倩碧控股有限公司
Simplicity Holding Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8367

FIRST QUARTERLY REPORT 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.

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*This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

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

THREE MONTHS ENDED 30 JUNE 2019

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018, are as follows:

		For the three months ended 30 June	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**31,897**	34,874
Other income	*4*	**44**	118
Other losses	*5*	**(4,857)**	–
Raw materials and consumables used		**(8,468)**	(9,757)
Staff costs		**(14,969)**	(13,307)
Depreciation		**(7,225)**	(1,953)
Rental and related expenses		**(1,434)**	(6,370)
Utilities expenses		**(1,703)**	(1,765)
Other expenses		**(2,722)**	(2,691)
Finance costs	*6*	**(599)**	(98)
Share of loss in a joint venture		**(4,729)**	–
Loss before tax	*7*	**(14,765)**	(949)
Income tax expense	*8*	**–**	(402)
Loss and total comprehensive expense for the period		**(14,765)**	(1,351)
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
– owners of the Company		**(14,719)**	(1,436)
– non-controlling interests		**(46)**	85
		(14,765)	(1,351)
Loss per share			
Basic *(HK cents)*	*10*	**(1.84)**	(0.18)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THREE MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Other reserves**	**Accumulated profits/(loss)**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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	–	–	–	(1,436)	(1,436)	85	(1,351)
As at 30 June 2018 (Unaudited)	8,000	81,662	(8,482)	6	81,186	1,034	82,220
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	–	–	–	(14,719)	(14,719)	(46)	(14,765)
As at 30 June 2019 (Unaudited)	8,000	81,662	(8,669)	(29,364)	51,629	495	52,124

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 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 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 three months ended 30 June 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 three months ended 30 June 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 three months ended 30 June 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.

2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES *(Continued)*

(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 consolidation 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.

2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES *(Continued)*

(a) *(Continued)*

HKFRS 16 – Leases *(Continued)*

The standard will affect primarily the accounting for the Group 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$50.6 million and lease liabilities of HK$50.6 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 three months ended 30 June 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 consolidated financial statements for the three months ended 30 June 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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" in which "Haha Prawn Mee" was ceased to operate since 30 June 2019.

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

	Unaudited Three months ended 30 June	
	2019 ***HK$'000***	2018 *HK$'000*
Chinese cuisine	**11,305**	11,310
Western cuisine	**–**	5,140
Thai cuisine	**11,405**	16,710
Japanese cuisine	**809**	714
Malaysian cuisine	**8,378**	1,000
	31,897	34,874

4. OTHER INCOME

	Unaudited Three months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Other income		
Promotion income	**10**	30
Bank interest income	**19**	62
Others	**15**	26
	44	118

5. OTHER LOSSES

	Unaudited Three months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss on disposal of fixed assets	**4,857**	–

6. FINANCE COSTS

	Unaudited Three months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**152**	98
Interest expenses on lease liabilities	**447**	–
	599	98

7. LOSS BEFORE TAX

	Unaudited Three months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs (including Directors' emoluments):		
Salaries and other benefits	**14,330**	12,751
Contributions to retirement benefit scheme	**639**	556
	14,969	13,307
Auditor's remuneration	**219**	288
Amortisation of intangible asset (included in other expenses)	**24**	18
Loss on disposal of items of property, plant and equipment *(Note 1)*	**4,857**	–
Operating lease payments in respect of rented premises:		
– minimum lease payments	**–**	5,293
– contingent rentals *(Note 2)*	**2**	158

Notes:

(1) It mainly represents the remaining balances 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 three months ended 30 June 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 three months ended 30 June 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 30 June	
	2019 ***HK$'000***	2018 *HK$'000*
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(14,719)**	(1,436)

Number of shares

	30 June 2019 ***'000***	30 June 2018 *'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**800,000**	800,000

The weighted average number of ordinary shares for the purpose of basic loss per share for the three months ended 30 June 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 were presented as there were no potential ordinary shares in issue during the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a casual dining full service restaurant operator and up to the date of this report, we are operating 11 restaurants under 3 brands, namely "Marsino", "Baba Nyonya" and "Grand Avenue", and they are all situated across Hong Kong, Kowloon and the New Territories.

During the period, our Group has closed down three restaurants, namely Tsuen Wan Grand Avenue due to the expiry of its lease term, Mongkok Beefst and Mongkok Haha Prawn Mee due to their unsatisfactory performance.

"Marsino" had recorded revenue of approximately HK$11.3 million during the three months ended 30 June 2019, which is equivalent to 35.4% of our total revenue. As compared to the last corresponding period, its revenue remained relatively stable.

"Grand Avenue" had recorded revenue of approximately HK$11.4 million during the three months ended 30 June 2019, which is equivalent to 35.8% of our total revenue. As compared to the last corresponding period, "Grand Avenue" has experienced a decrease in revenue by 31.7%.

"Baba Nyonya" had recorded revenue of approximately HK$7.3 million during the three months ended 30 June 2019, which is equivalent to 23.0% of our total revenue. As "Baba Nyonya" was newly started in August 2018, there was no corresponding period in 2018.

"Beefst" had recorded revenue of approximately HK$0.8 million during the three months ended 30 June 2019, which is equivalent to 2.5% of our total revenue. As compared to the last corresponding period, "Beefst" has experienced an increase in revenue by 13.3%.

