SIMPLICITY HOLDING LIMITED
倩碧控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8367)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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.

*This announcement, for which the directors (the "**Directors**") of Simplicity Holding Limited (the "**Company**", together with its subsidiaries the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its publication and posting and will be published and remains on the website of the Company at http://www.simplicityholding.com.

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018. The financial information of the Group has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	3	**142,407**	135,624
Other income	4	**730**	629
Other losses	4	**(870)**	(166)
Raw materials and consumables used		**(40,166)**	(36,874)
Staff costs		**(59,446)**	(48,943)
Depreciation		**(9,499)**	(7,515)
Rental and related expenses		**(28,556)**	(23,608)
Utilities expenses		**(7,488)**	(7,261)
Listing expenses		**–**	(14,018)
Other expenses		**(11,697)**	(8,081)
Finance costs	5	**(447)**	(326)
Loss before tax	6	**(15,032)**	(10,539)
Income tax expense	7	**(1,300)**	(835)
Loss and total comprehensive expense		**(16,332)**	(11,374)
Loss and total comprehensive (expense)/income for the year			
– owners of the Company		**(16,087)**	(12,163)
– non-controlling interests		**(245)**	789
		(16,332)	(11,374)
Loss per share			
Basic *(HK cents)*	9	**(2.01)**	(2.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**59,269**	51,256
Intangible assets		**245**	314
Deferred tax assets		**95**	1,055
Deposits	*10*	**6,292**	4,938
		65,901	57,563
Current assets			
Inventories		**1,012**	1,139
Trade and other receivables, deposits and prepayments	*10*	**7,628**	6,663
Amount due from a related party		**312**	1,100
Tax recoverable		**1,009**	950
Bank balances and cash		**21,831**	49,225
		31,792	59,077
Current liabilities			
Trade and other payables and accruals	*11*	**12,216**	14,156
Tax payable		**–**	1,663
Provision		**860**	650
		13,076	16,469
Net current assets		**18,716**	42,608
Total assets less current liabilities		**84,617**	100,171

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Provision		**1,916**	1,130
Deferred tax liabilities		**812**	470
Bank borrowings	*12*	**15,000**	15,000
		17,728	16,600
Net assets		**66,889**	83,571
Capital and reserves			
Share capital	*13*	**8,000**	8,000
Reserves		**58,348**	74,622
Equity attributable to owners of the Company		**66,348**	82,622
Non-controlling interests		**541**	949
Total equity		**66,889**	83,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 27 January 2017 and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 February 2018. The addresses of the registered office of the Company 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 Unit 13, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

Its immediate holding company is Marvel Jumbo Limited ("MJL"), a private limited company incorporated in the British Virgin Islands ("BVI") with limited liability. MJL is 31% owned by Ms. Wong Suet Hing ("Ms SH Wong"), 31% owned by Ms. Chow Lai Fan ("Ms. LF Chow"), sister-in-law of Ms SH Wong, 18.7% owned by Ms. Wong Sau Ting Peony ("Ms. ST Wong"), daughter of Ms SH Wong, 15% owned by Ms. Wong Suet Ching ("Ms. SC Wong"), sister of Ms. SH Wong, and 4.3% owned by Mr. Ma Sui Hong ("Mr. SH Ma"), the son of Ms. Wong Shuet Ying ("Ms. SY Wong"), sister of Ms. SH Wong.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations in Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is same as the functional currency of the Company.

In connection with the listing of the shares of the Company on the Stock Exchange, the Company underwent a reorganisation and has become the holding company of the companies now comprising the Group since 29 January 2018. Details of the reorganisation are set out in the Company's prospectus dated 6 February 2018.

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of HKFRSs
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of HKFRSs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of HKFRSs, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the year to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements. There is no impact on the Group's opening balances of reserve and non-controlling interests as of 1 April 2018.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amounts as at 1 April 2018 under HKAS 39**	**Carrying amounts as at 1 April 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Trade and other receivables (excluding prepayments)	Loans and receivables	Amortised cost	4,080	4,080
Amount due from a related party	Loans and receivables	Amortised cost	1,100	1,100
Bank balances and cash	Loans and receivables	Amortised cost	49,225	49,225

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. Hence, the adoption of HKFRS 9 does not affect the carrying amounts of the Group's financial liabilities as at 1 April 2018.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrate that a more lagging default criterion is more appropriate.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 April 2018 was determined with expected loss rate 0.1% for trade receivables.

Applying the ECL model results in immaterial impairment as at 1 April 2018 and 31 March 2019.

