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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 2021

The board of directors (the “**Board**”) of Simplicity Holding Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 31 December 2021 (the “**Quarterly Results**”). This announcement contains the full text of the quarterly report of the Group for the nine months ended 31 December 2021 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**GEM Listing Rules**”). The Quarterly Results have been reviewed by the Board and the audit committee of the Board.

This results announcement is published on the websites of the Company (www.simplicityholding.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The quarterly report of the Company for the nine months ended 31 December 2021 will be delivered to shareholders of the Company and will also be available at the abovementioned websites in due course.

For and on behalf of the Board
Simplicity Holding Limited
Wong Suet Hing
Chairman and Executive Director

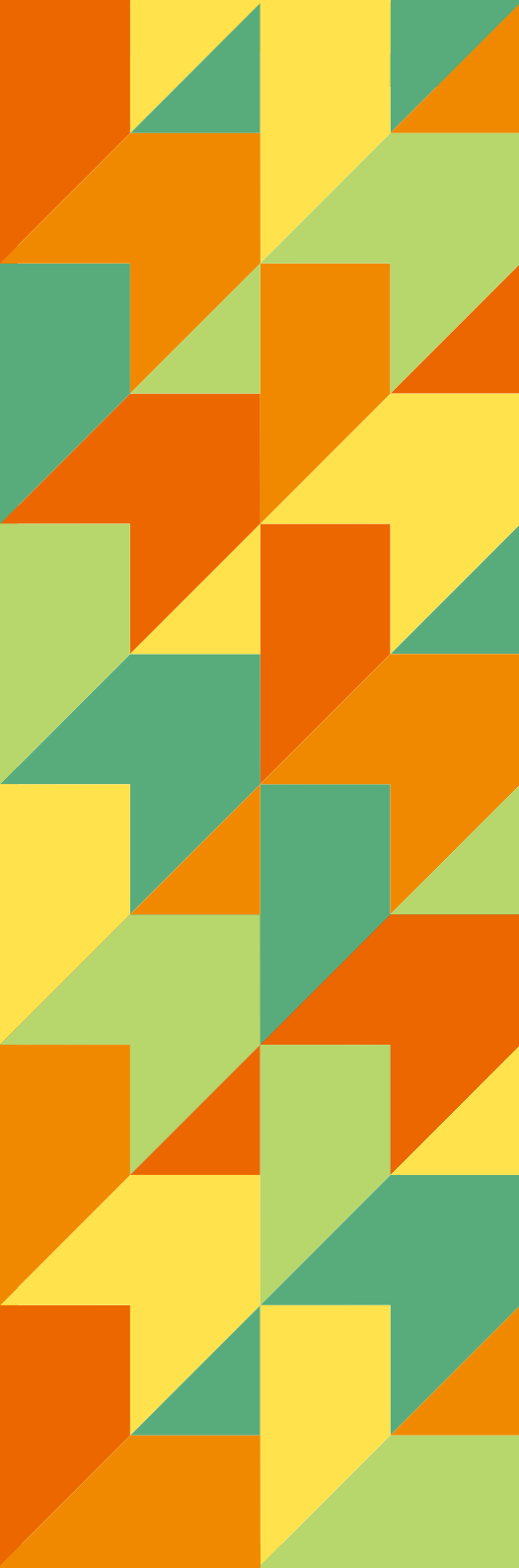
Hong Kong, 11 February 2022

As at the date of this announcement, the executive Directors of the Company are Ms. Wong Suet Hing, Ms. Wong Sau Ting Peony and Mr. Wong Chi Chiu Henry; and the independent non-executive Directors of the Company are Mr. Yeung Man Sun, Mr. Lo Cheuk Fei Jeffrey and Mr. Chan Wai Pun.

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

This announcement will remain on the 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



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THIRD QUARTERLY REPORT 2021

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.

