

MS CONCEPT LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8447

First Quarterly Report
2018



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FINANCIAL HIGHLIGHTS

For the three months ended 30 June 2018:

- our revenue achieved approximately HK\$66.6 million, representing an increase of approximately HK\$5.5 million, or 9.0%, from approximately HK\$61.1 million for the three months ended 30 June 2017.
- we recorded a net loss of approximately HK\$5.4 million as a result of the recognition of listing expenses amounting to approximately HK\$7.3 million.
- excluding the non-recurring initial public offering (the “**IPO**”) listing and related expenses, our net profit from operation amounted to approximately HK\$1.9 million.
- the board of Directors (the “**Board**”) has resolved not to declare the payment of a dividend.

FIRST 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 three months ended 30 June 2018, together with the comparative unaudited figures for the three months ended 30 June 2017 and certain comparative audited figures as at 31 March 2018. The information should be read in conjunction with the prospectus of the Company dated 29 March 2018 (the “**Prospectus**”). The financial information is as follows:

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

For the three months ended 30 June 2018

		Three months ended 30 June	
	Notes	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	66,627	61,145
Cost of inventories sold		(22,071)	(20,645)
Gross profit		44,556	40,500
Other revenue and other income		341	208
Staff costs		(19,401)	(16,847)
Depreciation of property, plant and equipment		(1,439)	(1,409)
Rentals and related expenses		(13,943)	(13,494)
Fuel and utility expenses		(1,358)	(1,270)
Administrative expenses		(6,487)	(4,425)
Listing expenses		(7,293)	–
Finance costs		(198)	(154)
(Loss)/profit before tax	5	(5,222)	3,109
Income tax expenses	6	(181)	(513)
(Loss)/profit and total comprehensive (loss)/income for the period		(5,403)	2,596
(Loss)/profit and total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(5,403)	2,596
(Loss)/earnings per share			
Basic and diluted (HK cents)	7	(0.56)	0.35

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Share capital HK\$'000	Share premium HK\$'000	Retained earnings/ (Accumulated loss) HK\$'000	Total HK\$'000
At 1 April 2018 (audited)	-	-	3,988	3,988
Issuance of new shares pursuant to Share Offer (Note)	2,500	65,000	-	67,500
Issuance of shares pursuant to Capitalisation Issue (Note)	7,500	(7,500)	-	-
Share issuing expenses	-	(10,561)	-	(10,561)
Loss and total comprehensive loss for the period	-	-	(5,403)	(5,403)
At 30 June 2018 (unaudited)	10,000	46,939	(1,415)	55,524
At 1 April 2017 (audited)	-	-	13,232	13,232
Profit and total comprehensive income for the period	-	-	2,596	2,596
At 30 June 2017 (unaudited)	-	-	15,828	15,828

Notes:

- (i) 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. As at the date of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each (the "Shares"), of which one Share was allotted and issued nil paid to an independent initial subscriber and transferred on the same date to Future More Company Limited ("Future More").
- (ii) Pursuant to the written resolution of then shareholder of the Company (the "Shareholders") passed on 23 March 2018 (the "Written Resolution"), the authorised share capital of the Company was increased from HK\$380,000 to HK\$15,000,000 by the creation of a further 1,462,000,000 Shares.
- (iii) On 23 March 2018, the Company issued 99 Shares to Future More, credited as fully paid at par; and credited the one nil-paid Share held by Future More as fully paid.
- (iv) Pursuant to the Written Resolution and upon the share premium account of the Company being credited as a result of the Share Offer as defined in the Prospectus, an amount standing to the credit of the share premium account was capitalized and applied in paying up in full 749,999,900 Shares at par for allotment and issue to Future More, whose name appeared on the register of members of the Company at the close of business on the business day immediately before the listing on GEM on 16 April 2018, to maintain its aggregate shareholding in the Company at a percentage of 75% of the enlarged issued share capital of the Company (the "Capitalisation Issue").
- (v) On 16 April 2018, the Company issued a total of 250,000,000 additional Shares upon the Share Offer as defined in the Prospectus and the issued Shares were successfully listed on GEM.

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 of the Company have been listed on GEM by way of Share Offer (the "**Listing**") since 16 April 2018. 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, 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**"). 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.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 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

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 have been prepared under the historical cost basis and in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirement of the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the audited annual consolidated financial statements for the year ended 31 March 2018 (the "**2018 Financial Statements**") included in the annual report of the Company dated 26 June 2018. The accounting policies adopted are consistent with those applied in the 2018 Financial Statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants, except the new and revised HKFRSs which are effective for the financial year beginning on or after 1 January 2018. The adoption of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated financial statements for the three months ended 30 June 2018. The Group has not applied or early applied the new and revised HKFRSs (including their consequential amendments) which are relevant to the Group that have been issued but are not yet effective in the preparation of these unaudited condensed consolidated results.