(b) Impairment of other financial assets

Other financial assets at amortised cost of the Group include other receivables, deposits and amount due from a related party. Since the adoption of HKFRS 9 on 1 April 2018, he Group has assessed the impairment for its other receivables, deposits and amount due from a related party individually based on internal credit rating and ageing of these debtors which, in opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. Applying the ECL model results in immaterial impairment on 1 April and for the year ended 31 March 2019.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments, if any, arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The assessments on the determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15, if any, as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2018 has not been restated. As allowed by HKFRS 15, the group has applied the new requirements only to contracts that were not completed before 1 April 2018.

HKFRS 15 introduces a 5-step model when recognising revenue:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Based on the assessment of the Group, the adoption of HKFRS 15 from 1 April 2018 has results in changes in accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 April 2018 have been made. However, additional disclosures have been presented for the current accounting period in note 6 of the consolidated financial statements as a result of adoption of HKFRS 15.

Amendments HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. An entity shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Earlier application of these amendments is permitted, including in annual reporting periods beginning before 18 January 2019 (the date of issuance of these amendments). If an entity applies these amendments for an earlier period, it shall disclose that fact.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Venture

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Except as disclosed below, the management anticipate that application of other new and amendments to HKFRSs will have no material impact to the Group's financial performance and consolidated financial positions and/or on the disclosures in future consolidated financial statements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard will affect primarily the accounting for the Group operating leases. As at 31 March 2019, the Group had non-cancellable operating lease commitments of approximately HK$50,371,000. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown in off-balance sheet item will be replaced by "right-of-use asset" and "lease liability" in the consolidated statement of financial position of the Group. The Group will continue to assess its portfolio of leases to determine the impact of application of this standard on the consolidated financial statements of the Group.

Mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable for goods sold and services rendered by the Group, during the year.

Revenue

The amounts of each significant category of revenue recognised during the reporting period were disaggregated as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from restaurant operation	**142,407**	135,624
By timing of revenue recognition at a point in time	**142,407**	135,624

The Group did not have any contract asset and contract liability as at 1 April 2018 and 31 March 2019.

Segment revenue and results

Information reported to the management of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on styles of cuisine serving by the Group's restaurants to the customers.

Specifically, the Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

1. Chinese cuisine – Operations of Chinese cuisine restaurants under the brand of "Marsino"

2. Western cuisine – Operations of Western cuisine restaurants under the brand of "La Dolce" were ceased to operate since 18 March 2019.

3. Thai cuisine – Operations of Thai cuisine restaurants under the brand of "Grand Avenue"

4. Japanese cuisine – Operations of Japanese cuisine restaurants under the brand of "Beefst" were newly operated during 31 March 2019.

5. Malaysian cuisine – Operations of Mayaysian cuisine restaurants under the brand of "Haha Prawn Mee" and "Baba Nyonya" were newly operated during 31 March 2019.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Year ended 31 March 2019

	Chinese cuisine *HK$'000*	**Western cuisine** *HK$'000*	**Thai cuisine** *HK$'000*	**Japanese cuisine** *HK$'000*	**Malaysian cuisine** *HK$'000*	**Total** *HK$'000*
Segment revenue	**45,725**	**17,893**	**60,714**	**7,079**	**10,996**	**142,407**
Segment profit/(loss)	**2,508**	**7**	**4,395**	**(953)**	**(3,810)**	**2,147**
Other income						**730**
Finance costs						**(447)**
Unallocated corporate costs						**(17,462)**
Loss before tax						**(15,032)**

Year ended 31 March 2018

	Chinese cuisine *HK$'000*	Western cuisine *HK$'000*	Thai cuisine *HK$'000*	Total *HK$'000*
Segment revenue	53,607	29,975	52,042	135,624
Segment profit	8,575	2,194	6,313	17,082
Other income				629
Listing expenses				(14,018)
Finance costs				(326)
Unallocated corporate costs				(13,906)
Loss before tax				(10,539)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, listing expenses, finance costs and other operating costs (including head office staff costs, rental and other corporate expenses) and income tax expense.

4. OTHER INCOME/OTHER LOSSES

	2019	2018
	HK$'000	*HK$'000*
Other income		
Service management income *(note)*	**–**	342
Reversal of reinstatement provision	**180**	–
Promotion income	**53**	156
Bank interest income	**359**	6
Other income	**138**	125
	730	629
Other losses		
Loss on written-off/disposal of property, plant and equipment	**870**	166

Note: Service management income rendered by the Group represented office management services provided to entities owned by Mr. Benson Hung, who was the non-controlling shareholders of Access Gear Investment Limited ("AGIL") before 9 February 2017, the date of the acquisition of the remaining equity interest of AGIL by the Group.

