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MS CONCEPT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8447)

CONTINUING CONNECTED TRANSACTION RENEWAL OF MASTER SUPPLY AGREEMENT

Reference is made to the announcement dated 8 November 2019, in relation to, among other things, the continuing connected transaction under the 2019 Master Supply Agreement.

As the 2019 Master Supply Agreement will expire on 31 March 2023, MS Restaurant had, on 21 December 2022 (after trading hours), entered into the 2022 Master Supply Agreement with Elite for the supply of chilled and frozen meat and seafood and other food ingredients to the Group for a term of three years from 1 April 2023 to 31 March 2026.

Since Elite is owned as to 50%, 25% and 25% by Ms. Ingrid Ip, Mr. Joseph Kwong and Ms. Melanie Kwong respectively, who are the Company's Controlling shareholders, Elite is a connected person of the Company and the transactions contemplated under the 2022 Master Supply Agreement therefore constitute continuing connected transactions of the Group under Chapter 20 of the GEM Listing Rules.

As the proposed annual caps in respect of the 2022 Master Supply Agreement for each of the three years ending 31 March 2026 is more than HK\$10,000,000, and at least one of the applicable ratios (as defined under Chapter 20 of the GEM Listing Rules) are more than 5%, the transactions contemplated under the 2022 Master Supply Agreement will be subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will convene an extraordinary general meeting to seek approval from the Independent Shareholders of, among other things, the terms of the 2022 Master Supply Agreement, the proposed annual caps, and the transactions contemplated under the 2022 Master Supply Agreement. The Independent Board Committee has been established to consider the above matters. An Independent Financial Adviser, Zero2IPO Capital Limited, has been appointed to advise the Independent Board Committee in this regard.

A circular containing, among other things, details of (i) the 2022 Master Supply Agreement and proposed annual caps; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; and (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders in accordance with the GEM Listing Rules and the articles of association of the Company in due course.

INTRODUCTION

Reference is made to the announcement dated 8 November 2019, in relation to, among other things, the continuing connected transaction under the 2019 Master Supply Agreement.

THE 2022 MASTER SUPPLY AGREEMENT

As the 2019 Master Supply Agreement will expire on 31 March 2023, MS Restaurant had, on 21 December 2022 (after trading hours), entered into the 2022 Master Supply Agreement with Elite for the supply of chilled and frozen meat and seafood and other food ingredients to the Group for a term of three years from 1 April 2023 to 31 March 2026.

Date

21 December 2022 (after trading hours)

Parties

- (1) MS Restaurant (as the purchaser); and
- (2) Elite (as the supplier)

Term

The 2022 Master Supply Agreement will be effective from 1 April 2023 and up to 31 March 2026 (both dates inclusive).

Nature of the transactions

MS Restaurant as purchaser and Elite as supplier agree that the Group will purchase and Elite will supply chilled and frozen meat and seafood and other food ingredients to the Group for our restaurant operations.

Pricing Policy

The purchase price of each and every purchase shall be separately determined on order-by-order basis by both parties according to the following principles:

- (1) the purchase price shall be determined after arm's length negotiation between the parties and shall be in accordance with normal commercial terms;
- (2) the purchase price shall not be higher than the prevailing market price; and
- (3) the purchase price shall not be higher than the price offered by independent third parties.

Settlement terms

The parties shall settle the accounts according to the actual verified purchase amount of chilled and frozen meat and seafood and other food ingredients supplied to the Group for its restaurant operations. Elite shall issue monthly statements to the Group by 15th of next month for payment within 60 days upon the confirmation of verified purchase amount of chilled and frozen meat and seafood and other food ingredients supplied.

Internal Control Procedures

- (1) As most of the food ingredients from Elite are generally readily available in the market, we will carry out a quarterly review on the purchase price offered by Elite by obtaining quotations from at least two other independent suppliers that provide similar food ingredients for any purchase from Elite. Based on the quotations provided by other independent suppliers, we will be able to ensure that the purchase price to be paid to Elite by the Group represents the prevailing market price on normal commercial terms.
- (2) The relevant personnel of the Group will keep track of the aggregate amount of purchases by the Group from Elite for the supply of chilled and frozen meat and seafood and other food ingredients to the Group under the 2022 Master Supply Agreement by preparing a schedule on purchases by the Group from Elite on a monthly basis and report to the Board for the purpose of ensuring that the annual caps will not be exceeded; and
- (3) The Company has adopted relevant reporting and record-keeping procedures to allow independent non-executive Directors and auditors of the Company to perform annual review of the purchase of chilled and frozen meat and seafood and other food ingredients under the 2022 Master Supply Agreement.