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 restaurants operations and sales of food, net of discounts. An analysis of revenue is as follows:

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Restaurant operations	66,054	60,591
Sales of food	573	554
	66,627	61,145

5. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold	22,071	20,645
Depreciation of property, plant and equipment	1,439	1,409
Employee benefit expenses (including Directors' remuneration):		
— Salaries and other allowances	17,970	15,779
— Staff benefits	574	282
— Retirement benefit scheme contributions	857	786
	19,401	16,847
Lease payments under operating leases in respect of restaurants and office premises:		
— minimum lease payments	9,486	9,631
— contingent rents	1,429	1,133
Listing expenses	7,293	—

6. INCOME TAX EXPENSE

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
— Hong Kong Profits Tax	181	513

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 ended 30 June 2018.

For the three months ended 30 June 2017, Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits.

7. (LOSS)/EARNINGS PER SHARE

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/earnings per share		
– (Loss)/earnings for the purpose of basic and diluted earnings per share	(5,403)	2,596
	2018	2017
	'000	'000
	(unaudited)	(unaudited)
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	958,791	750,000

The calculation of basic (loss)/earnings per share for the three months ended 30 June 2018 and 2017 is based on the (loss)/profit attributable to owners of the Company for the three months ended 30 June 2018 and 2017.

The number of ordinary Shares for the purpose of calculating basic and diluted earnings per share for the three months ended 30 June 2017 has been determined on the assumption that 750,000,000 ordinary Shares were in issue, comprising 100 ordinary Shares in issue as at the date of the Prospectus and 749,999,900 ordinary Shares issued pursuant to the Capitalisation Issue, as if the Shares were outstanding throughout the entire period.

No adjustment has been made to the basic (loss)/earnings per share presented for the three months ended 30 June 2018 and 2017 in respect of the dilution as the Company did not have any potential dilutive ordinary shares in issue during the periods.

8. DIVIDEND

No dividend has been paid or proposed by the Company since its date of incorporation. The Board has resolved not to declare the payment of a dividend for the three months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the three months ended 30 June 2018, the Group engaged in the provision of casual dining in Hong Kong. In April 2018, the premises of our restaurant in Shatin was returned to the landlord upon the expiry of the lease. As at 30 June 2018 and up to the date of this report, we owned and operated 12 restaurants serving various cuisines. During the three months ended 30 June 2018, we recorded a revenue of approximately HK\$66.6 million, representing an increase of approximately 9.0% from approximately HK\$61.1 million for the three months ended 30 June 2017.

The issued Shares were successfully listed on GEM on 16 April 2018 (the “**Listing Date**”). Net proceeds of approximately HK\$39.6 million were raised and our Group will carry out our business objectives, strategies and implementation plans with this additional financial resource.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from restaurant operations. For the three months ended 30 June 2018, our revenue achieved approximately HK\$66.6 million, representing an increase of approximately HK\$5.5 million, or 9.0%, from approximately HK\$61.1 million for the three months ended 30 June 2017. The increase in revenue was mainly due to the contributions by our restaurant at East Point City in Tseung Kwan O (“**MS(EP)**”) which commenced operation in 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 three months ended 30 June 2018, our cost of inventories sold amounted to approximately HK\$22.1 million, representing an increase of approximately HK\$1.5 million, or 7.3%, from approximately HK\$20.6 million for the three months ended 30 June 2017. The increase in cost of inventories sold was mainly due to the consumption by MS(EP) which commenced operation in January 2018.

Gross profit and gross profit margin

Our gross profit for the three months ended 30 June 2018 amounted to approximately HK\$44.6 million, representing an increase of approximately HK\$4.1 million, or 10.1%, from approximately HK\$40.5 million for the three months ended 30 June 2017. The increase in gross profit was mainly due to the contribution by MS(EP) which commenced operation in January 2018.

The overall gross profit margin increased from approximately 66.3% for the three months ended 30 June 2017 to approximately 67.0% for the three months ended 30 June 2018. The increase in overall gross profit margin was mainly due to the commencement of operation of MS(EP) which is operating under our “Mr. Steak” brand with a generally higher gross profit margin.

Other revenue and other income

Other revenue and other income primarily consist of tips income, sponsorship income and sundry income. Our other revenue increased by approximately HK\$0.1 million, or 50.0%, from approximately HK\$0.2 million for the three months ended 30 June 2017 to approximately HK\$0.3 million for the three months ended 30 June 2018. The increase in other revenue and other income was mainly due to an increase in sponsorship income.

