

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

2023



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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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	3
Unaudited Condensed Consolidated Statement of Changes in Equity	4
Notes to the Unaudited Condensed Consolidated Financial Statements	5
Management Discussion and Analysis	11
Other Information	18

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

THREE MONTHS ENDED 30 JUNE 2023

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2023, together with the unaudited comparative figures for the corresponding period in 2022, are as follows:

		Unaudited Three months ended 30 June	
	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	3	27,662	15,283
Other income	4	31	341
Other gains and losses, net	5	(603)	–
Raw materials and consumables used		(11,833)	(5,941)
Staff costs		(9,298)	(6,670)
Depreciation		(3,694)	(3,471)
Rental and related expenses		(728)	(769)
Utilities expenses		(855)	(806)
Other expenses		(3,621)	(7,265)
Finance costs	6	(281)	(203)
Loss before tax	7	(3,220)	(9,501)
Income tax expense	8	(202)	–
Loss for the period		<u>(3,422)</u>	<u>(9,501)</u>
Loss for the period attributable to:			
– owners of the Company		(3,422)	(9,501)
– non-controlling interests		–	–
		<u>(3,422)</u>	<u>(9,501)</u>
Loss for the period		(3,422)	(9,501)
Other comprehensive expenses:			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		–	(98)
		<u>(3,422)</u>	<u>(9,599)</u>
Total comprehensive expense for the period attributable to:			
– owners of the Company		(3,422)	(9,599)
– non-controlling interests		–	–
		<u>(3,422)</u>	<u>(9,599)</u>
Loss per share			
Basic (HK cents)	10	<u>(0.36)</u>	<u>(0.99)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THREE MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company								
	Share capital	Share premium	Share-based payment		Foreign currency		Accumulated losses	Non-controlling interests	Total equity
			reserve	Other reserves	translation reserve	Total			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 31 March 2022									
(Audited)	9,600	88,381	-	(8,669)	24	(46,512)	42,824	(33)	42,791
Loss and total comprehensive expense for the period	-	-	-	-	(98)	(4,951)	(5,049)	-	(5,049)
Recognition of equity-settled share-based payment	-	-	(4,550)	-	-	-	(4,550)	-	(4,550)
As at 30 June 2022									
(Unaudited)	<u>9,600</u>	<u>88,381</u>	<u>(4,550)</u>	<u>(8,669)</u>	<u>(74)</u>	<u>(51,463)</u>	<u>33,225</u>	<u>(33)</u>	<u>33,192</u>
As at 31 March 2023									
(Audited)	9,600	88,381	4,600	(8,669)	-	(78,453)	15,459	(33)	15,426
Loss and total comprehensive expense for the period	-	-	-	-	-	(3,422)	(3,422)	-	(3,422)
As at 30 June 2023									
(Unaudited)	<u>9,600</u>	<u>88,381</u>	<u>4,600</u>	<u>(8,669)</u>	<u>-</u>	<u>(81,875)</u>	<u>12,037</u>	<u>(33)</u>	<u>12,004</u>

Share-based payment reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share-based payment reserve.

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 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations, sales of food ingredients and beverage and aircraft's engine stand repairing and maintenance services.

2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 June 2023 (the "**Financial Information**") have been prepared in accordance with accounting principles generally accepted in Hong Kong and complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the Financial Information 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 Financial Information are the same as those followed in the Group's audited annual report dated 29 June 2023, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The adoption of the New and Revised HKFRSs has had no material effect on the Financial Information and there have been no significant changes to the accounting policies applied in the Financial Information.

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2023.

The Financial Information should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2023.

The Financial Information 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 AND SEGMENT INFORMATION

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 and the type of services provided by the Group.

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. Thai cuisine — Operations of Thai cuisine restaurants under the brand of "Grand Avenue".
3. Malaysian cuisine — Operations of Malaysian cuisine restaurants under the brands of "Baba Nyonya".
4. Sale of food ingredients and beverage — Sale of noodles and wines to external third parties.
5. Aircraft's engine stand repairing and maintenance services.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 30 June	
	2023	2022
	HK\$'000	HK\$'000
Chinese cuisine	5,465	5,293
Thai cuisine	4,077	3,748
Malaysian cuisine	5,865	4,806
Sale of food ingredients and beverage	786	1,436
Aircraft's engine stand repairing and maintenance	11,469	–
	<u>27,662</u>	<u>15,283</u>

4. OTHER INCOME

	Unaudited	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Other income		
Promotion income	3	3
Bank interest income	4	–
Subsidies income	–	300
Others	24	38
	<u>31</u>	<u>341</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. OTHER GAINS AND LOSSES, NET

