

# MS CONCEPT LIMITED

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



2020

Third Quarterly Report

## 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 1409–10, 14/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.mrsteak.com.hk](http://www.mrsteak.com.hk)

### GEM STOCK CODE

8447

The background of the page is a light blue grid of squares. Each square contains a white icon representing a different food or beverage item, such as a burger, a bowl of soup, a coffee cup, a wine glass, a cup of tea, an apple, a beer mug, a hand holding a bowl, a bottle, a pizza, and a hot drink. The icons are arranged in a pattern that covers the top and left sides of the page.

## FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2020:

- our revenue achieved approximately HK\$133.6 million, representing a decrease of approximately HK\$51.2 million, or 27.7%, from approximately HK\$184.8 million for the nine months ended 31 December 2019;
- we recorded a net profit of approximately HK\$6.2 million, representing an increase of approximately HK\$3.2 million, or 106.7%, from approximately HK\$3.0 million for the nine months ended 31 December 2019;
- 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 2020, together with the comparative unaudited figures for the nine months ended 31 December 2019 and certain comparative audited figures as at 31 March 2020. 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 2020

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>50,263</b>	63,171	<b>133,590</b>	184,781
Cost of inventories sold		<b>(18,602)</b>	(20,167)	<b>(49,011)</b>	(60,382)
<b>Gross profit</b>		<b>31,661</b>	43,004	<b>84,579</b>	124,399
Other revenue and other income		<b>2,823</b>	190	<b>7,115</b>	835
Staff costs		<b>(11,053)</b>	(17,688)	<b>(28,910)</b>	(55,457)
Depreciation of property, plant and equipment		<b>(9,349)</b>	(10,980)	<b>(25,919)</b>	(32,597)
Rentals and related expenses		<b>(4,527)</b>	(4,204)	<b>(13,035)</b>	(11,324)
Fuel and utility expenses		<b>(1,044)</b>	(1,246)	<b>(2,643)</b>	(3,830)
Administrative expenses		<b>(4,882)</b>	(5,584)	<b>(13,835)</b>	(15,415)
Finance costs		<b>(771)</b>	(936)	<b>(2,241)</b>	(2,822)
<b>Profit before tax</b>	5	<b>2,858</b>	2,556	<b>5,111</b>	3,789
Income tax credit/(expenses)	6	<b>449</b>	(583)	<b>1,041</b>	(798)
<b>Profit and total comprehensive income for the period</b>		<b>3,307</b>	1,973	<b>6,152</b>	2,991
<b>Profit and total comprehensive income for the period attributable to:</b>					
Owners of the Company		<b>3,307</b>	1,973	<b>6,152</b>	2,991
<b>Earnings per share</b>					
Basic and diluted (HK cents)	7	<b>0.3</b>	0.20	<b>0.6</b>	0.30

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2020 (audited)	10,000	31,939	1,887	43,826
Profit and total comprehensive income for the period	-	-	6,152	6,152
<b>At 31 December 2020 (unaudited)</b>	<b>10,000</b>	<b>31,939</b>	<b>8,039</b>	<b>49,978</b>
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

# 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 1409-10, 14/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 2020 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.

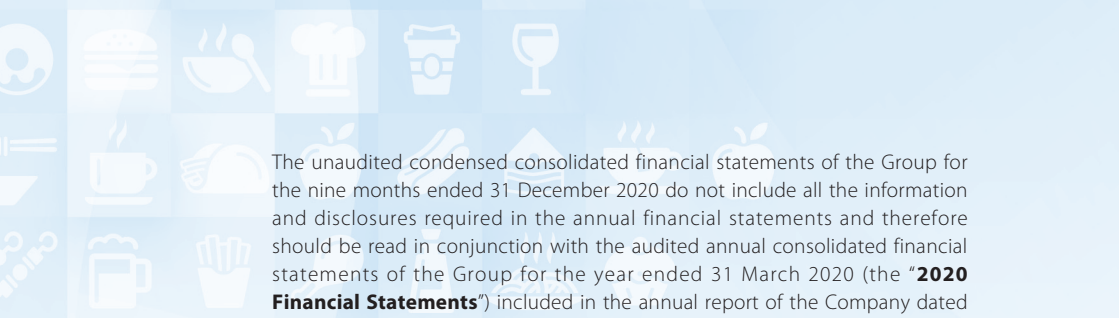
## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### (a) Basic of preparation