"Haha Prawn Mee" had recorded revenue of approximately HK$1.0 million during the three months ended 30 June 2019, which is equivalent to 3.3% of our total revenue. As compared to the last corresponding period, "Haha Prawn Mee" has experienced an increase in revenue by 4.7%.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. We are optimistic as to the prospect of the JV Company as it is evidenced by the growing number of customers and the growing volume of the transactions being handled by the JV Company during the period, despite the fact that some of our cold storage space has not been fully utilised as additional resources such as labour and forklift trucks are not put in place yet, as well as some repair and maintenance works have to be done before we can accept more customers' orders. We anticipate that the above issues could be solved in the second quarter of this financial year.

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.

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

1. Expand the restaurant network – the Group has secured a place in Ngau Tau Kok and expecting to open a new restaurant under the brand of "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 forecast for the relevant restaurants to determine whether it should exercise the relevant renewal option. During the period and up to the date of this report, the Group has successfully renewed a tenancy agreement for our two restaurants located at Tiu Keng Leng, namely Tiu Keng Leng Marsino and Tiu Keng Leng Grand Avenue, where they jointly share the premises under a single tenancy agreement.

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 completely redesigned. The restaurant menu was also redesigned to include new elements such as Taiwanese beef noodle and Taiwanese drinks 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 develop its rebranding strategy.

4. Closure of unprofitable restaurants – during the period, the Group has closed three restaurants, and among two of them, namely Mongkok Beefst and Mongkok Haha Prawn Mee, was due to their unsatisfactory performance. The Group would only consider to take this approach if there is no other way which could save the businesses of the unprofitable restaurants, as closing restaurants would usually incur considerable costs such as loss on disposal of fixed assets.

5. Brand switching – the Group is hoping by replacing the underperforming brand by another brand, it could attract more customers to visit our restaurants. An example was that our Group had switched the brand from Ma On Shan Beefst and Ma On Shan Haha Prawn Mee to become a single brand Ma On Shan Baba Nyonya, this is proven successful as its daily sales revenue has been increased by approximately 30% after rebranding.

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 as 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.

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.

FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2019, the Group recorded revenue of approximately HK$31.9 million (three months ended 30 June 2018: approximately HK$34.9 million), representing a decrease 8.5% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to the closure of Shatin La Dolce, Tseung Kwan O La Dolce and Tsuen Wan Grand Avenue, while the effect was partially offset by the opening of Chai Wan Marsino and Mongkok Baba Nyonya. In addition, during the period, Tseung Kwan O Grand Avenue and Tseung Kwan O Baba Nyonya had undergone a renovation and as a result, these two restaurants had suffered a temporarily suspension of business until the renovation was completed on 18 April 2019.

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$9.8 million and HK$8.5 million for each of the three months ended 30 June 2018 and 2019, respectively, representing approximately 28.0% and 26.5% 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$15.0 million for the three months ended 30 June 2019, representing an increase of approximately 12.5% as compared to approximately HK$13.3 million for the three months ended 30 June 2018. Such increase was mainly due to increase in number of staffs as the number of restaurants operated by the Group during this period is more than the number of restaurants operated by the Group in the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

The Group's other expenses remained relatively stable from approximately HK$2.7 million for the three months ended 30 June 2018 to approximately HK$2.7 million for the three months ended 30 June 2019.

Loss attributable to owners of the Company

For the three months ended 30 June 2019, the Group recorded a loss attributable to owners of the Company of approximately HK$14.8 million, as compared to loss of approximately HK$1.4 million for the three months ended 30 June 2018. The loss for the three months ended 30 June 2019 was mainly attributable to the decrease in revenue amounted to approximately HK$3.0 million, the loss on disposal of fixed assets for Mongkok Beefst and Mongkok Haha Prawn Mee amounted to approximately HK$4.9 million, the share of loss in a joint venture amounted to approximately HK$4.7 million and the increase in staff costs amounted to approximately HK$1.7 million.

DIVIDEND

The Board does not recommend any payment of dividend for the three months ended 30 June 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**").

The use of IPO Proceeds from the Listing Date to 30 June 2019 is set forth below:

	Revised allocation of IPO Proceeds (as disclosed in the 18 April 2019 Announcement) *HK$'000*	Utilisation up to 30 June 2019 *HK$'000*	Unutilised balances up to 30 June 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	1,131	169
Marketing and promotional initiatives	1,000	427	573
General working capital	500	500	–
Opening of one new Malay cuisine restaurant	4,400	–	4,400
Capital contribution to Joint Venture Company	9,397	9,397	–
	32,600	27,458	5,142

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 30 June 2019, the Group's outstanding capital commitments were approximately HK$0.06 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 30 June 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 three-month ended 30 June 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 report, 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 position 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 shareholding in MJL.

OTHER INFORMATION

Save as disclosed above, as at 30 June 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 30 June 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 Ying	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 30 June 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.

OTHER INFORMATION

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 three months ended 30 June 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 three months ended 30 June 2019.

OTHER INFORMATION

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 three months ended 30 June 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 three months ended 30 June 2019 and up to the date of this report.

AUDIT COMMITTEE

The Company has established an audit committee (the "**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 independent non-executive Directors 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 three months ended 30 June 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 three months ended 30 June 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, 8 August 2019

As at the date of this report, 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.