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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.*



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

THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2021

The unaudited condensed consolidated results of the Group for the three months and the nine months ended 31 December 2021, together with the unaudited comparative figures for the corresponding period in 2020, are as follows:

		Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	Notes	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	4	29,215	23,880	80,069	78,588
Other income	5	325	6,312	480	13,385
Other gains	6	–	10,436	14,628	13,223
Raw materials and consumables used		(10,878)	(9,438)	(28,799)	(28,533)
Staff costs		(8,264)	(8,727)	(26,039)	(31,017)
Depreciation		(3,787)	(5,398)	(12,206)	(19,902)
Rental and related expenses		(1,190)	(895)	(3,137)	(2,796)
Utilities expenses		(907)	(1,142)	(3,022)	(3,968)
Other expenses		(3,630)	(4,244)	(10,699)	(9,057)
Finance costs	7	(1,313)	(419)	(2,273)	(1,692)
(Loss)/profit before tax	8	(429)	10,365	9,002	8,231
Income tax expense	9	(679)	–	(758)	–
(Loss)/profit for the period		(1,108)	10,365	8,244	8,231
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation of financial statements of PRC subsidiaries		86	–	69	–
Total comprehensive (expense)/income for the period		(1,022)	10,365	8,313	8,231

		Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<i>Notes</i>					
(Loss)/profit for the period attributable to:					
– owners of the Company		(1,128)	10,316	8,225	8,161
– non-controlling interests		20	49	19	70
		<u>(1,108)</u>	<u>10,365</u>	<u>8,244</u>	<u>8,231</u>
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:					
– owners of the Company		(1,042)	10,316	8,294	8,161
– non-controlling interests		20	49	19	70
		<u>(1,022)</u>	<u>10,365</u>	<u>8,313</u>	<u>8,231</u>
(Loss)/earnings per share					
Basic (HK cents)	11	<u>(0.12)</u>	<u>1.14</u>	<u>0.86</u>	<u>0.98</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NINE MONTHS ENDED 31 DECEMBER 2021

	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Other reserves	Accumulated (losses)/profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2020 (Audited)	8,000	81,662	–	(8,669)	(59,104)	21,889	9	21,898
Placing of shares	1,600	6,720	–	–	–	8,320	–	8,320
Profit and total comprehensive income for the period	–	–	–	–	8,161	8,161	70	8,231
Dividend paid to non-controlling interests in subsidiaries	–	–	–	–	–	–	(88)	(88)
As at 31 December 2020 (Unaudited)	9,600	88,382	–	(8,669)	(50,943)	38,370	(9)	38,361
As at 31 March 2021 (Audited)	9,600	88,381	–	(8,669)	(50,519)	38,793	(46)	38,747
Profit for the period	–	–	–	–	8,225	8,225	19	8,244
Other comprehensive income for the period								
– Exchange difference on translation of financial statements of PRC subsidiaries	–	–	69	–	–	69	–	69
Total comprehensive income for the period	–	–	69	–	8,225	8,294	19	8,313
As at 31 December 2021 (Unaudited)	9,600	88,381	69	(8,669)	(42,294)	47,087	(27)	47,060

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 30.24% owned by Ms. Wong Suet Hing ("**Ms. SH Wong**"), 30.24% owned by Ms. Chow Lai Fan ("**Ms. LF Chow**"), sister-in-law of Ms. SH Wong, 18.24% owned by Ms. Wong Sau Ting Peony ("**Ms. ST Wong**"), daughter of Ms. SH Wong, 14.64% owned by Ms. Wong Suet Ching ("**Ms. SC Wong**"), sister of Ms. SH Wong, 4.20% owned by Mr. Ma Sui Hong ("**Mr. SH Ma**"), the nephew of Ms. SH Wong, and 2.44% owned by Linking World Limited.

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 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2021 (the "**Financial Information**") 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**"). 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 23 June 2021, 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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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. ESTIMATES

The preparation of 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 2021.

4. 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, as well as the sales of food ingredients and the sales of drug vending machines and related services.