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2020 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 2020 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 2020 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 2020 (the **“2020 Financial Statements”**) included in the annual report of the Company dated 30 May 2020. The accounting policies adopted are consistent with those applied in the 2020 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 2020. A summary of the new and revised HKFRs applied by the Group is set out as follows:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions

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.

### 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 2020		Nine months ended 31 December 2020	
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Restaurant operations	50,263	62,787	133,138	183,300
Sales of food	-	384	452	1,481
	<b>50,263</b>	63,171	<b>133,590</b>	184,781

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 2020		Nine months ended 31 December 2020	
	HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Cost of inventories sold	<b>18,602</b>	20,167	<b>49,011</b>	60,382
Depreciation of property, plant and equipment	<b>9,349</b>	10,980	<b>25,919</b>	32,597
Lease payments under operating leases in respect of restaurants and office premises:				
— minimum lease payments	<b>20</b>	19	<b>43</b>	54
— contingent rents	<b>1,429</b>	1,155	<b>3,773</b>	2,247
	<b>1,449</b>	1,174	<b>3,816</b>	2,301
Employee benefit expenses (including Directors' remuneration):				
— Salaries and other allowances	<b>10,299</b>	16,764	<b>26,912</b>	51,530
— Staff benefits	<b>110</b>	186	<b>298</b>	1,650
— Retirement benefit scheme contributions	<b>644</b>	738	<b>1,700</b>	2,277
	<b>11,053</b>	17,688	<b>28,910</b>	55,457

## 6. INCOME TAX EXPENSES

	Three months ended 31 December 2020		Nine months ended 31 December 2020	
	HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax				
— provision for the period	—	(583)	—	(798)
Deferred tax credit	<b>449</b>	—	<b>1,041</b>	—
	<b>449</b>	(583)	<b>1,041</b>	(798)

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 2019 and 2020.

## 7. EARNINGS PER SHARE

	Three months ended 31 December 2020		Nine months ended 31 December 2020	
	HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Earnings per share				
— Earnings for the purpose of basic and diluted earnings per share	<b>3,307</b>	1,973	<b>6,152</b>	2,991
	<b>'000 (unaudited)</b>	'000 (unaudited)	<b>'000 (unaudited)</b>	'000 (unaudited)
Number of Shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000

The calculation of basic earnings per share for the three months and nine months ended 31 December 2019 and 2020 is based on the profit attributable to owners of the Company for the three months and nine months ended 31 December 2019 and 2020.

No adjustment has been made to the basic earnings per share presented for the three months and nine months ended 31 December 2019 and 2020 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 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

During the nine months ended 31 December 2020 (the “**Period**”), the novel coronavirus (“**COVID-19**”) pandemic continued to affect the food and beverage industry in Hong Kong. In order to control the spread of COVID-19 in the community, various prevention and disease control measures, including but not limited to the social distancing measures and the limitation on maximum seating capacity for the restaurants (the “**Measures**”), have been intermittently implemented by the Hong Kong Government. The number of seating for each of the Group’s restaurants were limited under these measures and the number of customer visits to our restaurants were therefore decreased during the Period. As a result, the Group’s revenue decreased by approximately HK\$51.2 million, or 27.7%, from approximately HK\$184.8 million for the nine months ended 31 December 2019 to approximately HK\$133.6 million for the Period.

