SIMPLICITY HOLDING LIMITED
倩碧控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8367)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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 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**" and together with its subsidiaries, the "**Group**" or "**We**") 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 the 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.

* *For identification purpose only*

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

THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2019

The unaudited condensed consolidated results of the Group for the three months and the nine months ended 31 December 2019, together with the unaudited comparative figures for the corresponding period in 2018, are as follows:

		Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
		2019	2018	**2019**	2018
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**30,439**	37,352	**89,569**	110,515
Other income	*4*	**394**	157	**466**	425
Other gains/(losses)	*5*	**328**	(138)	**(4,646)**	(138)
Raw materials and consumables used		**(8,440)**	(10,672)	**(24,412)**	(31,457)
Staff costs		**(13,770)**	(15,884)	**(41,555)**	(44,325)
Depreciation		**(7,326)**	(2,491)	**(21,501)**	(6,673)
Rental and related expenses		**(936)**	(7,578)	**(3,223)**	(21,095)
Utilities expenses		**(1,631)**	(1,888)	**(5,083)**	(5,667)
Other expenses		**(2,140)**	(2,801)	**(7,258)**	(8,680)
Finance costs	*6*	**(659)**	(117)	**(1,899)**	(336)
Share of loss in a joint venture		**(2,679)**	–	**(10,045)**	–
Loss before tax	*7*	**(6,420)**	(4,060)	**(29,587)**	(7,431)
Income tax expense	*8*	**–**	(188)	**–**	(957)
Loss and total comprehensive expense for the period		**(6,420)**	(4,248)	**(29,587)**	(8,388)
(Loss) profit and total comprehensive (expense) income for the period attributable to:					
– owners of the Company		**(6,395)**	(4,147)	**(29,470)**	(8,509)
– non-controlling interests		**(25)**	(101)	**(117)**	121
		(6,420)	(4,248)	**(29,587)**	(8,388)
Loss per share					
Basic *(HK cents)*	*10*	**(0.80)**	(0.52)	**(3.68)**	(1.06)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NINE MONTHS ENDED 31 DECEMBER 2019

	Attributable to owners of the Company						
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserves** *HK$'000*	**Accumulated profits/(losses)** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
As at 31 March 2018 (Audited)	8,000	81,662	(8,482)	1,442	82,622	949	83,571
(Loss) profit and total comprehensive (expense) income for the period	–	–	–	(8,509)	(8,509)	121	(8,388)
Acquisition of additional interests in subsidiaries	–	–	(68)	–	(68)	(282)	(350)
Acquisition of interest of a subsidiary	–	–	(313)	–	(313)	–	(313)
As at 31 December 2018 (Unaudited)	8,000	81,662	(8,863)	(7,067)	73,732	788	74,520
As at 31 March 2019 (Audited)	8,000	81,662	(8,669)	(14,645)	66,348	541	66,889
Loss and total comprehensive expense for the period	–	–	–	(29,470)	(29,470)	(117)	(29,587)
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	–	(376)	(376)
As at 31 December 2019 (Unaudited)	8,000	81,662	(8,669)	(44,115)	36,878	48	36,926

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (the "**Listing**") on 26 February 2018 (the "**Listing Date**"). The address 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 nephew of Ms. SH Wong.

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

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

2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**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 unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 are consistent with those adopted in the Group's audited annual report dated 18 June 2019 (the "**2019 Annual Report**"), except for the adoption of the new and revised HKFRSs (the "**New and Revised HKFRSs**") (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA that are adopted for the first time for the current period's financial statements.

(a) The Group has adopted the following new and revised HKFRSs for the first time for the financial period beginning on or after 1 April 2019:

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

The adoption of the New and Revised HKFRSs, except for HKFRS 16, did not have any significant financial impacts on the unaudited condensed 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 than 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's operating leases. 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 Group has performed an assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK$61.7 million and lease liabilities of HK$61.7 million were recognised at 1 April 2019.

Mandatory for financial years commencing on or after 1 April 2019, the Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(b) The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee agreed with the accounting principles and practices adopted by the Company.