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. Sales of food ingredients – Sale of food ingredients to external third parties
5. Sales of drug vending machines and related services – Selling drug vending machines and pharmaceutical products through automatic drug vending machines in the PRC

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Chinese cuisine	6,167	5,446	18,625	22,240
Thai cuisine	5,020	6,271	19,268	22,452
Malaysian cuisine	7,897	10,108	25,579	28,757
Sale of food ingredients	2,758	2,055	8,407	5,139
Sales of drug vending machine and related services	7,373	—	8,190	—
	<u>29,215</u>	<u>23,880</u>	<u>80,069</u>	<u>78,588</u>

5. OTHER INCOME

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income				
Promotion income	6	16	19	38
Bank interest income	2	—	11	—
Subsidies income	—	6,280	100	12,384
Others	317	16	350	963
	<u>325</u>	<u>6,312</u>	<u>480</u>	<u>13,385</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER GAINS

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Gain/(loss) on disposal of items of property, plant and equipment	–	–	11,992	(771)
Rent concession	–	107	71	1,365
Gain on disposal of subsidiaries	–	–	2,060	586
Gain on reversal of impairment loss of interest in an associate	–	7,603	–	9,103
Gain on disposal of an associate	–	–	50	–
Gain on deregistration of fellow subsidiaries	–	–	452	–
Others	–	2,726	3	2,940
	<u>–</u>	<u>2,726</u>	<u>3</u>	<u>2,940</u>
	<u><u>–</u></u>	<u><u>10,436</u></u>	<u><u>14,628</u></u>	<u><u>13,223</u></u>

7. FINANCE COSTS

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Interest expenses on bank borrowings	8	70	55	334
Interest expenses on lease liabilities	233	349	791	1,358
Imputed interest expenses on promissory note	347	–	460	–
Interest on promissory note	725	–	967	–
	<u>1,313</u>	<u>419</u>	<u>2,273</u>	<u>1,692</u>
	<u><u>1,313</u></u>	<u><u>419</u></u>	<u><u>2,273</u></u>	<u><u>1,692</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. (LOSS)/PROFIT BEFORE TAX

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
(Loss)/profit before tax has been arrived at after charging:				
Staff costs (including director's emoluments):				
Salaries and other benefits	7,876	8,405	24,850	29,690
Contributions to retirement benefit scheme	388	322	1,189	1,327
	<u>8,264</u>	<u>8,727</u>	<u>26,039</u>	<u>31,017</u>
Auditor's remuneration	188	150	564	480
Gain/(loss) on disposal of items of property, plant and equipment	–	–	11,992	(771)
Operating lease payments in respect of rented premises:				
– minimum lease payments	586	190	1,167	428
– contingent rentals (<i>Note</i>)	32	–	43	–
	<u>32</u>	<u>–</u>	<u>43</u>	<u>–</u>

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
PRC Enterprise Income Tax				
– Current tax	787	–	866	–
Hong Kong Profits Tax				
– Income tax credit	(108)	–	(108)	–
	<u>679</u>	<u>–</u>	<u>758</u>	<u>–</u>

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.

Provision for PRC Enterprise Income Tax has been made for the nine months ended 31 December 2021 as the Group has assessable profits arising in or derived from the PRC.

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits for the nine months ended 31 December 2021 (2020: 16.5%). According to the Inland Revenue (Amendment) Bill 2017 (the “**Bill**”) which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the “**Regime**”) is first effective for the year of assessment 2018/19. Profits tax rate for the first HK\$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. Only one nominated entity of a group of connected entities is entitled to the Regime. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at 16.5%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. DIVIDENDS

The board of Directors (the “**Board**”) does not recommend any payment of dividend in respect of the nine months ended 31 December 2021 (2020: Nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share (2020: basis earnings per share) attributable to owners of the Company is based on the following data:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	(1,128)	10,316	8,225	8,161
	31 December 2021 '000	31 December 2020 '000	31 December 2021 '000	31 December 2020 '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	960,000	904,348	960,000	834,909

No diluted (loss)/earnings per share were presented as there were no potential ordinary shares in issue for both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Following a local outbreak of the more transmissible Omicron coronavirus variant, Hong Kong reimposed tough anti-pandemic measures, including banning dine-in services after 6pm in restaurants and shutting bars altogether. Dining at restaurants will be capped at two people per table except for Type D venues where all staff are fully vaccinated, and patrons must have received at least one jab, which allows four people per table from the previous six. Events including the Lunar New Year Fair and the flower market have also been cancelled.