	Unaudited Three months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Fair value loss on financial assets at FVTPL	603	–
Others	–	–
	<u>603</u>	<u>–</u>

6. FINANCE COSTS

	Unaudited Three months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interest expenses on bank borrowings	39	–
Interest expenses on lease liabilities	242	203
	<u>281</u>	<u>203</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. LOSS BEFORE TAX

	Unaudited	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Loss before tax have been arrived at after charging:		
Staff costs (including director's emoluments):		
Salaries and other benefits	8,901	6,387
Contributions to retirement benefit scheme	397	283
	9,298	6,670
Share-based payment	–	4,550
Operating lease payments in respect of rented premises:		
– minimum lease payments	322	282
– contingent rentals (<i>Note</i>)	8	10

Note:

The lease payments 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

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 three months ended 30 June 2023.

No provision was made for Hong Kong Profits Tax and Enterprise Income Tax as there was no assessable profit for the three months period ended 30 June 2022.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of a qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2 million will continue to be taxed at 16.5%. For the three months period ended 30 June 2023 and 2022, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. DIVIDENDS

The board of Directors (the "Board") does not recommend any payment of dividend in respect of the three months ended 30 June 2023 (2022: Nil).

10. LOSS PER SHARE

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

	Unaudited	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	3,422	9,501
	30 June 2023	30 June 2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	960,000	960,000

For the purpose of basic loss per share for the period ended 30 June 2023, ordinary shares are equity instruments that are subordinate to all other classes of equity instruments of the Company. The Consideration Shares of 190,839,695 shares of the Company that were issued as consideration for the acquisition of High Smart during the year ended 31 March 2023 are not equity instruments and are classified as financial liabilities at fair value through profit or loss and hence are not included in the weighted average number of ordinary shares for the purpose of basic loss per share. The computation of diluted loss per share for the period ended 30 June 2023 did not assume the exercise of the Company's outstanding share option and did not adjust for the effects of the Consideration Share since these potential ordinary shares are anti-dilutive and would result in a decrease in loss per share.

Therefore, the diluted loss per share is the same as the basic loss per share for the period ended 30 June 2023.

The computation of diluted loss per share for the three months ended 30 June 2022 did not assume the exercise of the Company's outstanding share options since it would result in a decrease in loss per share. Therefore, the diluted loss per share is the same as the basic loss per share for the three months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

For the business of catering:

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 3 August 2023, the value of total receipts of the restaurants sector in the second quarter of 2023, provisionally estimated at HK\$27.4 billion, increased by 24.3% over a year earlier. Over the same period, the provisional estimate of the value of total purchases by restaurants increased by 19.5% to HK\$8.8 billion.

Analysed by type of restaurant and comparing the second quarter of 2023 with the second quarter of 2022, total receipts of Chinese restaurants increased by 29.2% in value and 24.4% in volume. Total receipts of non-Chinese restaurants increased by 20.5% in value and 15.9% in volume. Total receipts of fast food shops increased by 19.3% in value and 14.1% in volume. Total receipts of bars increased by 122.7% in value and 110.8% in volume. As for miscellaneous eating and drinking places, total receipts increased by 21.4% in value and 17.1% in volume.

A Government spokesman said that business of restaurants continued to improve in the second quarter of 2023. The value of total restaurant receipts increased visibly by 24.3% over a year ago, and was 2.7% higher than the preceding quarter after seasonal adjustment.

Looking ahead, business of restaurants should continue to improve in the near term. Visitor arrivals are expected to increase further along with the recovery of transportation and handling capacity. The improving labour market and the disbursement of the second instalment of consumption vouchers will provide support to local consumption.

Although the industry of catering business is getting better, the Group will continue to monitor the developments closely and will be cautious in running our business.

MANAGEMENT DISCUSSION AND ANALYSIS

For the business of engineering:

According to the data released by the Census and statistics Department of the Government of Hong Kong on 12 June 2023, the total gross value of construction works (GVCW) performed by main contractors in the first quarter of 2023 increased by 7.4% in nominal terms over a year earlier to \$62.6 billion. After discounting the effect of price changes, the provisional results showed that the total GVCW performed by main contractors increased by 8.7% in real terms over the same period. Analysed by type of construction works, the GVCW performed at private sector sites totalled \$17.0 billion in the first quarter of 2023, up by 18.2% in nominal terms over a year earlier. In real terms, it increased by 17.9%.