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on bank borrowings	**447**	326

6. LOSS BEFORE TAX

	2019	2018
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and other benefits	**56,867**	46,875
Contribution to retirement benefit scheme	**2,579**	2,068
	59,446	48,943
Auditor's remuneration	**830**	700
Amortisation of intangible asset (included in other expenses)	**69**	28
Operating lease payments in respect of rented premises:		
– minimum lease payments	**23,260**	18,314
– contingent rents *(note)*	**457**	1,342

Note: The operating lease rentals for certain restaurants are determinated as the higher of a fixed rental or a predeterminated percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

7. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current Tax:		
Hong Kong Profits Tax	**(4)**	(372)
Overprovision in prior years	**6**	362
	2	(10)
Deferred tax	**(1,302)**	(825)
	(1,300)	(835)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits for the year ended 31 March 2018. According to the Inland Revenue (Amendment) Bill 2017 (the "Bill") which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the "Regime") is first effective for the year of assessment 2018/19. Profits tax rate for the first HK$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. Only one nominated entity of a group of connected entities is entitled to the Regime. The profits of corporations not qualified for the two-tier profits tax regime will continue to taxed at 16.5% for the year ended 31 March 2019.

8. DIVIDENDS

No dividend was paid or proposed during the year of 2019, nor has any dividend been proposed since the end of reporting period (2018: Nil).

There are no income tax consequences related the payment of dividends by the company to its shareholders.

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Loss for year attributable to owners of the Company for the purpose of basic loss per share	**(16,087)**	(12,163)

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**800,000**	597,300

The weighted average number of ordinary shares for the purpose of basic loss per share for the years ended 31 March 2019 and 2018 has taken into account the capitalisation issue of 599,980,000 ordinary shares of the Company on 26 February 2018 (the "Capitalisation Issue") as if it had been effective on 1 April 2017.

No diluted loss per share were presented as there were no potential ordinary shares in issue for both years.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables from restaurant operations	**775**	953
Rental deposits	**6,604**	5,383
Other deposits	**3,421**	2,885
Prepayments and other receivables	**3,120**	2,380
Total	**13,920**	11,601
Analysed for reporting purposes as:		
Non-current assets	**6,292**	4,938
Current assets	**7,628**	6,663
	13,920	11,601

There was no credit period granted to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash, octopus card and credit card settlement. The settlement terms of octopus card and credit card companies are usually within 7 days after the service rendered date. All trade receivables from restaurant operations are aged within 7 days.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**2,543**	2,907
Salaries payables	**5,429**	4,513
Payable for acquisition of property, plant and equipment	**62**	48
Accruals and other payables	**4,182**	2,981
Accrued listing expenses	**–**	3,707
	12,216	14,156

The credit period granted to the Group by suppliers normally ranges from 0 to 30 days. All trade payables are aged within 30 days at the end of the reporting period.

12. BANK BORROWINGS

	2019 *HK$'000*	2018 *HK$'000*
Carrying amount that does not contain repayment on demand clause repayable based on scheduled repayment terms:		
– More than two years but not exceeding five years	**15,000**	15,000

The bank borrowings are at floating rate which carry interest at HK$ Best Lending Rate minus a spread. The effective interest rate on the Group's bank borrowings was 2.91% (2018: 2.17%) per annum as at 31 March 2019.

At 31 March 2019, bank borrowings of HK$15,000,000 (2018: HK$15,000,000) were secured by leasehold land and building owned by the Group with the carrying amount of HK$32,594,000 (2018: HK$34,205,000) and corporate guarantee provided by the group companies.

13. SHARE CAPITAL

Details of the Company's shares are disclosed as follows:

	Number of shares	Share Capital *HK$'000*
Authorised:		
At 1 April 2017	38,000,000	380
Share subdivision *(Note a)*	3,762,000,000	–
Share consolidation *(Note b)*	(3,762,000,000)	–
Increased on 29 January 2018 *(Note c)*	1,962,000,000	19,620
At 31 March 2018 and 31 March 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2017	9,750	–
Issue of shares on 21 April 2017 *(Note d)*	1,250	–
Share subdivision *(Note a)*	1,089,000	–
Share consolidation *(Note b)*	(1,089,000)	–
Issue of shares on 29 January 2018 *(Note e)*	9,000	–
Issue of shares pursuant to the Capitalisation Issue *(Note f)*	599,980,000	6,000
Issue of shares under the share offer *(Note g)*	200,000,000	2,000
At 31 March 2018 and 31 March 2019	800,000,000	8,000

(a) Pursuant to the written resolutions of shareholders of the Company passed on 13 July 2017, each issued and unissued share of HK$0.01 each was subdivided into 100 shares of HK$0.0001 each such that the authorised share capital as at 13 July 2017 was HK$380,000 divided into 3,800,000,000 shares of HK$0.0001 each, in which 1,100,000 shares of HK$0.0001 each were in issue.