During the Period, the Group exercised the renewal option in the existing lease agreements of the premises of the restaurant operating under the brand “Mr. Steak” at Telford Plaza II, Kowloon Bay and the restaurant operating under the brand “Mr. Steak — Buffet à la minute” at World Trade Centre, Causeway Bay (“**MS(Buffet)**”). In July 2020, the lease of the premises of the Group’s restaurant operated under the brand “Sky Bar” located at Yoho Mall, Yuen Long (“**SB(YL)**”) expired and the Group decided not to renew the lease of this premises and returned the premises to the landlord after due consideration of the performance of SB(YL). In order to maximize the shareholders’ return, a new restaurant offering Taiwanese Bussan hotpot and operating under the brand “犇殿” was opened at the premises located at Telford Plaza I, Kowloon Bay (“**犇殿**”) and commenced operation since late August 2020.

Due to the fourth wave of the COVID-19 pandemic since November 2020, the Measures were tightened that no dine-in service can be provided after 6 p.m and the operation of the Group’s restaurants were significantly affected. As at the date of this report, the Measures has not been relieved. It is foreseeable that the catering business in Hong Kong continues to face a difficult and challenging environment but the management team will try our utmost effort in operating the our restaurants to deal with the COVID-19 pandemic.

As at the date of this report, the Group operated 12 restaurants serving various cuisines in Hong Kong, including five restaurants serving various western cuisine along with the signature steak under the “Mr. Steak” brand, one buffet restaurant serving international cuisine under the “Mr. Steak — Buffet à la minute” brand, one restaurant under the “Sky Bar” brand offering western cuisine along with the signature seafood dishes and a wide selection of wines and cocktails, two western specialty restaurants under the “Bistro Bloom” and “Bistro Bloom/Marbling” brands serving modern and trendy western food along with specialty meat cuts, two Japanese specialty restaurants under our “Hana” brand serving “Nabemono” — Japanese hot pot dishes such as Sukiyaki, Shabu Shabu and Seiomushi and one Taiwanese Bussan hotpot restaurant under the “犇殿” brand.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue is mainly derived from restaurant operations. For the nine months ended 31 December 2020, our revenue achieved approximately HK\$133.6 million, representing a decrease of approximately HK\$51.2 million, or 27.7%, from approximately HK\$184.8 million for the nine months ended 31 December 2019. The decrease in revenue was mainly due to the decrease in number of customer visits to the Group’s restaurants.

Due to the COVID-19 pandemic in Hong Kong since early 2020, the implementation of social distancing measures by the Hong Kong Government had limited the number of seating in the Group’s restaurants. Moreover, general public has also adopted cautious responses minimizing social gatherings and limiting meals away from home to avoid the infection of COVID-19. As a result, the number of customer visits to the Group’s restaurants decreased.

### **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 2020, our cost of inventories sold amounted to approximately HK\$49.0 million, representing a decrease of approximately HK\$11.4 million, or 18.9%, from approximately HK\$60.4 million for the nine months ended 31 December 2019. The decrease in cost of inventories sold was mainly due to the decrease in food consumption under the decrease in number of customer visits to the Group’s restaurants.

The background of the page features a light blue grid pattern. Within the grid cells, there are various white icons representing food and beverages, such as a burger, a bowl of soup, a chef's hat, a coffee cup, a wine glass, a steaming cup, and an apple. The icons are arranged in a somewhat regular pattern across the top and middle sections of the page.

## **Gross profit and gross profit margin**

Our gross profit for the nine months ended 31 December 2020 amounted to approximately HK\$84.6 million, representing a decrease of approximately HK\$39.8 million, or 32.0%, from approximately HK\$124.4 million for the nine months ended 31 December 2019. The decrease in gross profit was mainly due to the factors as discussed above.

The overall gross profit margin decreased from approximately 67.3% for the nine months ended 31 December 2019 to approximately 63.3% for the nine months ended 31 December 2020. The 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 and the launch of promotions that the average spending per customer was decreased.