3. REVENUE

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

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 ceased to operate since 30 June 2019

5. Malaysian cuisine – Operations of Malaysian cuisine restaurants under the brand of "HaHa Prawn Mee" and "Baba Nyonya" of which, "HaHa Prawn Mee" was ceased to operate since 30 June 2019

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

The following is an analysis of the Group's revenue by operating and reportable segments:

	Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Chinese cuisine	**11,958**	12,011	**33,613**	33,894
Western cuisine	**–**	4,916	**–**	15,084
Thai cuisine	**12,127**	14,704	**33,444**	47,892
Japanese cuisine	**–**	2,103	**809**	5,867
Malaysian cuisine	**6,354**	3,618	**21,703**	7,778
	30,439	37,352	**89,569**	110,515

4. OTHER INCOME

	Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other income				
Promotion income	**67**	18	**91**	80
Bank interest income	**–**	111	**20**	263
Others	**327**	28	**355**	82
	394	157	**466**	425

5. OTHER GAINS/(LOSSES)

	Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Gains/(losses) on disposal of fixed assets	**328**	(138)	**(4,646)**	(138)

6. FINANCE COSTS

	Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses on bank borrowings	**198**	117	**532**	336
Interest expenses on lease liabilities	**461**	–	**1,367**	–
	659	117	**1,899**	336

7. LOSS BEFORE TAX

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss before tax has been arrived at after charging:				
Staff costs (including director's emoluments):				
Salaries and other benefits	**13,200**	15,197	**39,776**	42,419
Contributions to retirement benefit scheme	**570**	687	**1,779**	1,906
	13,770	15,884	**41,555**	44,325
Auditor's remuneration	**235**	293	**705**	996
Amortisation of intangible asset (included in other expenses)	**17**	17	**51**	51
Gains/(losses) on disposal of items of property, plant and equipment *(Note 1)*	**328**	(138)	**(4,646)**	(138)
Operating lease payments in respect of rented premises:				
– minimum lease payments	**(10)**	6,183	**135**	17,114
– contingent rentals *(Note 2)*	**20**	114	**27**	408

Note:

(1) It mainly represents the remaining balance of the property, plant and equipment of Mongkok Beefst and Mongkok Haha Prawn Mee that were not fully depreciated upon the closure of these restaurants at the end of June 2019.

(2) The operating lease rentals for certain restaurants are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

8. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the nine months ended 31 December 2019 and 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

9. DIVIDENDS

The board of Directors (the "**Board**") does not recommend any payment of dividend in respect of the nine months ended 31 December 2019 (2018: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share (2018: basis loss per share) attributable to owners of the Company is based on the following data:

Losses

	Unaudited Three months ended 31 December		**Unaudited Nine months ended 31 December**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(6,395)**	(4,147)	**(29,470)**	(8,509)

Number of shares

	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**800,000**	800,000	**800,000**	800,000
Basic losses per share (HK cents)	**(0.80)**	(0.52)	**(3.68)**	(1.06)

The number of ordinary shares for the purpose of calculating basic loss per share for the nine months ended 31 December 2019 and 2018 has taken into account the capitalisation issue of 599,980,000 ordinary shares of the Company on 26 February 2018 as if it had been effective on 1 April 2017.

No diluted loss per share for the periods was presented as there were no potential ordinary shares in issue during the periods.

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 12 restaurants under 3 brands, namely "Marsino", "Baba Nyonya" and "Grand Avenue", and they are all situated across Hong Kong, Kowloon and the New Territories.

"Marsino" is a Chinese noodle specialist, "Grand Avenue" offers Thai cuisine, and "Baba Nyonya" offers Malaysian cuisine. Each of "Marsino", "Grand Avenue" and "Baba Nyonya" are founded and operated by our Group.

In November 2019, the Group has opened a new restaurant, namely Ngau Tau Kok Baba Nyonya which is serving Malaysian cuisine and it has been showing good performance since commencement of its business as it has less competition on offering similar cuisine in its proximity.

"Marsino" had recorded revenue of approximately HK$33.6 million during the nine months ended 31 December 2019, which is equivalent to 37.5% of our total revenue. As compared to the last corresponding period, "Marsino" has experienced a decrease in revenue by 0.8%.

"Grand Avenue" had recorded revenue of approximately HK$33.4 million during the nine months ended 31 December 2019, which is equivalent to 37.3% of our total revenue. As compared to the last corresponding period, "Grand Avenue" has experienced a decrease in revenue by 30.2% mainly due to the reduction of number of restaurants.

"Baba Nyonya" had recorded revenue of approximately HK$20.7 million during the nine months ended 31 December 2019, which is equivalent to 23.1% of our total revenue. As compared to the last corresponding period, "Baba Nyonya" has experienced an increase in revenue by 785.8% due to the expansion of number of restaurants under "Baba Nyonya" from 1 to 4.