The measures are in place until at least 24 February 2022. The struggling catering sector expects losses of up to HK\$8 billion as a result of the abrupt return of tough anti-pandemic restrictions.

While restaurant operators were trying to offset the loss from curbs imposed on their dine-in business by concentrating on food deliveries, this may not be enough as this has its own challenges.

Guests dining out must use the LeaveHomeSafe app, fill out health declaration forms, wear masks when ordering or picking up food and have their temperature taken before entering any restaurant.

A number of changes will soon be made to dining regulations in 2022. From February 24 onwards, diners must have had at least one COVID-19 vaccination to be able to dine-in at any premises.

The government has unveiled a HK\$3.57 billion relief fund to help businesses affected by the tightened social-distancing rules, of which HK\$1.76 billion is earmarked for the catering sector.

The outlook down the road depends critically on how the situation of the COVID-19 infection will evolve. The Group will continue to monitor the developments closely and will be cautious in running our business of restaurants.

On the other hand, the business of sales of drug vending machines and related services, selling drug vending machines and pharmaceutical products through automatic drug vending machines in the PRC, is steady growing. The Group is closely monitoring the performance and operation of such business and continue to capture more opportunities in other main cities in China where possible.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The economic downturn accompanied by the outbreak of the coronavirus pandemic in Hong Kong, had affected the operating environment for food and beverage business in Hong Kong. Notwithstanding that the degree of impact of the coronavirus pandemic will depend on the duration of the pandemic and the prevention and control measures taken by the Hong Kong government, the catering business in Hong Kong will still be facing a lot of uncertainties in the coming future. The Group expects that after the coronavirus pandemic has been under control, the revenue generated by the Group will be improved.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

To cope with the impact of this tough conditions, the Group has expanded new business in the PRC. In order to enhance and diversify the Group's business prospect, the Group has completed the acquisition of business of automatic drug vending machines that the Group offers an innovative medical care and healthcare to customers which providing them with great conveniences as to where and when to have diagnosis service and purchase of medicines. Through installing and operating the machines, and providing the relevant ancillary services and facilities in the PRC, the Group plans to achieve a one-stop integrated medical care and healthcare ecology, shares the burden in meeting the increasing medical care demands with the domestic hospitals and pharmacies, and improve the national medical care environment.

In the long run, the Group aims at extending its food and beverage business in Hong Kong as well as the business of automatic drug vending machines in the PRC 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. The consideration of HK\$58,000,000 was satisfied by issue of the promissory note upon completion as at 30 August 2021.

Details are set out in the Company's announcement date of 4 August 2021, 6 August 2021, 17 August 2021 and 30 August 2021.

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.

In October 2021, the Group closed down two restaurants at Tseung Kwan O under the brand names of "Baba Nyonya" and "Grand Avenue" respectively following the expiry of its lease term.

"Marsino" had recorded revenue of approximately HK\$18.6 million during the nine months ended 31 December 2021, which is equivalent to 23.3% of our total revenue. As compared to the last corresponding period, "Marsino" has experienced a decrease in revenue by 16.3% mainly due to reduction of number of restaurants and the negative impacts brought by the COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

“Grand Avenue” had recorded revenue of approximately HK\$19.3 million during the nine months ended 31 December 2021, which is equivalent to 24.1% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced a decrease in revenue by 14.2% due to reduction of number of restaurant and the negative impacts brought by the COVID-19.