(b) Pursuant to the written resolutions of shareholders of the Company passed on 25 July 2017, every 100 issued and unissued shares of the Company of HK$0.0001 each were consolidated into one share of HK$0.01 each such that the authorised share capital as at 25 July 2017 was HK$380,000 divided into 38,000,000 shares of HK$0.01 each, in which 11,000 shares of HK$0.01 each were in issue.

(c) On 29 January 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$20,000,000 divided into 2,000,000,000 shares by the creation of 1,962,000,000 additional ordinary shares.

(d) On 21 March 2017 and 21 April 2017, 750 shares and 1,250 shares of the Company were alloted and issued at cash consideration of HK$3,000,000 and HK$5,000,000 to the Pre-IPO Investor as disclosed in the Company's prospectus dated 6 February 2018.

(e) On 29 January 2018, 9,000 shares of the Company were issued to the Controlling Shareholders and Mr. SH Ma to acquire the entire equity interests in FGL, as disclosed in the Company's prospectus dated 6 February 2018.

(f) On 26 February 2018, the Company capitalised the amount of HK$5,999,800 standing to the credit of the share premium account of the Company and applied the amount towards paying up in full at par 599,980,000 shares for allotment and issue to the shareholders.

(g) On 26 February 2018, the Company issued 200,000,000 shares of HK$0.01 each at HK$0.275 per share upon the completion of its share offer. On the same date, the Company's shares were listed on GEM of the Stock Exchange.

All ordinary shares issued rank pari passu with the existing issued shares in all aspects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We are a casual dining full service restaurant operator and up to the date of this announcement, we are operating 13 restaurants under 5 brands, namely "Marsino", "Baba Nyonya", "Grand Avenue", "Beefst" and "Haha Prawn Mee", and they are all situated across Hong Kong, Kowloon and the New Territories. During the year, our Group has closed down a restaurant, namely Shatin La Dolce, upon the expiry of its lease term. We also changed the brand from "La Dolce" to "Baba Nyonya" for our restaurant in Tseung Kwan O. Since then, "La Dolce" has become the history of our Group and we will reallocate the resources to focus on our remaining 5 brands.

"Marsino" is a Chinese noodle specialist, "Grand Avenue" offers Thai cuisine, "Beefst" offers Japanese cuisine while "Haha Prawn Mee" and "Baba Nyonya" offers Malaysian cuisine. Each of "Marsino", "Grand Avenue", "Haha Prawn Mee" and "Baba Nyonya" are founded and operated by our Group, while "Beefst" is a franchise brand and we obtained the franchise right from the franchisor in Japan in November 2017.

In November 2018, we have opened a rebranded "Marsino" restaurant in Chai Wan and this rebranding strategy has increased the average spending per customer for "Marsino" due to redesign of restaurant menu which provides more variety of choices to our customers. The popular items are retained in the menu while unpopular items are gone. In addition, the menu has injected new elements such as Taiwanese-style noodles which have received many positive comments from our customers.

"Marsino" had recorded revenue of approximately HK$45.7 million during the year ended 31 March 2019, which is equivalent to 32.1% of our total revenue. As compared to the last corresponding period, "Marsino" has experienced a decrease in revenue by 14.7%.

"La Dolce" had recorded revenue of approximately HK$17.9 million during the year ended 31 March 2019, which is equivalent to 12.6% of our total revenue. As compared to the last corresponding period, "La Dolce" has experienced a decrease in revenue by 40.3%.

"Grand Avenue" had recorded revenue of approximately HK$60.7 million during the year ended 31 March 2019, which is equivalent to 42.6% of our total revenue. As compared to the last corresponding period, "Grand Avenue" has experienced an increase in revenue by 16.7%.

"Baba Nyonya" had recorded revenue of approximately HK$4.4 million during the year ended 31 March 2019, which is equivalent to 3.1% of our total revenue. As "Baba Nyonya" was newly started in August 2018, there was no corresponding period in the previous year.

"Beefst" had recorded revenue of approximately HK$7.1 million during the year ended 31 March 2019, which is equivalent to 5.0% of our total revenue. As "Beefst" was newly started in May 2018, there was no corresponding period in the previous year.