HISTORICAL TRANSACTION VALUE, EXISTING ANNUAL CAPS AND PROPOSED ANNUAL CAPS

The table below sets out the historical figures and the existing annual caps under the 2019 Master Supply Agreement and the proposed annual caps under the 2022 Master Supply Agreement:

For the year ended 31 March		For the year ended 31 March		For the six months ended 30 September	For the year ending 31 March			
2021	2021	2022	2022	2022	2023	2024	2025	2026
Historical amount	Existing annual cap	Historical amount	Existing annual cap	Historical amount	Existing annual cap	Proposed annual cap	Proposed annual cap	Proposed annual cap
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31,032	41,000	35,251	49,000	21,011	57,000	44,000	53,000	59,000

As at the date of this announcement, the annual cap under the 2019 Master Supply Agreement for the year ending 31 March 2023 has not been exceeded.

BASIS OF ANNUAL CAPS

The proposed annual caps set out above for the three years ending 31 March 2026 was determined with reference to factors such as (i) the historical transaction amount between the Group and Elite; (ii) the expected demand of the relevant food ingredients by the Group for the three years ending 31 March 2026; (iii) the estimated business growth of the Group during the three years ending 31 March 2026; (iv) the new restaurants to be opened by the Group before 31 March 2026; and (v) the expected inflation that affects the price of food ingredients.

CONDITIONS

The 2022 Master Supply Agreement is conditional upon the approval by the Independent Shareholders of the terms of the 2022 Master Supply Agreement, the proposed annual caps and the transactions contemplated under the 2022 Master Supply Agreement.

REASON FOR AND BENEFITS OF ENTERING INTO THE 2022 MASTER SUPPLY AGREEMENT

We have sourced food ingredients from Elite since the commencement of business of the Group in 2000. Elite is one of the key high quality meat and seafood wholesalers in Hong Kong and maintained its position among the top ranking in terms of value of imported food ingredients in Hong Kong. Since the Group is satisfied with the quality and timely delivery of the food ingredients by Elite over the years of cooperation and the terms offered by Elite to the Group are of normal commercial terms, our Directors are of

the view that it will be in the interests of the Group and our Shareholders as a whole to continue such transactions with Elite. As such, it is beneficial to the Group on continuing to purchase the food ingredients from Elite. Furthermore, given that the Group has established a long-term relationship with Elite which has been providing food ingredients to the Group since 2000, we believe we would achieve better and more efficient communication with Elite as to our business needs as compared to other third parties. In addition, the long-term relationship between the Group and Elite in turn provides us with business and operational convenience. Hence, our Directors believe that entering into the 2022 Master Supply Agreement will maintain synergies to the Group's operation.

As Mr. John Kwong and Ms. Kwong, executive Directors, being connected persons of the Company, have material interests in the transactions contemplated under the 2022 Master Supply Agreement, they have abstained from voting on the Board resolutions approving the 2022 Master Supply Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the 2022 Master Supply Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors but excluding the interested Directors who are interested or deemed to be interested in the 2022 Master Supply Agreement) are of the view that the proposed annual caps are fair and reasonable and on normal commercial terms or better in the ordinary and usual course of business and considers that the terms of the 2022 Master Supply Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information of the Group

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

Information on MS Restaurant

MS Restaurant is a company incorporated with limited liability in the BVI on 7 November 2017. It is a directly wholly-owned subsidiary of the Company and the intermediate holding company of the Group.

Information on Elite

Elite is a company with limited liability incorporated in Hong Kong on 16 October 1984 and is a supplier of chilled and frozen meat and seafood and other food ingredients in Hong Kong. Since Elite is owned as to 50%, 25% and 25% by Ms. Ingrid Ip, Mr. Joseph Kwong and Ms. Melanie Kwong respectively, who are the Company's Controlling Shareholders, Elite is a connected person of the Company and the transactions contemplated under the 2022 Master Supply Agreement therefore constitute continuing connected transactions for the Group under Chapter 20 of the GEM Listing Rules.

