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MS CONCEPT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8447)

MAJOR TRANSACTION IN RELATION TO THE NEW LICENCE AND LEASE OF THE PREMISES IN RESPECT OF THE NEW BUFFET BUSINESS

THE NEW LICENCE AND LEASE OF THE PREMISES IN RESPECT OF THE NEW BUFFET BUSINESS

The Board announces that, on 5 December 2023, Meric Hotel Buffet (a wholly-owned subsidiary of the Company) as licensee and tenant, has signed and returned the Agreements to Royal Park Hotel (an Independent Third Party) as the licensor and landlord for (i) the new licence for Meric Hotel Buffet to occupy and use the Premises from 8 December 2023 to 6 March 2024 (both days inclusive); and (ii) the new lease of the Premises in respect of the new buffet business for a term of four years and nine months commencing from 7 March 2024 to 7 December 2028 (both days inclusive).

LISTING RULES IMPLICATIONS

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

As one or more than one of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of entering into the Agreements based on the value of the right-of-use assets recognised by the Group is more than 25% but below 100%, the Agreements constitute a major transaction for the Company, and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

Under Rule 19.44 of the GEM Listing Rules, Shareholders' approval for a major transaction may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction; and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, each of Royal Park Hotel and its ultimate beneficial owners is an Independent Third Party. Accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreements. Future More, being a Controlling Shareholder, is beneficially interested in 750,000,000 Shares, representing 75% of the total number of issued Shares of the Company as at the date of this announcement, has given written approval to the Company to approve the Agreements in lieu of a general meeting pursuant to Rule 19.44 of the GEM Listing Rules. Therefore, no general meeting of the Company for the approval of the Agreements will be held. Future More has also confirmed that neither it nor any of its associates has any material interest in the Agreements and the transactions contemplated thereunder.

A circular containing, among other things, details of the Agreements will be despatched to the Shareholders in accordance with the GEM Listing Rules and the articles of association of the Company in due course. The Company currently expects to despatch the circular on or before 28 December 2023.

THE NEW LICENCE AND LEASE OF THE PREMISES IN RESPECT OF THE NEW BUFFET BUSINESS

The Board announces that, on 5 December 2023, Meric Hotel Buffet (a wholly-owned subsidiary of the Company) as licensee and tenant, has signed and returned the Agreements to Royal Park Hotel (an Independent Third Party) as the licensor and landlord for (i) the new licence for Meric Hotel Buffet to occupy and use the Premises from 8 December 2023 to 6 March 2024 (both days inclusive); and (ii) the new lease of the Premises in respect of the new buffet business for a term of four years and nine months commencing from 7 March 2024 to 7 December 2028 (both days inclusive).

Details of the principal terms of the Agreements are set out below:

(1) Licence Agreement

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| Parties | : | (1) Royal Park Hotel, an Independent Third Party, as the licensor; and |
| | | (2) Meric Hotel Buffet, a wholly-owned subsidiary of the Company, as the licensee |
| Premises | : | Shop No. 301, Level 3 of Royal Park Hotel, 8 Pak Hok Ting Street, Shatin, Hong Kong |
| Term | : | 8 December 2023 to 6 March 2024 (both days inclusive) |

Licence fee : Basic licence fee of HK\$100 per month subject to an additional turnover licence fee representing the amount by which 6% of the monthly gross sales turnover exceeds the basic monthly licence fee of each calendar month in accordance with the Licence Agreement, which will be satisfied by internal resources of the Group.

The licence fee is determined after arm's length negotiations between Royal Park Hotel and Meric Hotel Buffet after taking into consideration the prevailing market licence fees and licence terms of comparable premises in the vicinity of the Premises.

Payment terms : The basic monthly licence fee shall be payable in advance on the first day of each calendar month; whereas, the additional turnover licence fee shall be payable in arrears no later than the 14th day of the following month.

(2) Tenancy Agreement

Parties : (1) Royal Park Hotel, an Independent Third Party, as the landlord; and
(2) Meric Hotel Buffet, a wholly-owned subsidiary of the Company, as tenant

Premises : Shop No. 301, Level 3 of Royal Park Hotel, 8 Pak Hok Ting Street, Shatin, Hong Kong

Term : 7 March 2024 to 7 December 2028 (both days inclusive)

Total consideration payable : The total consideration payable under the Tenancy Agreement is approximately HK\$42.5 million (inclusive of air-conditioning and management charges) subject to additional turnover rent representing the amount by which 12% of the monthly gross sales turnover exceeds the monthly basic rent of each calendar month in accordance with the Tenancy Agreement, which will be satisfied by internal resources of the Group.

The rent is determined after arm's length negotiations between Royal Park Hotel and Meric Hotel Buffet after taking into consideration the prevailing market price of comparable premises in the vicinity of the Premises.

Payable term : The monthly basic rent shall be payable in advance on the first day of each calendar month. The turnover rent shall be payable in arrears no later than the 14th day of the following month.

Extended area : The tenant shall enter into a separate licence agreement as the licensee with the landlord as licensor to decorate the extended area located outside the Premises at the licence fee of HK\$100 during the term of the Lease.

THE RIGHT-OF-USE ASSETS

The value of the right-of-use assets recognised by the Company under the Agreements amounted to approximately HK\$31.3 million, which is calculated with reference to the present value of the aggregated monthly basic licence fee under the Licence Agreement and the aggregated lease payments to be made under the Tenancy Agreement in accordance with HKFRS 16 *Leases*.