"Haha Prawn Mee" had recorded revenue of approximately HK$6.6 million during the year ended 31 March 2019, which is equivalent to 4.7% of our total revenue. As "Haha Prawn Mee" was newly started in May 2018, there was no corresponding period in the previous year.

In addition to the above restaurants, our group also owns and operates a central kitchen which supplies raw materials and consumables to our restaurants. We established our central kitchen as early as in 2007, and then we moved to the existing premises due to expansion. Our management believes that our central kitchen can continuously improve the efficiency of our operation.

FINANCIAL REVIEW

Revenue

As at 31 March 2019, the Group was operating fourteen (2018: ten) restaurants, of which six (2018: one) restaurants were newly opened and one restaurant was closed down during the year ended 31 March 2019 (2018: two). Among the six newly opened restaurants, two of them, namely Ma On Shan Beefst and Ma On Shan Haha Prawn Mee were closed in January 2019 due to their unsatisfactory performance and rebranded them to one single brand "Baba Nyonya", this restaurant was opened in March 2019.

The revenue of the Group increased by approximately 5.0% from approximately HK$135.6 million for the year ended 31 March 2018 to approximately HK$142.4 million for the year ended 31 March 2019. The increase in revenue was primarily attributed to the commencement of the businesses of six new restaurants, in which two of them were opened at Ma On Shan ("Beefst", "Haha Prawn Mee"), three of them were opened at Mongkok ("Beefst", "Haha Prawn Mee" and "Baba Nyonya") and one was opened at Chai Wan ("Marsino").

Raw materials and consumables used

The raw materials and consumables used mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants and central kitchen. The major food ingredients purchased by the Group include, but are not limited to, meat, seafood, frozen food, vegetables and beverages. Raw materials and consumables used is one of the major components of the Group's operating expenses which amounted to approximately HK$36.9 million and HK$40.2 million for each of the year ended 31 March 2018 and 2019, respectively, representing approximately 27.2% and 28.2% of the Group's total revenue for the corresponding periods. Such increase was mainly due to the increase in the cost of food ingredients as well as we need to reserve more food ingredients for the preparation of the opening of our six new restaurants. To reduce the food cost, we will continue to monitor and control our food cost and will implement key measures to control the food preparation process in order to reduce the material loss. In addition, the continued use of the Group's central kitchen will help to reduce the cost associated with food processing.

Staff costs

Staff costs was approximately HK$59.4 million for the year ended 31 March 2019, representing an increase of approximately 21.5% as compared to approximately HK$48.9 million for the year ended 31 March 2018. Such increase was mainly due to the expansion of the restaurant portfolio of the Group and the increase in the number of staff in relation thereto.

Due to general increase in labour costs in Hong Kong, the salary level of employees in the food and beverage industry in Hong Kong has generally increased in recent years. The Directors expect the staff costs to continue to increase as inflationary pressures in Hong Kong continue to drive up.

The Directors recognise the importance of retaining quality staff while believe that the resulting upward pressure on the total staff costs as a percentage of total revenue could be mitigated by (1) prioritizing internal transfers and re-allocations of employees from existing restaurants; (2) increasing productivity of the staff by providing training; and (3) minimising attrition levels by continuing to implement various employee retention initiatives to promote employee loyalty and motivate the employees.

Other expenses

The Group's other expenses increased by approximately 44.7% from approximately HK$8.1 million for the year ended 31 March 2018 to approximately HK$11.7 million for the year ended 31 March 2019. Such increase was mainly due to the increase in legal and professional fees incurred after the listing for the services of compliance adviser and share registrars, fees to expand the storage capacity of the central kitchen, audit fees, royalty expenses paid to the franchisor in Japan for using their franchise right to operate "Beefst" restaurants in Hong Kong and other operating expenses associated with the opening of the six new restaurants during the year.

Listing expenses

There was no listing expense incurred during the year as compared to approximately HK$14.0 million for the year ended 31 March 2018.

Loss attributable to owners of the Company

For the year ended 31 March 2019, the Group recorded a loss attributable to owners of the Company of approximately HK$16.1 million, as compared to loss of approximately HK$12.2 million for the year ended 31 March 2018. The loss for the year ended 31 March 2019 was mainly attributable to (1) the large pre-opening expenses and the operating losses incurred for the six newly opened restaurants in 2018, namely Ma On Shan Beefst, Ma On Shan Haha Prawn Mee, Mongkok Beefst, Mongkok Haha Prawn Mee, Mongkok Baba Nyonya and Chai Wan Marsino. The loss before tax incurred by these six restaurants were approximately HK$6.5 million during the year; (2) increase in raw materials and consumables used, mainly food costs, from approximately 27.2% to 28.2% of our revenue; (3) increase in staff costs of approximately HK$10.5 million resulting from increase in the number of restaurants being operated by the Group; (4) increase in rental and related expenses due to expansion of the number of restaurants and the increase in rental rates charged by the landlords; and (5) increase in other expenses as explained on the above section headed "Other expenses". The Group will continue to closely monitor the performance of its restaurants, formulate adequate strategies and strike a balance between improving the financial performance of the restaurants and providing enjoyable dining experiences at reasonable prices.

