concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong is deemed to be interested in the Shares registered in the name of Future More (i.e. 75% of the issued Shares) by virtue of the SFO.
2. Future More is a company incorporated in the BVI. As at 31 December 2019, Future More was owned as to 14% by Mr. Kwong, 18% by Ms. Ingrid Ip, 18% by Ms. Kwong, 25% by Mr. Joseph Kwong and 25% by Ms. Melanie Kwong, respectively.
3. These percentages are calculated on the basis of 1,000,000,000 Shares in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any interests or short positions owned by any entities or persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares, which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the **"Share Option Scheme"**) was conditionally approved by the then shareholder of the Company and adopted by the Company on 23 March 2018. The Share Option Scheme became effective on the Listing Date. 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 and therefore, as at 31 December 2019, there were no outstanding share options and no share options were exercised or cancelled or lapsed during the period from the Listing Date to 31 December 2019 (the **"Period"**).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

COMPETITION AND CONFLICT OF INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective close associates (as defined in the GEM Listing Rules) that competed or might compete, directly or indirectly, with the business of the Group and any other conflict of interests which any such person had or might have with the Group during the nine months ended 31 December 2019.

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. In the opinion of the Board, the Company has adopted and complied with all applicable code provisions as set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the **"CG Code"**) during the Period and thereafter up to 7 February 2020, being the date of this report, 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 CEO. 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, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the date of this report.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Alliance Capital Partners Limited ("**ACP**") to be its compliance adviser. As at 31 December 2019, neither ACP nor any of its directors, employees or associates has or may have any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The financial information in this report has not been audited by the independent auditors of the Company. Pursuant to Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code, the Company established the Audit Committee with written terms of reference aligned with the provision of the code provisions set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group. As at the date of this report, the Audit Committee comprises Mr. Lai Ming Fai Desmond (chairman), Dr. Cheng Lee Lung and Mr. Kwok Yiu Chung, all being the independent non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2019 and this report and is of the opinion that the relevant unaudited condensed consolidated financial statements have been prepared in compliance with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

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

Hong Kong, 7 February 2020