LISTING RULES IMPLICATION

As the proposed annual caps in respect of the 2022 Master Supply Agreement for each of the three years ending 31 March 2026 is more than HK\$10,000,000, and one or more of the applicable percentage ratios (as defined under Chapter 20 of the GEM Listing Rules) are more than 5%, the transactions contemplated under the 2022 Master Supply Agreement will be subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

The Company will convene an extraordinary general meeting to seek approval from the Independent Shareholders of, among other things, the terms of the 2022 Master Supply Agreement, the proposed annual caps and the transactions contemplated under the 2022 Master Supply Agreement. The Independent Board Committee has been established to consider the above matters. An Independent Financial Adviser, Zero2IPO Capital Limited, has been appointed to advise the Independent Board Committee in this regard.

A circular containing, among other things, details of (i) the 2022 Master Supply Agreement and proposed annual caps; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; and (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders in accordance with the GEM Listing Rules and the articles of association of the Company in due course.

DEFINITIONS

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

“2019 Master Supply Agreement”	the master supply agreement dated 8 November 2019 entered into between MS Restaurant and Elite in relation to the supply of chilled and frozen meat and seafood and other food supplies by Elite to the Group
“2022 Master Supply Agreement”	the master supply agreement dated 21 December 2022 entered into between MS Restaurant and Elite in relation to the supply of chilled and frozen meat and seafood and other food supplies by Elite to the Group
“Board”	the Board of Directors of the Company
“BVI”	the British Virgin Islands

“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, refers to Mr. John Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong, Ms. Melanie Kwong and Future More
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Elite”	Elite Fresh Food Company Limited, a company incorporated in Hong Kong on 16 October 1984 with limited liability and owned as to 50%, 25% and 25% by Ms. Ingrid Ip, Mr. Joseph Kwong and Ms. Melanie Kwong, respectively
“Future More”	Future More Company Limited, a company incorporated with limited liability in the BVI on 7 November 2017 and owned as to 14%, 18%, 18%, 25% and 25% by Mr. John Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong and being a Controlling Shareholder
“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”, “we”, “us”, “our”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Lai Ming Fai Desmond, Dr. Cheng Lee Lung and Mr. Kwok Yiu Chung, formed to advise the Independent Shareholders in respect of, amongst others, the 2022 Master Supply Agreement and the proposed annual caps

“Independent Financial Adviser”	Zero2IPO Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, the 2022 Master Supply Agreement and the proposed annual caps
“Independent Shareholders”	shareholders of the Company other than Future More and its associates
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the GEM Listing Rules) the Company, its subsidiaries or any of their respective associates
“Mr. John Kwong”	Mr. Kwong Tai Wah, being our chairman of the Board, chief executive officer, one of our executive Directors, one of our Controlling Shareholders, the spouse of Ms. Ingrid Ip, the father of Ms. Kwong, and the brother of Mr. Joseph Kwong and Ms. Melanie Kwong
“Mr. Joseph Kwong”	Mr. Kwong Tai Wing Joseph, being one of our Controlling Shareholders, the brother of Mr. John Kwong and Ms. Melanie Kwong, the uncle of Ms. Kwong, and the brother-in-law of Ms. Ingrid Ip
“Ms. Ingrid Ip”	Ms. Ip Yin King Ingrid, being one of our Controlling Shareholders, the spouse of Mr. John Kwong, the mother of Ms. Kwong, and the sister-in-law of Mr. Joseph Kwong and Ms. Melanie Kwong
“Ms. Kwong”	Ms. Kwong Man Yui, being one of our executive Directors, one of our Controlling Shareholders, the daughter of Mr. John Kwong and Ms. Ingrid Ip, and the niece of Mr. Joseph Kwong and Ms. Melanie Kwong
“Ms. Melanie Kwong”	Ms. Kwong Ching Yee Melanie, being one of our Controlling Shareholders, the sister of Mr. John Kwong and Mr. Joseph Kwong, the aunt of Ms. Kwong, and the sister-in-law of Ms. Ingrid Ip

“MS Restaurant”	MS Restaurant Group Limited, a company incorporated with limited liability in the BVI on 7 November 2017 and directly wholly-owned by the Company and being the intermediate holding company of the Group
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percent

For and on behalf of the Board
MS Concept Limited
Kwong Tai Wah
Chairman

Hong Kong, 21 December 2022

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 “Listed Company Information” page of the website of the Stock Exchange (www.hkexnews.hk) 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.