Dividend

The Board does not recommend any payment of dividend for year ended 31 March 2019 (2018: Nil).

FUTURE PROSPECTS

The food and beverage sector is characterised by intense competition, high operational costs primarily in rental, labour and food materials and low entry barrier. Our success is heavily dependent on the food quality, cost of operating restaurants and economic conditions of Hong Kong.

Our Group's key risk exposures and uncertainties are summarised as follows:

1) As we lease all of the properties for our restaurant operations, any attractive location will likely be subject to high demand from, among others, other food and beverage operators that compete directly with our Group for the same location. As such, there is no assurance that our Group would be able to find suitable premises that are commercially attractive for its restaurants with reasonable commercial terms in the event there is a need for relocation or our Group intends to open new restaurants. In addition, it is uncertain that all our leases can be renewed at all when they expire or on terms acceptable to us. Even if our Group is able to renew or extend its leases, the rental expenses may increase significantly, which could adversely affect our profitability.

2) We rely on our central kitchen to supply some of our semi-processed or processed food ingredients used in our restaurants and any disruption of operation at our central kitchen could adversely affect our business and operations.

3) If our suppliers fail to deliver food with an acceptable quality or in a timely manner, we may experience supply shortages and increased food costs.

4) We require various approvals and licences to operate our business, and the loss of, or failure to, obtain or renew any or all of these approvals and licences, could materially and adversely affect our business.

5) Labour shortages or increases in labour costs will increase our Group's operating costs and reduce our profitability. Recently the Hong Kong government announced that the minimum wage will be raised from HK$34.5 to HK$37.5 per hour, effective on 1 May 2019, this change of regulatory policy would adversely affect our business.

For further details on the risks and uncertainties faced by our Group, please refer to the section headed "Risk Factors" of the prospectus of the Company dated 6 February 2018 (the "**Prospectus**").

In order to improve the overall business of the Group, the Company plans to:

1. Expand the restaurant network – the Group is exploring the opportunities to further develop its brands in different locations. During the year and up to the date of this announcement, the Company has signed an offer letter with the landlord to secure a place in Ngau Tau Kok and expect to open a new restaurant under the brand "Baba Nyonya" in October 2019. In addition to that, the Company has received tenancy offers from landlords and property agencies from time to time and the Company will make assessment on each location to determine whether the offers shall be accepted. The Company believes that by leveraging its core competencies to further expand the network of its existing brand, additional profits can be generated with relatively lower risks taken as compared to the risk of developing a new brand.

2. Exercise option for renewal of existing lease – most of the existing tenancy agreements of the Group include an option to renew the leases and the Company will conduct a financial analysis taking into account factors such as business forecasts for the relevant restaurants to determine whether it should exercise the relevant renewal option.

3. Rebranding – the Group is in progress to revamp its brand "Marsino" with the aim to reach out to new potential customers by providing a new look to them. Rebranding can also rejuvenate the brand image since the logo, colour scheme, and theme of the new restaurant are completed redesigned. The restaurant menu was also redesigned to include new elements such as Taiwanese beef noodle while retaining the popular food items. The first rebranded "Marsino" was launched at Chai Wan in November 2018 and the Company will continue to explore opportunities to further develop its rebranding strategy.

4. Closure of restaurants – during the year and up to the date of this announcement, the Group has closed down two restaurants, namely Shatin La Dolce and Tsuen Wan Grand Avenue, upon the expiry of their lease terms. Given the adverse impact of their financial performance on the Group's overall financial performance, the Directors were of the view that it would be in the best interest of the Group to close down these two restaurants and divert the existing resources to the other restaurants of the Group.

5. Brand switching – during the year the Group has switched the brands from "Beefst" and "Haha Prawn Mee" to "Baba Nyonya" for the restaurants located at Ma On Shan, as well as switching the brand from "La Dolce" to "Baba Nyonya" for the restaurant located at Tseung Kwan O as the "Baba Nyonya" brand is expected to bring more business to the Group given that Malaysian cuisine has less competition with affordable prices in the regions where the above two restaurants are situated. In addition, by closing down the last "La Dolce" restaurant, the Group can reduce its operating costs by managing fewer food ingredients and cuisines, as well as handling less marketing materials and menu design.