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

REASON FOR AND THE BENEFITS OF ENTERING THE NEW LEASE IN RELATION TO THE PREMISES IN RESPECT OF THE NEW BUFFET BUSINESS

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

As disclosed in our Prospectus, the Group plans to enhance its market share by opening restaurants in districts that are not on its existing portfolio. After the relief of COVID-19 since 2023, the Group resumed to proactively identify suitable and strategic locations in Hong Kong for the opening of new restaurants to expand its network. After considering the terms of the Agreements, the Board is of the view that monthly licence fee under the Licence Agreement and the monthly rental per square feet of gross floor area of the Premises under the Tenancy Agreement are fair and reasonable considering the prevailing market rent, licence terms, lease terms, licence fees and rent of comparable premises in the vicinity of the Premises. Leveraging on the success of our buffet business under the brand “Mr. Steak – Buffet à la minute”, the Board intends to operate the New Buffet Restaurant at the Premises (i) to secure a new and additional source of income to the Group to maximize the Shareholders’ return; and (ii) to enable the Group to expand its restaurant operations in Hong Kong.

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

INFORMATION OF THE PARTIES

Information on the Group and Meric Hotel Buffet

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

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

Information on Royal Park Hotel

Royal Park Hotel is a company incorporated in Hong Kong with limited liability. To the best knowledge, information and belief of the Directors having made all reasonable enquiries and observations on the publicly available information, (i) Royal Park Hotel is an associated company of SHKP; (ii) Royal Park Hotel is principally engaged in property management; and (iii) each of Royal Park Hotel, SHKP and its ultimate beneficial owners is an Independent Third Party.

LISTING RULES IMPLICATION

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As one or more than one of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of entering into the Agreements based on the value of the right of use asset recognised by the Group is more than 25% but below 100%, the Agreements constitute a major transaction for the Company, and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

Under Rule 19.44 of the GEM Listing Rules, Shareholders' approval for a major transaction may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction; and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, each of Royal Park Hotel and its ultimate beneficial owners is an Independent Third Party. Accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreements. Future More, being a Controlling Shareholder, is beneficially interested in 750,000,000 Shares, representing 75% of the total number of issued Shares of the Company as at the date of this announcement, has given written approval to the Company to approve the Agreements in lieu of a general meeting pursuant to Rule 19.44 of the GEM Listing Rules. Therefore, no general meeting of the Company for the approval of the Agreements will be held. Future More has also confirmed that neither it nor any of its associates has any material interest in the Agreements and the transactions contemplated thereunder.

A circular containing, among other things, details of the Agreements will be despatched to the Shareholders in accordance with the GEM Listing Rules and the articles of association of the Company in due course. The Company currently expects to despatch the circular on or before 28 December 2023.

DEFINITIONS

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

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| “Agreements” | collectively, the Licence Agreement and the Tenancy Agreement |
| “Board” | the Board of Directors of the Company |
| “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 |
| “Director(s)” | director(s) of the Company |
| “Future More” | Future More Company Limited, a company incorporated with limited liability in the British Virgin Islands 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” | the Company and its subsidiaries |
| “HKFRS(s)” | Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |

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| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the GEM Listing Rules |
| “Lease” | the lease of the Premises for the operation of the New Buffet Restaurant pursuant to the Agreements |
| “Licence Agreement” | the Licence Agreement signed by Meric Hotel Buffet and returned to Royal Park Hotel on 5 December 2023 in respect of the new licence to occupy and use the Premises |
| “Meric Hotel Buffet” | Meric Hotel Buffet Limited, a company incorporated in Hong Kong with limited liability and being a wholly-owned subsidiary of the Company |
| “Mr. John Kwong” | Mr. Kwong Tai Wah, being the chairman of the Board, the chief executive officer of the Company, one of the executive Directors, one of the 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 the 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 the 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 the vice-chairlady of the Board, one of the executive Directors, one of the Controlling Shareholders, the daughter of Mr. John Kwong and Ms. Ingrid Ip, and the niece of Mr. Joseph Kwong and Ms. Melanie Kwong |

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| “Ms. Melanie Kwong” | Ms. Kwong Ching Yee Melanie, being one of the 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 |
| “New Buffet Restaurant” | the buffet restaurant to be operated by the Group on the Premises |
| “Premises” | Shop No. 301, Level 3 of Royal Park Hotel, 8 Pak Hok Ting Street, Shatin, Hong Kong |
| “Prospectus” | the prospectus dated 29 March 2018 for the listing of the issued Shares of the Company on GEM |
| “Royal Park Hotel” | Royal Park Hotel Management Limited, a company incorporated in Hong Kong with limited liability and is an associated company of SHKP |
| “SHKP” | Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability and is listed on the Main Board of the Stock Exchange (stock code: 16) |
| “Shares” | ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tenancy Agreement” | the Tenancy Agreement signed by Meric Hotel Buffet and returned to Royal Park Hotel on 5 December 2023 in respect of the lease of the Premises |
| “HK\$” or cents | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| “%” | per cent |

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

Hong Kong, 5 December 2023

As at the date of this announcement, the executive Directors are Mr. Kwong Tai Wah (Chairman and Chief Executive Officer), Ms. Kwong Man Yui (Vice Chairlady) and Mr. Lam On Fai; and the independent non-executive Directors are Mr. Lai Ming Fai Desmond, Dr. Cheng Lee Lung and Mr. Kwok Yiu Chung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest 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.mrstek.com.hk).

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