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 increased by approximately HK\$2.6 million, or 15.5%, from approximately HK\$16.8 million for the three months ended 30 June 2017 to approximately HK\$19.4 million for the three months ended 30 June 2018. The increase in staff costs was mainly due to the increased headcount arising from the commencement of operation of MS(EP) in January 2018 and the payment of additional Directors’ remunerations resulting from an increase in the number of Directors after our Listing. For the three months ended 30 June 2017 and 2018, our staff costs represented approximately 27.5% and 29.1% 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 maintained at approximately HK\$1.4 million for the three months ended 30 June 2017 and 2018. As a percentage of revenue, our depreciation of property, plant and equipment represented approximately 2.3% and 2.1% for the corresponding periods, 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\$0.4 million, or 3.0%, from approximately HK\$13.5 million for the three months ended 30 June 2017 to approximately HK\$13.9 million for the three months ended 30 June 2018. The increase in rental and related expenses was mainly due to the lease of restaurant floor areas by MS(EP) which commenced operation in January 2018. For the three months ended 30 June 2017 and 2018, our rentals and related expenses represented approximately 22.1% and 20.9% 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 7.7%, from approximately HK\$1.3 million for the three months ended 30 June 2017 to approximately HK\$1.4 million for the three months ended 30 June 2018. For the three months ended 30 June 2017 and 2018, our fuel and utility expenses represented approximately 2.1% of our revenue.

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 premises, consumables for our restaurant operations, legal and professional fees and insurance. Our administrative expenses increased by approximately HK\$2.1 million, or 47.7%, from approximately HK\$4.4 million for the three months ended 30 June 2017 to approximately HK\$6.5 million for the three months ended 30 June 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 increase in auditors' remunerations and professional fees including company secretarial expenses, legal adviser fee, compliance adviser fee and report printing charges, after the Listing on 16 April 2018 and the reinstatement cost of the restaurant premises at Shatin upon the expiration of its lease in April 2018.

Finance costs

Finance costs mainly represent interest on our bank borrowings. Our finance costs remained at a stable level with approximately HK\$0.2 million for the three months ended 30 June 2017 and 2018.

Income tax expense

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 for the three months ended 30 June 2018.

Our income tax expenses decreased by approximately HK\$0.3 million, or 60.0%, from approximately HK\$0.5 million for the three months ended 30 June 2017 to approximately HK\$0.2 million for the three months ended 30 June 2018. Excluding the IPO listing and related expenses, our profit from operations before taxation amounted to approximately HK\$3.1 million and HK\$2.1 million and the effective tax rate was approximately 16.1% and 9.5% for the three months ended 30 June 2017 and 2018, respectively. The decrease in effective tax rate was mainly due to a change in the basis of applicable Profits Tax rates by the Inland Revenue Department since the year of assessment 2018/19.

Loss for the period

We recorded a loss for the period amounting to approximately HK\$5.4 million as a result of the recognition of the IPO listing and related expenses amounting to approximately HK\$7.3 million. Excluding the non-recurring IPO listing and related expenses, our net profit from operation amounted to approximately HK\$1.9 million for the three months ended 30 June 2018, representing a decrease of approximately HK\$0.7 million, or 26.9%, from approximately HK\$2.6 million for the three months ended 30 June 2017 as a result of the combined effects discussed above.

CHARGES ON ASSETS

As at 30 June 2018, the pledged bank deposits of the Group were approximately HK\$2.0 million (31 March 2018: HK\$2.0 million).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investment, material acquisitions and disposals of subsidiaries and associated companies during the three months ended 30 June 2018.

FOREIGN CURRENCY

During the three months ended 30 June 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.

CAPITAL COMMITMENT

As at 30 June 2018, the Group did not have any material capital commitment (31 March 2018: Nil).

CONTINGENT LIABILITIES

At 30 June 2018, the Group did not have any material contingent liabilities (31 March 2018: Nil).

DIVIDEND

No dividend has been paid or proposed by the Company since its date of incorporation. The Board has resolved not to declare the payment of a dividend for the three months ended 30 June 2018.

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 30 June 2018, 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.

2. As at 30 June 2018, (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 30 June 2018.

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 30 June 2018, 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 30 June 2018 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%

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 British Virgin Islands. As at 30 June 2018, 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 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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 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 30 June 2018, there were no outstanding share options and no share options were exercised or cancelled or lapsed during the period from the Listing Date to 30 June 2018 (the **"Period"**).

COMPETITION AND CONFLICT OF INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders 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 three months ended 30 June 2018.

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 on the Listing Date, the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the **"CG Code"**) was not applicable to the Company for the period from 1 to 15 April 2018, being the period before the Listing Date. In the opinion of the Board, the Company has adopted and complied with all applicable code provisions as set out in the CG Code during the Period and thereafter up to 10 August 2018, 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, our Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

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 the compliance adviser. As informed by ACP, neither ACP nor any of its directors or 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), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement dated 16 April 2018 and entered into between the Company and ACP.

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.

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, the Company established the audit committee (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 three months ended 30 June 2018 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.

SUBSEQUENT EVENTS AFTER THE THREE MONTHS ENDED 30 JUNE 2018

No events that had a significant impact on the Group have occurred since 30 June 2018 and up to the date of this report.

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

Hong Kong, 10 August 2018

As at the date of this report, 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.