



麻酸樂
MARSINO


嬭孫樂
Marsino

倩碧控股有限公司 Simplicity Holding Limited

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

THIRD QUARTERLY REPORT 2020

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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 2020

The unaudited condensed consolidated results of the Group for the three months and the nine months ended 31 December 2020, together with the unaudited comparative figures for the corresponding period in 2019, are as follows:

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	23,880	30,439	78,588	89,569
Other income	4	6,312	394	13,385	466
Other gains/(losses)	5	10,436	328	13,223	(4,646)
Raw materials and consumables used		(9,438)	(8,440)	(28,533)	(24,412)
Staff costs		(8,727)	(13,770)	(31,017)	(41,555)
Depreciation		(5,398)	(7,326)	(19,902)	(21,501)
Rental and related expenses		(895)	(936)	(2,796)	(3,223)
Utilities expenses		(1,142)	(1,631)	(3,968)	(5,083)
Other expenses		(4,244)	(2,140)	(9,057)	(7,258)
Finance costs	6	(419)	(659)	(1,692)	(1,899)
Impairment loss of interest in an associate		–	(2,679)	–	(10,045)
Profit/(loss) before tax	7	10,365	(6,420)	8,231	(29,587)
Income tax expense	8	–	–	–	–
Profit/(loss) and total comprehensive income/(expense) for the period		<u>10,365</u>	<u>(6,420)</u>	<u>8,231</u>	<u>(29,587)</u>
Profit/(loss) and total comprehensive income/(expense) for the period attributable to:					
– owners of the Company		10,316	(6,395)	8,161	(29,470)
– non-controlling interests		49	(25)	70	(117)
		<u>10,365</u>	<u>(6,420)</u>	<u>8,231</u>	<u>(29,587)</u>
Earnings/(loss) per share					
Basic (HK cents)	10	<u>1.14</u>	<u>(0.80)</u>	<u>0.98</u>	<u>(3.68)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NINE MONTHS ENDED 31 DECEMBER 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated (losses)/ profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2019 (Audited)	8,000	81,662	(8,669)	(14,645)	66,348	541	66,889
Loss and total comprehensive expense for the period	-	-	-	(29,470)	(29,470)	(117)	(29,587)
Dividend paid to non-controlling interests in subsidiaries	-	-	-	-	-	(376)	(376)
As at 31 December 2019 (Unaudited)	<u>8,000</u>	<u>81,662</u>	<u>(8,669)</u>	<u>(44,115)</u>	<u>36,878</u>	<u>48</u>	<u>36,926</u>
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)	<u>9,600</u>	<u>88,382</u>	<u>(8,669)</u>	<u>(50,943)</u>	<u>38,370</u>	<u>(9)</u>	<u>38,361</u>

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.

2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 are the same as those followed in the Group's audited annual report dated 23 June 2020, 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 these unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 31 December 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 have been prepared under the historical cost convention, and are presented in thousand of Hong Kong dollars ("**HK\$'000**"), which is also the functional currency of the Group.

The unaudited condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 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.

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. Japanese cuisine – Operations of Japanese cuisine restaurants under the brand of "Beefst" were ceased to operate since 30 June 2019
4. Malaysian cuisine – Operations of Malaysian cuisine restaurants under the brands of "HaHa Prawn Mee" and "Baba Nyonya" of which, "HaHa Prawn Mee" was ceased to operate since 30 June 2019
5. Sale of food ingredients – Sale of food ingredients to external third parties

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Chinese cuisine	5,446	11,958	22,240	33,613
Thai cuisine	6,271	12,127	22,452	33,444
Japanese cuisine	–	–	–	809
Malaysian cuisine	10,108	6,354	28,757	21,703
Sale of food ingredients	2,055	–	5,139	–
	<u>23,880</u>	<u>30,439</u>	<u>78,588</u>	<u>89,569</u>

4. OTHER INCOME

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Other income				
Promotion income	16	67	38	91
Bank interest income	–	–	–	20
Subsidies income	6,280	–	12,384	–
Others	16	327	963	355
	<u>6,312</u>	<u>394</u>	<u>13,385</u>	<u>466</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER GAINS/(LOSSES)

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Gain/(loss) on disposal of property, plant and equipment	–	328	(771)	(4,646)
Rent concession	107	–	1,365	–
Gain on disposal of a subsidiary	–	–	586	–
Gain on reversal of impairment loss of interest in an associate	7,603	–	9,103	–
Others	2,726	–	2,940	–
	<u>10,436</u>	<u>328</u>	<u>13,223</u>	<u>(4,646)</u>

6. FINANCE COSTS

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Interest expenses on bank borrowings	70	198	334	532
Interest expenses on lease liabilities	349	461	1,358	1,367
	<u>419</u>	<u>659</u>	<u>1,692</u>	<u>1,899</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. PROFIT/(LOSS) BEFORE TAX

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Profit/(loss) before tax has been arrived at after charging:				
Staff costs (including director's emoluments):				
Salaries and other benefits	8,405	13,200	29,690	39,776
Contributions to retirement benefit scheme	322	570	1,327	1,779
	8,727	13,770	31,017	41,555
Auditor's remuneration	150	235	480	705
Amortisation of intangible asset (included in other expenses)	–	17	–	51
(Gain)/loss on disposal of property, plant and equipment	–	(328)	771	4,646
Operating lease payments in respect of rented premises:				
– minimum lease payments	190	(10)	428	135
– contingent rentals (<i>Note</i>)	–	20	–	27

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

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

For the nine months ended 31 December 2020 and 2019, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDENDS

The board of Directors (the "Board") does not recommend any payment of dividend in respect of the nine months ended 31 December 2020 (2019: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share (2019: basis loss 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	10,316	(6,395)	8,161	(29,470)
Number of shares				
	31 December 2020 000	31 December 2019 000	31 December 2020 000	31 December 2019 000
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	904,348	800,000	834,909	800,000
Basic earnings/(losses) per share (HK cents)	1.14	(0.80)	0.98	(3.68)

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The food and beverage sector in Hong Kong has been hit hard because of the serious and sustained impact of the coronavirus pandemic (the “**Covid-19**”), the Hong Kong government has been tightened up social distancing measures after the fourth wave of Covid-19 cases surged in Hong Kong since November 2020. The regulation and measures included the limit of the restaurant seating capacity be capped at 50 per cent, no more than 2 people were allowed per table and tables must be kept 1.5 metres apart and no dine-in services were allowed to provide after 6 p.m., the Hong Kong government may impose more stringent measures in case of the number of Covid-19 cases are increased.