"Beefst" had recorded revenue of approximately HK$0.8 million during the nine months ended 31 December 2019, which is equivalent to 0.9% of our total revenue. As compared to the last corresponding period, "Beefst" has experienced a decrease in revenue by 86.2% due to the closure of all "Beefst" restaurants.

"Haha Prawn Mee" had recorded revenue of approximately HK$1.0 million during the nine months ended 31 December 2019, which is equivalent to 1.2% of our total revenue. As compared to the last corresponding period, "Haha Prawn Mee" has experienced a decrease in revenue by 80.8% due to the closure of all "Haha Prawn Mee" restaurants.

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.

Announced on 18 April 2019, a wholly-owned subsidiary of our Group, together with three independent third parties, had entered into a joint venture agreement and a joint venture company (the "**JV Company**") was formed. This JV Company has been operating cold storage business starting from the end of April 2019.

During the period, the cold storage's business was slowed down due to the ongoing social unrest in Hong Kong, which had adversely affected the customer's spending sentiment as well as reducing the number of visitors traveling to Hong Kong. As a result, local consumption of frozen food products was decreased which led to the demand for the cold storage facilities were also affected. In response to the challenging business, the JV Company has been expanding its customer base by introducing the dry storage area which allows us to accept dried products in additional to the frozen products from our customers. Moreover, the JV Company is negotiating a flexible rental payment schedule with its landlord as well as reducing its labor cost by streamlining the business workflow.

Although there is no sign that the social unrest is going to end any time soon, we are still optimistic as to the prospect of the JV Company as given the fact that there are limited numbers of sizable cold storage operator in Hong Kong. In addition, as approved by Trade and Industry Department recently, the JV Company has been registered as a rice stockholder, which allows us to store rice for our customers, and this create an additional source of income for us as there is significant demand for rice in Hong Kong.

FUTURE PROSPECTS

In view of the recent economic downturn accompanied by the social unrest and the outbreak of novel coronavirus in Hong Kong, the Group will adopt a conservative and cautious approach on operating our business. The Group noted that the food and beverage industry is facing a very challenging business environment including a slowdown in economic growth in Hong Kong, consumption sentiments are weaken, reduction in number of visitors also affected the total consumptions in our restaurants, coped with the uncertainties of the China-US trade war and shortening of opening hours of shopping malls where our restaurants are located, the total effects are very challenging to our business. On the other hand, the staff costs and food costs are remained relatively high despite of the recent economic downturn, therefore the Group is facing pressure on striking the balance between cost control without sacrificing the qualities of our food and services. Another major cost component for our Group is the rental expenses, and we have been negotiating with our landlords for rent concessions as some of our restaurants could not open due to the ongoing protests and the reduced number of visitors as overshadowed by the outbreak of the novel coronavirus.

To address the current weakness in customer sentiment and unpredictable market conditions, the Group will strengthen its promotional efforts to maintain the Group's competitiveness, including selling seasonal food products like the moon cake, Chinese New Year cakes and canned abalone, co-operating with a supplier to offer popular household products like the stainless thermal bottles and kettles, as well as launching of new promotional menus regularly.

Looking ahead, the Group will constantly adjust the business strategies in response to the ever-changing economy and the food and beverage industry, we will also closely monitor and evaluate the performance of each of our restaurants and take a proactive approach such as cost control, to reduce the possible adverse impact brought by the underperformed restaurants to the Group.

FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2019, the Group recorded revenue of approximately HK$89.6 million (nine months ended 31 December 2018: approximately HK$110.5 million), representing a decrease 19.0% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to (i) the closure of our four restaurants, namely Shatin La Dolce, Tsuen Wan Grand Avenue, Mongkok Beefst and Mongkok Haha Prawn Mee, as well as the renovation of Ngau Tau Kok Marsino which had suspended its business for 2 months, and (ii) the weak consumer's spending sentiment caused by the social unrest in Hong Kong since late June 2019. However, this negative effect was partially offset by the opening of our two new restaurants, namely Chai Wan Marsino and Ngau Tau Kok Baba Nyonya, as well as rebranding of Ma On Shan Beefst and Ma On Shan Haha Prawn Mee to Ma On Shan Baba Nyonya which has improved its sales performance after rebranding.