“Baba Nyonya” had recorded revenue of approximately HK\$25.6 million during the nine months ended 31 December 2021, which is equivalent to 31.9% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced a decrease in revenue by 11.1% due to reduction of number of restaurant and the negative impacts brought by the COVID-19.

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” had recorded revenue of approximately HK\$8.4 million during the nine months ended 31 December 2021, which is equivalent to 10.5% of our total revenue. As compared to the last corresponding period, the segment of “Sale of food ingredients” has experienced an increase in revenue by 63.6% due to sales growth.

On 30 August 2021, the Company has completed an acquisition of the entire issued share capital of Lucky State, Lucky State together with its subsidiaries are principally engaged in the sales of drug vending machines and related services in the PRC. In regard to this new business, a new revenue segment “Sales of drug vending machines and related services” was therefore established in accordance with HKFRSs.

After the completion of acquisition of Lucky State, the segment of “Sales of drug vending machines and related services” had recorded revenue of approximately HK\$8.2 million during the nine months ended 31 December 2021, which is equivalent to 10.2% of our total revenue. As this is a new revenue segment, there is no corresponding period in 2020 could be compared.

On 30 August 2021, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, to sell 50% equity interests in the JV Company which is principally engaged in the cold storage business. The completion of the disposal has taken place on 30 August 2021 and the Group ceases to hold any interest in the JV Company upon the completion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2021, the Group recorded revenue of approximately HK\$80.1 million (nine months ended 31 December 2020: approximately HK\$78.6 million), representing a slight increase of 1.9% compared with the same period of the previous financial year. The increase in revenue was primarily attributed to the revenue generated by the segment of "Sales of drug vending machines and related services".

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, as well as the cost of purchase drug vending machines. 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\$28.8 million and HK\$28.5 million for each of the nine months ended 31 December 2021 and 2020, respectively, representing approximately 36.0% and 36.3% of the Group's total revenue for the corresponding periods. Such slight increase was mainly attributable to the cost of purchase drug vending machines.

Staff costs

Staff costs was approximately HK\$26.0 million for the nine months ended 31 December 2021, representing a decrease of approximately 16.0% as compared to approximately HK\$31.0 million for the nine months ended 31 December 2020. Such decrease was mainly due to reduction of the number of our restaurants and the tightened cost control.

Depreciation

Depreciation expenses were approximately HK\$12.2 million and HK\$19.9 million for the nine months ended 31 December 2021 and 2020 respectively. Such decrease was mainly due to reduction of number of our restaurants.

MANAGEMENT DISCUSSION AND ANALYSIS

Rental and related expenses

The rental expenses for the nine months ended 31 December 2021 amounted to approximately HK\$3.1 million, representing an increase of approximately 12.2% as compared with that of the nine months ended 31 December 2020 which amounted to approximately HK\$2.8 million. Such increase was mainly attributable to the rental expenses in relation to the drug vending machines business.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the nine months ended 31 December 2021 and 2020, the total utility expenses amounted to approximately HK\$3.0 million and HK\$4.0 million, respectively.

Other expenses

The Group's other expenses increased by approximately 18.1% from approximately HK\$9.1 million for the nine months ended 31 December 2020 to approximately HK\$10.7 million for the nine months ended 31 December 2021. Such increase was mainly attributable to the commission fees paid to food delivery platforms and the selling expenses in relation to the drug vending machines business.

Profit attributable to owners of the Company

The Group recorded profits attributable to owners of the Company of approximately HK\$8.2 million for each of the nine months ended 31 December 2021 and 2020 respectively.

Dividend

The Board does not recommend any payment of dividend for the nine months ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE (THE “2020 PLACING”)

2020 Placing

On 16 October 2020, the Company entered into the Placing Agreement as supplemented by a supplemental agreement dated 20 October 2020 (collectively, the “**Placing Agreements**”) with the placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 160,000,000 placing shares (the “**Placing Shares**”), to not less than six Placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK\$0.052 per Placing Share. The Placing Shares were allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 24 September 2020. All the conditions precedent under the Placing Agreements have been fulfilled and completion of the Placing Agreements took place on 2 November 2020. For details of the 2020 Placing, please refer to the announcements of the Company dated 16 October 2020, 20 October 2020 and 2 November 2020. The net proceeds from the 2020 Placing are approximately HK\$8,150,000 which is intended to be used as general working capital of the Group.