Although the industry of construction is getting better, the Group will continue to monitor the development of new business closely and will be cautious in running our business.

PROSPECTS

For the business of catering, the outbreak of the COVID-19 pandemic posed substantial drags to the food and beverage services in recent years. The decline in business receipts for food and beverage services in 2022 was mainly due to the local epidemic situation causing disruptions to the business of restaurants during certain periods in 2022. However, the multiple rounds of relaxation of quarantine arrangement for inbound travellers during 2022 were implemented by Hong Kong's Government that the catering business in Hong Kong will be getting better in the coming future.

For the business of engineering, the Group expect the jobs of aircraft engine stand repair will be stable and continue to be increased.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is committed to strengthen our core capabilities to keep on improving its business performance and operating results so as to cope with these challenges and to present satisfactory results and bring favourable returns to our shareholders. In view of the challenges faced by the Group, we will adopt a conservative and cautious approach to operate our businesses. Actions we have taken or are likely to take are:

- 1) Minimising our staff costs by reducing the usage of staff in our restaurants;
- 2) Negotiating with our landlords for rent concession;
- 3) Negotiating with our suppliers for purchase discounts and longer payment terms;
- 4) Expanding the take-away product line such as food pack and ready-to-eat products and increasing marketing efforts and sales stimulating measures;
- 5) Cooperating with food delivery companies to deliver our food to the customers;
- 6) Participating in food fairs to promote our take-away product lines;
- 7) Supplying food materials to a chain of restaurants in Hong Kong;
- 8) Opening new restaurants at lower costs; and
- 9) Refining business strategies to cope with the continuing challenges.

To cope with the impact of tough conditions in 2022, the Group has expanded new business in Hong Kong in 2023. In order to enhance and diversify the Group's business prospect, the Group has completed the acquisition of business of engineering company that the Group is able to provide aircraft engine stand repair and maintenance services in Hong Kong for the year ended 31 March 2023. Its major customers include airlines, aircraft engine manufacturers and aircraft engineering companies. For the new business, the Group expect the jobs of aircraft engine stand repair will be stable and continue to be increased due to (i) the industry of construction is getting better, (ii) the multiple rounds of relaxation of quarantine arrangement for inbound travellers during 2022 implemented by Hong Kong's government that expecting air passenger trips increased visibly and (iii) the estimated number of aircraft landings and take-offs will be increased in Hong Kong in 2023.

In the long run, the Group aims at extending its food and beverage business as well as the business of engineering — aircraft engine stand repair and maintenance services to enhance values to our shareholders. The Board considers that these strategic initiatives will enable the Group to broaden its income streams and asset base, thus contributing to future development and growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We are a casual dining full service restaurant operator and up to the date of this report, we are operating 7 restaurants under 3 brands, namely “Marsino”, “Baba Nyonya” and “Grand Avenue”, and they are all situated across Hong Kong, Kowloon and the New Territories. Among these 7 restaurants, 6 of them are operated by our own whereas 1 of them is operated by a franchisee.

“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 except for one of “Baba Nyonya” is operated by a franchisee.

“Marsino” had recorded revenue of approximately HK\$5.5 million during the three months ended 30 June 2023, which is equivalent to 19.8% of our total revenue. As compared to the last corresponding period, “Marsino” has experienced an increase in revenue by 3.2% mainly due to the negative impacts brought by the COVID-19 in 2022.

“Grand Avenue” had recorded revenue of approximately HK\$4.1 million during the three months ended 30 June 2023, which is equivalent to 14.7% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced an increase in revenue by 8.8% due to the negative impacts brought by the COVID-19 in 2022.

“Baba Nyonya” had recorded revenue of approximately HK\$5.9 million during the three months ended 30 June 2023, which is equivalent to 21.2% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced an increase in revenue by 22.0% due to the negative impacts brought by the COVID-19 in 2022.

In addition to the above restaurants, our Group also 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.

The segment of “Sale of food ingredients and beverage” had recorded revenue of approximately HK\$0.8 million during the three months ended 30 June 2023, which is equivalent to 2.8% of our total revenue. As compared to the last corresponding period, the segment of “Sale of food ingredients and beverage” has experienced an decrease in revenue by 45.3% due to the sales made less compared to last corresponding period.

The segment of income of aircraft engine stand repair and maintenance services had recorded revenue of approximately HK\$11.5 million during the three months ended 30 June 2023, which is equivalent 41.5% of our total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2023, the Group recorded revenue of approximately HK\$27.7 million (three months ended 30 June 2022: approximately HK\$15.3 million), representing an increase of 81.0% compared with the same period of the previous financial year. The increase in revenue was primarily attributed to the new business of aircraft's engine stand repairing and maintenance.