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$31.5 million and HK$24.4 million for each of the nine months ended 31 December 2018 and 2019, respectively, representing approximately 28.5% and 27.3% of the Group's total revenue for the corresponding periods. Our management has been very conscious in striking the balance between food cost and food quality. Despite the rising costs of raw materials which has adversely affected the profitability of the food and beverage industry, the Group has steadily improved its food cost through adopting a variety of planning, monitoring and evaluation techniques, such as comparing different prices between suppliers, finding alternative but less expensive food ingredients without sacrificing the quality, performing food cost calculations, evaluating menu planning, and reducing waste and theft.

Staff costs

Staff costs was approximately HK$41.6 million for the nine months ended 31 December 2019, representing a decrease of approximately 6.2% as compared to approximately HK$44.3 million for the nine months ended 31 December 2018. Such decrease was mainly due to the closure of our four restaurants but the effect was partially offset by the opening of our two new restaurants and the salary increment for employees of each restaurant.

Depreciation

Depreciation was approximately HK$21.5 million and HK$6.7 million for the nine months ended 31 December 2019 and 2018, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, kitchen and other equipment. The increase in such expense was mainly due to the implementation of HKFRS 16 – Leases which has required the Group to recognise the right-of-use assets for our leases and depreciated it over the lease terms.

Rental and related expenses

The rental expenses for the nine months ended 31 December 2019 amounted to approximately HK$3.2 million, representing a decrease of approximately 84.7% as compared with that of the nine months ended 31 December 2018 which amounted to approximately HK$21.1 million. Such decrease was mainly due to the classification of rental expenses as depreciation of right-of-use assets and expenses from short-term leases under HKFRS 16.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the nine months ended 31 December 2019 and 2018, the total utility amounted to approximately HK$5.1 million and HK$5.7 million, respectively.

Other expenses

The Group's other expenses decreased by approximately 16.4% from approximately HK$8.7 million for the nine months ended 31 December 2018 to approximately HK$7.3 million for the nine months ended 31 December 2019. Such decrease was mainly due to the decrease in audit fees, cleaning expenses, insurance expenses, bank charges, licence fees, legal and professional fees and so on.

Loss attributable to owners of the Company

For the nine months ended 31 December 2019, the Group recorded a loss attributable to owners of the Company of approximately HK$29.5 million, as compared to the loss of approximately HK$8.5 million for the nine months ended 31 December 2018. The loss for the nine months ended 31 December 2019 was mainly attributable to the decrease in revenues for the numbers of our restaurants, partly because of the social instabilities beginning in June which has been affecting the customers' sentiment in dining at our restaurants. In some cases, our restaurants were forced to close earlier as the protests were happened in the proximity of our restaurants. Another reason was the staff costs were remained high even our revenues were dropped, as it is always a challenge for the restaurant operators in Hong Kong to find and retain people to work for your restaurants. The third major reason was the high rental prices charged by the landlords, given the current situation in Hong Kong, we are trying our best effort to discuss with our landlords for rent concession, as this could help us to save our operating costs.

Dividend

The Board does not recommend any payment of dividend for the nine months ended 31 December 2019 (2018: Nil).

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**").

On 18 April 2019, the Board resolved to change the use of the IPO Proceeds. Details of the original allocation of the IPO Proceeds, the revised allocation of the IPO Proceeds, the utilisation of the IPO Proceeds up to 18 April 2019 and the remaining unutilised balance after the revised allocation of the IPO Proceeds were set out in the announcement of the Company dated 18 April 2019 (the "**18 April 2019 Announcement**").

	Revised allocation of IPO Proceeds (as disclosed in the 18 April 2019 Announcement *HK$'000*	**Utilised IPO Proceeds up to 31 December 2019** *HK$'000*	**Unutilised IPO Proceeds up to 31 December 2019** *HK$'000*
Opening of one new Marsino Restaurant	4,400	4,400	–
Opening of 4 new Japanese ramen restaurants	10,060	10,060	–
Expansion of central kitchen storage facilities	1,543	1,543	–
Upgrade of computer system	1,300	1,246	54
Marketing and promotional activities	1,000	595	405
General working capital	500	500	–
Opening of one new Malay cuisine restaurant	4,400	2,612	1,788
Capital contribution to JV Company	9,397	9,397	–
	32,600	30,353	2,247

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.