## **Other revenue and other income**

Other revenue and other income primarily consist of government subsidy received, rent concession, sponsorship income, tips income, bank interest income and sundry income. Other revenue and other income increased from approximately HK\$0.8 million for the nine months ended 31 December 2019 to approximately HK\$7.1 million for the nine months ended 31 December 2020 was mainly due to (a) the recognition of government subsidies amounted to approximately HK\$2.2 million received from the Food Licence Holders Subsidy Scheme under the Anti-Epidemic Fund; and (b) the recognition of rent concession amounted to approximately HK\$4.5 million.

## **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 by approximately HK\$26.6 million, or 47.9%, from approximately HK\$55.5 million for the nine months ended 31 December 2019 to approximately HK\$28.9 million for the nine months ended 31 December 2020. The decrease in staff costs was mainly due to the combined effect of (a) the voluntary temporary reduction in remunerations received by the Directors; and (b) the recognition of government subsidies amounted to approximately HK\$12.2 million under the Employment Support Scheme of the Hong Kong Government, and partially offset by the opening of 犇殿 since late August 2020.

### **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 decreased by approximately HK\$6.7 million, from approximately HK\$32.6 million for the nine months ended 31 December 2019 to approximately HK\$25.9 million for the nine months ended 31 December 2020, was mainly due to the change in lease arrangement for the premises of MS(Buffet) where depreciation on right-of-use asset for this premises decreased substantially during the nine months ended 31 December 2020.

### **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 increased by approximately HK\$1.7 million, or 15.1%, from approximately HK\$11.3 million for the nine months ended 31 December 2019 to approximately HK\$13.0 million for the nine months ended 31 December 2020. The increase in rental and related expenses was mainly due to the change in lease arrangement for the premises of MS(Buffet) where higher turnover rent was recognized during the nine months ended 31 December 2020.

### **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\$1.2 million, or 31.6%, from approximately HK\$3.8 million for the nine months ended 31 December 2019 to approximately HK\$2.6 million for the nine months ended 31 December 2020. The decrease in fuel and utility expenses was mainly due to the decrease in number of customer visits to the Group's restaurants where less fuel and utilities were consumed.





### **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\$1.6 million, or 10.4%, from approximately HK\$15.4 million for the nine months ended 31 December 2019 to approximately HK\$13.8 million for the nine months ended 31 December 2020. The decrease in administrative expenses was mainly due to the decrease in credit card handling charges and cleaning expenses under the decrease in turnover and number of customer visits with the factors as discussed above.

### **Finance costs**

Finance costs mainly represent interest on our bank borrowings and interest on lease liabilities. Our finance costs decreased by approximately HK\$0.6 million from approximately HK\$2.8 million for the nine months ended 31 December 2019 to approximately HK\$2.2 million for the nine months ended 31 December 2020 was mainly due to the net decrease in interest on lease liabilities over the terms of old tenancy agreements and new tenancy agreements entered into during the nine months ended 31 December 2020.

### **Income tax expenses**

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 six months ended 31 December 2019 and 2020.

During the nine months ended 31 December 2020, an income tax credit of approximately HK\$1.0 million was recorded mainly due to the recognition of deferred tax assets in respect of the losses from operation after the exclusion of non-taxable government subsidies received during the nine months ended 31 December 2020.

### **Net profit for the period**

Profit for the nine months ended 31 December 2020 was approximately HK\$6.2 million, representing an increase of approximately HK\$3.2 million from approximately HK\$3.0 million for the nine months ended 31 December 2019. The increase in profit for the period was mainly due to the combined factors as discussed above.

### **CHARGES ON ASSETS**

As at 31 December 2020, the pledged bank deposits of the Group were approximately HK\$2.0 million (31 March 2020: 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 2020.

### **FOREIGN CURRENCY**

During the nine months ended 31 December 2020, 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 2020, the Group did not have any material capital commitment (31 March 2020: Nil).