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 and the cost of aircraft's engine stand repairing and maintenance. 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\$11.8 million and HK\$5.9 million for each of the three months ended 30 June 2023 and 2022, respectively, representing approximately 42.8% and 38.9% of the Group's total revenue for the corresponding periods. Such increase was mainly contributed by the new business of aircraft's engine stand repairing and maintenance as well as increase in higher food costs.

Staff costs

Staff costs was approximately HK\$9.3 million for the three months ended 30 June 2023, representing an increase of approximately 38.8% as compared to approximately HK\$6.7 million for the three months ended 30 June 2022. Such increase was mainly due to the new business of aircraft's engine stand repairing and maintenance as well as the higher labour costs.

Depreciation

Depreciation expenses were approximately HK\$3.7 million and HK\$3.5 million for each of the three months ended 30 June 2023 and 2022, respectively, representing approximately 13.4% and 22.9% of the Group's total revenue for the corresponding periods. Such increase was mainly due to the new business of aircraft's engine stand repairing and maintenance.

MANAGEMENT DISCUSSION AND ANALYSIS

Rental and related expenses

Rental expenses remained stable and recorded approximately HK\$0.7 million and HK\$0.8 million for each of the three months ended 30 June 2023 and 2022, respectively.

Utility expenses

Utility expenses remained stable and primarily consist of electricity, gas and water supplies of the Group. For the three months ended 30 June 2023 and 2022, the total utility expenses amounted to approximately HK\$0.9 million and HK\$0.8 million, respectively.

Other expenses

The Group's other expenses decreased by approximately 50.7% from approximately HK\$7.3 million for the three months ended 30 June 2022 to approximately HK\$3.6 million for the three months ended 30 June 2023. Such decrease was mainly due to decrease in share-based payment.

Finance costs

Finance costs of the Group increased from approximately HK\$0.2 million for the three months ended 30 June 2022 to approximately HK\$0.3 million for the three months ended 30 June 2023 due to the increased of the bank borrowing costs and interest expenses on lease liabilities.

Loss attributable to owners of the Company

For the three months ended 30 June 2023, the Group recorded loss attributable to owners of the Company of approximately HK\$3.4 million, as compared to the loss of approximately HK\$9.5 million for the three months ended 30 June 2022. The Board considered that the decreased in loss was mainly attributable to the decreased of share-based payment.

Dividend

The Board does not recommend any payment of dividend for the three months ended 30 June 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023, the Group did not have any outstanding capital commitment.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

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

During the three months ended 30 June 2023, there was no significant investment held, material acquisition and disposal of subsidiaries. There was no other plan for material investments or capital assets as at 30 June 2023.

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 months ended 30 June 2023.

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 30 June 2023, 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:

As at 30 June 2023, 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.

OTHER INFORMATION

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

So far as known to the Directors or chief executive of the Company, as at 30 June 2023, 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 interested in 5% 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:

Name	Capacity/nature	No. of shares held	Approximate % of shareholding
Smarty Task Limited (<i>note</i>)	Beneficial Interest	95,419,848	8.29%
Smarty Gain Limited (<i>note</i>)	Beneficial Interest	95,419,847	8.29%

Note:

Smarty Task Limited and Smarty Gain Limited are 100% owned by Wong Sai Cheung.

Save as disclosed above, as at 30 June 2023, 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 5% 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 2023, 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.

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 2023.

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.

As at 30 June 2023, there were 80,000,000 options outstanding in relation to the grant of share options during the year ended 31 March 2023 under the Share Option Scheme. Details are set out in the Company's annual report for the year ended 31 March 2023.

OTHER INFORMATION

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 2023 and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

There was no significant events after the reporting period.

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

OTHER INFORMATION

Currently, the Audit Committee comprises three independent non-executive Directors as follows:

Mr. Yeung Man Sun (*Chairman*)

Mr. Lo Cheuk Fei Jeffrey

Mr. Cheung Hiu Fung

The Group's Financial Information have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the Financial Information comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By Order of the Board
SIMPLICITY HOLDING LIMITED
Choi Pun Lap
Executive Director

Hong Kong, 14 August 2023

As at the date of this report, the Board comprises Mr. Choi Pun Lap and Leung Wai Tai as executive Directors; and Mr. Yeung Man Sun, Mr. Lo Cheuk Fei Jeffrey and Mr. Cheung Hiu Fung as independent non-executive Directors.