6. Improvement of IT systems – the Group is in progress to upgrade its ERP system which can integrate the procurement, supply chain management, inventory management, sales management, POS data and finance functions altogether at a centralised location for increased collaboration and more streamlined completion of tasks. This complete visibility provides more coherent workflows and allows inter-departmental processes to be easily tracked with maximum efficiency.

7. Diversify into cold storage business by forming a joint venture company (the "**JV Company**") in which 50% of its ownership is held by our wholly-owned subsidiary. As at the date of this announcement, this JV Company was formed, and which is currently operating the cold storage business.

We believe value-for-money is the key to our success, customers need to feel that they are getting their money's worth of quality food as well as high standard of services, but we will not rest on our laurels and will continue to improve our food quality and services.

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong with significant transactions are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group's outstanding capital commitments were approximately HK$0.2 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of fixed assets raised from the newly opened restaurants during the year.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2019, current assets amounted to approximately HK$31.8 million (as at 31 March 2018: approximately HK$59.1 million), of which approximately HK$21.8 million (as at 31 March 2018: approximately HK$49.2 million) was bank balances and cash, approximately HK$7.6 million (as at 31 March 2018: approximately HK$6.7 million) was trade and other receivables, deposits and prepayments. The Group's current liabilities amounted to approximately HK$13.1 million (as at 31 March 2018: approximately HK$16.5 million) which primarily consisted of trade and other payables and accrued charges in the amount of approximately HK$12.2 million (as at 31 March 2018: approximately HK$14.2 million). Current ratio (calculated based on the total current assets divided by total current liabilities) and quick ratio (calculated based on the total current assets less inventories divided by total current liabilities) were 2.4 and 2.4 respectively (as at 31 March 2018: 3.6 and 3.5 respectively). Gearing ratio is calculated based on the borrowings representing the sum of interest-bearing bank borrowings divided by total equity at the end of the year and multiplied by 100%. Gearing ratio was 22.4% (as at 31 March 2018: 17.9%). Unutilised banking facilities amounted to HK$10.0 million (as at 31 March 2018: HK$10.0 million).

CHARGE ON GROUP ASSETS

At 31 March 2019 and 31 March 2018, bank borrowings of HK$15,000,000 were secured by leasehold land and building owned by the Group with the carrying amount of HK$32,594,000.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 March 2019. However, as disclosed on our Company's announcement made on 18 April 2019 (the "**18 April 2019 Announcement**"), a wholly-owned subsidiary of the Company will inject capital contribution towards the JV Company for an amount of approximately HK$15.0 million. As at the date of this announcement, this capital contribution is fully utilised as most of it was using to pay the rental deposit for leasing the cold storage facilities by the JV Company. Save as disclosed above, the Group had no other plan for material investment or capital assets as at 31 March 2019.

USE OF PROCEEDS FROM THE IPO

The Company's shares were listed on the GEM of the Stock Exchange on 26 February 2018. A total of 200,000,000 new shares with nominal value of HK$0.01 each of the Company were issued at HK$0.275 per share for a total of approximately HK$55.0 million (the "**IPO**"). The net proceeds raised by the Company from the IPO were approximately HK$32.6 million (the "**IPO Proceeds**") and the use of IPO Proceeds from the Listing Date to 31 March 2019 is set forth below:

	Planned use of IPO Proceeds up to 31 March 2019	**Utilised IPO Proceeds up to 31 March 2019**	**Unutilised IPO Proceeds up to 31 March 2019**
	HK$'000	*HK$'000*	*HK$'000*
Opening of one new Marsino Restaurant	4,400	4,400	–
Opening of one new Grand Avenue restaurant	4,400	–	4,400
Opening of three new Japanese ramen restaurants	13,125	10,060	3,065
Expanding central kitchen storage facilities	3,500	1,419	2,081
Upgrading computer system	1,300	1,031	269
Implement marketing and promotional activities	1,000	383	617
General working capital	500	500	–
	28,225	17,793	10,432

Regarding the planned use of IPO Proceeds, reference is made to the 18 April 2019 Announcement which provided supplemental information in relation to the use of the IPO Proceeds including an explanation on and intended use of the unutilised IPO Proceeds. As set out in such announcement, the Company reallocated some of such unutilised IPO Proceeds for uses that were originally planned for opening of Japanese ramen restaurants and expansion of the Group's central kitchen storage facilities towards the Group's capital contribution to the JV Company.