### **CONTINGENT LIABILITIES**

At 31 December 2020, the Group did not have any material contingent liabilities (31 March 2020: Nil).

### **DIVIDEND**

The Board has resolved not to declare the payment of a dividend for the nine months ended 31 December 2020.

## 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. On 12 November 2020, the Board resolved to change the use of net proceeds of the unutilized net proceeds and an analysis of the utilisation of the net proceeds during the nine months ended 31 December 2020 is set out below:

Business objective and strategy	Planned amount according to the Prospectus HK\$ million	Revised planned amount of use of proceeds HK\$ million	Actual amount utilised as at 31 December 2020 HK\$ million		Unutilised amount as at 31 December 2020 HK\$ million	Expected timeline for utilising the remaining net proceeds (Notes 1 and 2)
Expanding our restaurant network in strategic locations in Hong Kong	25.1	20.6	7.6	(Note 3)	13.0	Expected to be fully utilised on or before 31 March 2023
Maintaining steady food quality by setting up a central kitchen	5.8	-	-		-	
Enhancing and upgrading our restaurant facilities	5.3	3.3	1.1	(Note 4)	2.2	Expected to be fully utilised on or before 31 March 2022
Strengthening customer relationship and our brand awareness	2.3	2.3	1.7	(Note 5)	0.6	Expected to be fully utilised on or before 31 March 2022
General working capital	1.1	13.4	1.1		12.3	Expected to be fully utilised on or before 31 March 2022
	39.6	39.6	11.5		28.1	

### Notes:

- The expected timeline for utilising the remaining net proceeds is made based on the best estimation of the Company taking into account, among others, prevailing and future market conditions and business developments and need, and therefore is subject to change.
- The unutilized net proceeds from the Listing are expected to be used in accordance with the Company's plan as revised and approved by the Board on 12 November 2020, unless the outbreak of COVID-19 continues to affect the business environment of food and beverage industry in Hong Kong.

3. Up to 31 December 2020, approximately HK\$3.9 million and HK\$2.8 million of the net proceeds was utilised for the establishment of Hana(TC) in August 2019 and 犇殿 in August 2020 respectively. The Group will continue to identify suitable locations fulfilling our expected scale of operations and execute the implementation plan as disclosed in the Prospectus.
4. Up to 31 December 2020, approximately HK\$0.7 million of the net proceeds was utilised for the renovation of the existing restaurants. The Group is assessing and further renovation and refurbishment will be carried out and the amount will be incurred when necessary.
5. Up to 31 December 2020, we incurred marketing expenses on the social platforms for the promotion of our brand and restaurants. The Group will continue to solicit appropriate social platforms and marketing agents and the amount will be incurred as and when necessary.

The Directors will continuously evaluate the Group's business objectives 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 2020**

No event that has a significant impact on the Group has occurred since 31 December 2020 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 2020, 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*

<b>Name of Directors</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held</b>	<b>Percentage of shareholding (Note 3)</b>
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 2020, (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 2020.

*Long positions in the shares of associated corporation*

<b>Name of Directors</b>	<b>Name of associated corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of shareholding</b>
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 2020, 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 2020 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*

<b>Name of substantial shareholder</b>	<b>Capacity/ Nature of interests</b>	<b>Number of Shares held</b>	<b>Percentage of shareholding (Note 3)</b>
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 2020, 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 2020.

Save as disclosed above, as at 31 December 2020, 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 2020, 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 2020 (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 2020.

## 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 5 February 2021, 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 2020, 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.

The background of the page features a grid of light blue squares, each containing a white icon representing various food and beverage items such as a burger, a bowl of soup, a coffee cup, a wine glass, a hot drink, a sandwich, a house, a hot drink with steam, and an apple. The text 'AUDIT COMMITTEE' is written in a bold, blue, sans-serif font.

## 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 2020 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, 5 February 2021