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 December 2019, the Group's outstanding capital commitments were approximately HK$0.4 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of fixed assets raised from the newly opened restaurants.

CONTINGENT LIABILITIES

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

OTHER INFORMATION

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 nine-month ended 31 December 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the date of this announcement, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/nature	No. of shares held in the associated corporation	% of shareholding in the associated corporation
Ms. SH Wong	MJL	Beneficial interest	620	31.0%
Ms. ST Wong	MJL	Beneficial interest	374	18.7%
Mr. SH Ma	MJL	Beneficial interest	86	4.3%
Mr. Wong Muk Fai Woody ("**Mr. MF Wong**") *(Note)*	MJL	Interest of spouse	620	31.0%

Note: By virtue of being the spouse of Ms. LF Chow, Mr. MF Wong is deemed to be interested in Ms. LF Chow's shareholding in MJL.

Saved as disclose above, as at 31 December 2019, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares of the Company

Name	Capacity/nature	No. of shares held	Approximate % of shareholding
MJL *(Note 1)*	Beneficial Interest	540,000,000	67.5%
Charm Dragon Investments Limited *(Note 2)*	Beneficial Interest	60,000,000	7.5%
Mr. Cheung Wai Yin Wilson *(Note 2)*	Interest in controlled corporation	60,000,000	7.5%
Ms. Lam Ka Wai *(Note 2)*	Interest of spouse	60,000,000	7.5%

Notes:

(1) MJL is owned as to (i) 31.0% by Ms. SH Wong; (ii) 31.0% by Ms. LF Chow; (iii) 18.7% by Ms. ST Wong; (iv) 15.0% by Ms. SC Wong; and (v) 4.3% by Mr. SH Ma. Ms. SH Wong and Ms. ST Wong being our executive Directors, are also directors of MJL.

(2) Charm Dragon Investments Limited is 100% owned by Mr. Cheung Wai Yin Wilson, as such, he is deemed under the SFO to be interested in all the shares in which Charm Dragon Investments Limited is interested. By virtue of being the spouse of Mr. Cheung Wai Yin Wilson, Ms. Lam Ka Wai is deemed to be interested in all the shares in which Mr. Cheung Wai Yin Wilson is interested pursuant to the SFO.

Long positions in other members of our Group

Name	Name of member of our Group	Capacity/nature	No. of shares held	Approximate % of shareholding
Mr. Yau Wai Leung	All Happiness Limited	Beneficial interest	1,000	10%
Ms. Yim Wan Wing	Glory Fine Corporation Limited	Beneficial interest	20	20%
Ms. Ng Siu Ying Christina	Glory Fine Corporation Limited	Beneficial interest	20	20%

Save as disclosed above, as at 31 December 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

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 period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the nine months ended 31 December 2019, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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.

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 nine months ended 31 December 2019.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented participants to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of our Group and allow the participants to enjoy the results of our Company attained through their efforts and contributions.

Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Other Information – 1. Share Option Scheme" in Appendix V of the Prospectus.

For the nine months ended 31 December 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance by emphasising transparency, accountability, fairness and responsibility. The Company has adopted the Corporate Governance Code (the "**Code**") as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the Code during the nine months ended 31 December 2019 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an Audit Committee on 29 January 2018 with written terms of reference setting out the authorities and duties of the Audit Committee. The primary duties of the Audit Committee are mainly to:

- Make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor

- Review the adequacy of the Group's policies and systems regarding risk management and internal controls

- Review the financial reporting principles and practices applied by the Group in preparing its financial statements

- Before audit commencement, review external auditor's independence, objectivity, effectiveness of the audit process and the scope of the external audit, including the engagement letter

- Monitor integrity of the Group's financial statements and the annual, quarterly and interim financial reports, and review significant financial reporting judgements contained in them prior to approval by the Board

Currently, the Audit Committee comprises three INEDs as follows:

Ms. Ng Yau Kuen Carmen *(Chairlady)*
Mr. Yu Ronald Patrick Lup Man
Mrs. Cheung Lau Lai Yin Becky

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

By Order of the Board
SIMPLICITY HOLDING LIMITED
Wong Suet Hing
Chairlady and Executive Director

Hong Kong, 7 February 2020

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; and Ms. Ng Yau Kuen Carmen, Mrs. Cheung Lau Lai Yin Becky and Mr. Yu Ronald Patrick Lup Man as independent non-executive Directors.