The issued share capital of the JV Company is owned as to 50% by Foodies Group Limited ("**FGL**"), a wholly-owned subsidiary of the Company, as to 30%, 10% and 10% by the other three independent third parties. The JV Company will be principally engaged in cold storage business in Hong Kong and the Company is optimistic as to the prospect of the JV Company.

An analysis of the utilisation of the IPO Proceeds up to the date of 18 April 2019 Announcement is set out below:

	Original allocation as disclosed in the Prospectus of the Company	Utilisation up to the date of 18 April 2019 Announcement	Remaining unutilised balances as at the date of 18 April 2019 Announcement	Proposed revised allocation as at the date of 18 April 2019 Announcement
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening of one new Marsino restaurant	4,400	4,400	–	–
Opening of one new Grand Avenue restaurant	4,400	–	4,400	–
Opening of 4 new Japanese ramen restaurants	17,500	10,060	7,440	–
Expansion of central kitchen storage facilities	3,500	1,543	1,957	–
Upgrade of computer system	1,300	1,031	269	269
Marketing & promotional activities	1,000	383	617	617
General working capital	500	500	–	–
Opening of one new Malay cuisine restaurant	–	–	–	4,400
Capital contribution to JV Company	–	–	–	9,397
	32,600	17,917	14,683	14,683

The Group intends to apply the net proceeds in the manner as stated in the Prospectus.

However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. All unutilised proceeds have been placed in licenced banks in Hong Kong.

BORROWING

As at 31 March 2019, the total borrowing of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK$15.0 million (2018: approximately HK$15.0 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations. Particulars of borrowings of the Group at 31 March 2019 are set out in note 12 of the consolidated financial statements.

DIVIDENDS

The Directors did not recommend the payment of any dividend in respect of the year ended 31 March 2019.

CORPORATE GOVERNANCE

The Board and the senior management of the Company is committed to achieving high standards of corporate governance by emphasizing transparency, accountability, fairness and responsibility. The Company has adopted the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 March 2019 and complied with all applicable code provisions under the Code throughout the year. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the Code.

Further information on the Group's corporate governance practices will be set out in the Corporate Governance Report contained in the Group's annual report for the year ended 31 March 2019, which will be sent to shareholders in due course.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 236 full-time and 114 part-time employees (as at 31 March 2018: 254 full-time and 186 part-time employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. The remuneration of the Directors is determined based on, among others, the prevailing market conditions and his/her roles and responsibilities.

The Directors are of view that employees are one of the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relationships with its employees.

EVENTS AFTER THE REPORTING PERIOD

On 18 April 2019, FGL, a wholly-owned subsidiary of the Company, together with three independent third parties entered into a joint venture agreement in relation to the JV Company. The JV Company entered into a lease agreement with a landlord who owns a building with cold storage facilities at Kwai Chung. Since leasing this building, the JV Company is engaged in cold storage business and the Company considers that there will be growth potential in investment of cold storage business in Hong Kong. The JV Company will allow the Group to diverse into investment in cold storage business in Hong Kong. The Company is optimistic as to the prospect of the JV Company. FGL agreed to make a capital contribution of HK$15.0 million to the JV Company.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Dakin Capital Limited ("**Dakin Capital**") to be the compliance adviser. As informed by Dakin Capital, neither Dakin Capital 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 entered into between the Company and Dakin Capital dated 15 January 2019.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

The Company has received an annual declaration from each of the Controlling Shareholders confirming that they complied with the undertakings for the year ended 31 March 2019. The Controlling Shareholders also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 March 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiries to all the Directors and all the Directors had confirmed they have complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 March 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director or a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 29 January 2018. The chairman of the Audit Committee is Ms. Ng Yau Kuen Carmen, other members included Mr. Yu Ronald Patrick Lup Man and Mrs. Cheung Lau Lai Yin Becky, both of them are our independent non-executive directors.

The core duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors.

The Group's consolidated financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. BDO LIMITED ("BDO")

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. BDO, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Messrs. BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO on the preliminary announcement.

By order of the Board
Simplicity Holding Limited
Wong Suet Hing
Chairman and Executive Director

Hong Kong, 18 June 2019

As at the date of this announcement, the Board comprises Ms. Wong Suet Hing, Ms. Wong Sau Ting Peony, Mr. Wong Muk Fai Woody, Mr. Ma Sui Hong and Mr. Wong Chi Chiu Henry as executive Directors; Ms. Ng Yau Kuen Carmen, Mrs. Cheung Lau Lai Yin Becky and Mr. Yu Ronald Patrick Lup Man as independent non-executive Directors.