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MS CONCEPT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8447)

DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASE OF THE PREMISES IN RESPECT OF AN EXISTING RESTAURANT

THE LEASE OF THE PREMISES IN RESPECT OF AN EXISTING RESTAURANT

The Board announces that the Offer Letter (received on 2 November 2021 and signed by Meric Investment on 9 November 2021) was entered into between Meric Investment (a wholly-owned subsidiary of the Company) as tenant, and MTR (an Independent Third Party) as landlord, for renewal of the lease in respect of the Premises for a term of two years commencing from 6 March 2022 to 5 March 2024 (both days inclusive).

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16 *Leases*, the Company if entering into lease transaction as lessee will recognise a right-of-use asset in its consolidated financial statements. Such transaction will be regarded as acquisition of capital asset for the purpose of the GEM Listing Rules.

As one or more than one of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Lease based on the value of the right-of-use asset recognised by the Group is more than 5% but below 25%, the Lease constitutes a discloseable transaction of the Company, and is therefore subject to notification and announcement requirements but exempt from Shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

THE LEASE OF THE PREMISES IN RESPECT OF AN EXISTING RESTAURANT

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Details of the principal terms of the Offer Letter are set out below:

- Parties** : (1) MTR Corporation Limited, an Independent Third Party, as landlord; and
(2) Meric Investment Limited, a wholly-owned subsidiary of the Company, as tenant
- Premises** : Unit G03A, G/F., Maritime Square, 33 Tsing King Road, Tsing Yi, Hong Kong
- Term** : 6 March 2022 to 5 March 2024 (both days inclusive)
- Total amount payable** : The aggregate amount payable under the Lease is approximately HK\$10.8 million (inclusive of management fee, air-conditioning charges and promotion levy) subject to additional turnover rent representing the amount by which 16% of the monthly gross sales turnover exceeds the monthly basic rent of each calendar month in accordance with the Lease, which will be satisfied by internal resources of the Group.

The rent is determined after arm’s length negotiations between MTR and Meric Investment after taking into consideration the prevailing market price of comparable premises in the vicinity of the Premises.

THE RIGHT-OF-USE ASSET

The value of the right-of-use asset recognised by the Company under the Lease amounted to approximately HK\$8.7 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the Lease in accordance with HKFRS 16 *Leases*.

Since the turnover rent under the Lease can only be reliably estimated according to the gross sales turnover generated from the operation of the Restaurant, such amount constitutes variable lease payments and were not included in the measurement of the lease liability at initial recognition under HKFRS 16 *Leases*. Therefore, no right-of-use asset related to the turnover rent is recognised, and the turnover rent will be charged to the profit or loss of the Group in accordance with HKFRS 16 *Leases*.

REASON FOR AND THE BENEFITS OF ENTERING THE LEASE

The Group is principally engaged in the provision of catering services in Hong Kong.

The Group leased the Premises under the lease agreement for the operation of its Restaurant under the brand “Mr. Steak”, which will expire on 5 March 2022. In evaluating the renewal of the lease of the Premises, the Directors consider that (i) the Restaurant has been operated in the Premises for nine years; (ii) the monthly rental per square feet of gross floor area of the Premises is fair and reasonable; and (iii) entering of the Lease will enable the Group to continue its operation of the Restaurant at the Premises.

The Directors, including the independent non-executive Directors, considered that the transactions contemplated under the Lease was entered into in the ordinary and usual course of business of the Group, and the Lease was entered into on normal commercial terms after arm’s length negotiations between the parties, and the terms of the transactions contemplated under the Lease were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information on the Group and Meric Investment

The Group is principally engaged in the provision of catering services in Hong Kong.

Meric Investment is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. Meric Investment is principally engaged in the business of providing catering services.

Information on MTR

MTR is a company incorporated in Hong Kong with limited liability and is listed on the Main Board of the Stock Exchange (stock code: 66). MTR is principally engaged in the following core businesses - railway design, construction, operation, maintenance and investment in Hong Kong, Macau, the Mainland of China and a number of overseas cities; project management in relation to railway and property development businesses in Hong Kong and the Mainland of China; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations and enabling of telecommunication services on the railway system in Hong Kong; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and the Mainland of China; investment in Octopus Holdings Limited; and provision of railway management, engineering and technology training.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, MTR and its ultimate beneficial owners are Independent Third Parties.

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As one or more than one of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Lease is more than 5% but below 25%, the Lease constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements but exempt from Shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the Board of Directors of the Company
“Director(s)”	director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	Rules governing the Listing of Securities on GEM, as amended, modified, and supplemented from time to time
“Group”	the Company and its subsidiaries
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/ are not connected persons of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the GEM Listing Rules
“Lease”	the lease of the Premises for the operation of the Restaurant by the acceptance of signing the Offer Letter
“Meric Investment”	Meric Investment Limited (明力投資有限公司), a limited liability company incorporated in Hong Kong on 29 March 2000 and being a wholly-owned subsidiary of the Company
“MTR”	MTR Corporation Limited, a company which was incorporated in Hong Kong under the Companies Ordinance on 26 April 2000 and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 66)

“Offer Letter”	an offer letter (received on 2 November 2021 and signed by Meric Investment on 9 November 2021) entered into between Meric Investment and MTR in respect of the Premises
“Premises”	Unit G03A, G/F., Maritime Square, 33 Tsing King Road, Tsing Yi, Hong Kong
“Restaurant”	the restaurant operated by the Group at the Premises under the brand “Mr. Steak”
“Shares”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 11 November 2021

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

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

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 Listed Company Information” page of the GEM website (www.hkgem.com) for at least seven days from the date of its publication. This announcement will also be published on the website of the Company (www.mrstreak.com.hk).

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.