The following table sets forth the status of use of proceeds from the 2020 Placing:

	Intended use of net proceeds from the 2020 Placing <i>HK\$'000</i>	Utilised net proceeds from the 2020 Placing as at 31 December 2021 <i>HK\$'000</i>	Unutilised net proceeds from the 2020 Placing as at 31 December 2021 <i>HK\$'000</i>
General working capital of the Group	8,150	8,150	—
Total	8,150	8,150	—

The proceeds of 2020 Placing had been fully utilised as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. The Directors of the Company have a positive attitude to regularly monitor the Group's exposure to foreign exchange so as to reduce the foreign exchange rate risk to a minimum level. To a larger extent, foreign exchange risks were minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant and no hedging measure had been undertaken by the Group.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 31 December 2021, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over the-counter contingent forward transactions.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group did not have any outstanding capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In respect of the acquisition of subsidiaries for the nine months ended 31 December 2021, details are set out in note 19 of acquisition of subsidiaries of 2021 interim report and set out in the Company's announcement date of 4 August 2021, 6 August 2021, 17 August 2021 and 30 August 2021.

On 30 August 2021, a wholly-owned subsidiary of the Company, Foodies Group Limited, entered into a sale and purchase agreement with an independent third party, to sell 50% equity interests in the JV Company which is principally engaged in the cold storage business. The completion of the disposal has taken place on 30 August 2021 and the Group ceases to hold any interest in the JV Company upon the completion.

Except for the above, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the nine months ended 31 December 2021. There is no other plan for material investments or capital assets as at 31 December 2021.

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 months ended 31 December 2021.

OTHER INFORMATION

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	30.24%
Ms. ST Wong	MJL	Beneficial Interest	374	18.24%

Saved as disclosed above, as at 31 December 2021, 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 31 December 2021, 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 were directly or indirectly, to be 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:

Long positions in the shares of the Company

Name	Capacity/nature	No. of shares held	Approximate % of shareholding
MJL (<i>Note 1</i>)	Beneficial Interest	480,000,000	50%

Notes:

- (1) MJL is owned as to (i) 30.24% by Ms. SH Wong; (ii) 30.24% by Ms. LF Chow; (iii) 18.24% by Ms. ST Wong; (iv) 14.64% by Ms. SC Wong; (v) 4.20% by Mr. SH Ma; and (vi) 2.44% by Linking World Limited. Ms. SH Wong and Ms. ST Wong being our executive Directors, are also directors of MJL.

Long positions in other members of our Group

Name	Name of member of our Group	Capacity/nature	No. of shares held	Approximate % of shareholding
Linking World Limited	All Happiness Limited	Beneficial interest	1,000	10%

OTHER INFORMATION

Save as disclosed above, as at 31 December 2021, 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 and the Stock Exchange 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 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.

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 2021, 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 nine months ended 31 December 2021.

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 nine months ended 31 December 2021, 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 2021 and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this report.

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

OTHER INFORMATION

- 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:

Mr. Yeung Man Sun (*Chairman*)

Mr. Lo Cheuk Fei Jeffrey

Mr. Chan Wai Pun

The Group's Financial Information has 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
Wong Suet Hing
Chairlady and Executive Director

Hong Kong, 11 February 2022

As at the date of this report, the Board comprises Ms. Wong Suet Hing, Ms. Wong Sau Ting Peony, and Mr. Wong Chi Chiu Henry as executive Directors; and Mr. Yeung Man Sun, Mr. Lo Cheuk Fei Jeffrey and Mr. Chan Wai Pun as independent non-executive Directors.