According to the latest labour force statistics released recently by the Census and Statistics Department, the seasonally adjusted unemployment rate increased from 6.3% in September – November 2020 to 6.6% in October – December 2020, the highest in 16 years.

Analysed by sector, the unemployment rate for food and beverage service activities rose from 13.1% in the last period to 13.8% in this period. However, the government said that as the fourth wave of local epidemic continues to weigh on local consumption sentiment and disrupt economic activities, the labour market will remain under notable pressure in the near term. The government has rolled out targeted measures lately to provide further support to the hard-hit sectors, and will continue to monitor the situation closely.

PROSPECTS

The recent economic downturn accompanied by the unstable social atmosphere and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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) Enhancing our operational efficiency and further strengthening our cost control measures;
- 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.

BUSINESS OVERVIEW

We are a casual dining full service restaurant operator and up to the date of this report, we are operating 10 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 10 restaurants, 9 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 May 2020, the Group entered a franchise agreement with an independent third party (the “**franchisee**”) in which the Group has granted a franchise to the franchisee to operate a restaurant under the brand name of “Baba Nyonya”. In June 2020, the franchisee opened a new restaurant, namely Tin Shui Wai Baba Nyonya which is mainly serving Malaysian cuisine and it has been showing good performance since its establishment.

MANAGEMENT DISCUSSION AND ANALYSIS

In August 2020, the Group closed down a restaurant under the brand name of “Marsino” at Tuen Mun due to its underperformance as affected by the Covid-19.

In October 2020, the Group closed down two restaurants at Tiu Keng Leng under the brand names of “Marsino” and “Grand Avenue” due to their underperformances as affected by the Covid-19.

“Marsino” had recorded revenue of approximately HK\$22.2 million during the nine months ended 31 December 2020, which is equivalent to 28.3% of our total revenue. As compared to the last corresponding period, “Marsino” has experienced a decrease in revenue by 33.8% mainly due to the negative impacts brought by the Covid-19.

“Grand Avenue” had recorded revenue of approximately HK\$22.5 million during the nine months ended 31 December 2020, which is equivalent to 28.6% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced a decrease in revenue by 32.9% due to reduction of number of restaurants and the negative impacts brought by the Covid-19.

“Baba Nyonya” had recorded revenue of approximately HK\$28.8 million during the nine months ended 31 December 2020, which is equivalent to 36.6% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced an increase in revenue by 32.5% due to opening of a new “Baba Nyonya” restaurant at Ngau Tau Kok in November 2019.

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.

Since the beginning of this financial year, our Group has started a new business to sell food ingredients to a restaurant group in which we are providing sourcing, storage and logistics services to our customer. The segment of sale of food ingredients had recorded revenue of approximately HK\$5.1 million during the nine months ended 31 December 2020, which is equivalent to 6.5% of our total revenue. As this is a newly startup business, there is no corresponding period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The cold storage's business operated by the associate was slowed down due to the Covid-19, but we are still optimistic as to the prospect of the associate due to the fact that Hong Kong has limited number of sizable cold storage operators. Recently, the associate has cooperated with several business partners to launch an online shopping website which is selling household groceries and food and beverage products, as this business is newly launched therefore it takes time to build up customer base and we hope that this could provide another revenue streams towards the cold storage business.

FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2020, the Group recorded revenue of approximately HK\$78.6 million (nine months ended 31 December 2019: approximately HK\$89.6 million), representing a decrease of 12.3% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to reduction of the number of our restaurants as well as the severe economic downturn as caused by the Covid-19.

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\$28.5 million and HK\$24.4 million for each of the nine months ended 31 December 2020 and 2019, respectively, representing approximately 36.3% and 27.3% of the Group's total revenue for the corresponding periods. Such increase was mainly contributed by the increase in additional marketing efforts for sales stimulating measures as well as higher food costs associated with launching new food menu at the initial stage.

Staff costs

Staff costs was approximately HK\$31.0 million for the nine months ended 31 December 2020, representing a decrease of approximately 25.4% as compared to approximately HK\$41.6 million for the nine months ended 31 December 2019. Such decrease was mainly due to reduction of the number of our restaurants and the tightened cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation

Depreciation expenses remained stable and recorded approximately HK\$19.9 million and HK\$21.5 million for the nine months ended 31 December 2020 and 2019 respectively.

Rental and related expenses

The rental expenses for the nine months ended 31 December 2020 amounted to approximately HK\$2.8 million, representing a decrease of approximately 13.2% as compared with that of the nine months ended 31 December 2019 which amounted to approximately HK\$3.2 million. Such decrease was mainly due to certain short-term lease payment, management fees and promotion levy were waived by landlords due to the Covid-19.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the nine months ended 31 December 2020 and 2019, the total utility expenses amounted to approximately HK\$4.0 million and HK\$5.1 million, respectively.

Other expenses

The Group's other expenses increased by approximately 24.8% from approximately HK\$7.3 million for the nine months ended 31 December 2019 to approximately HK\$9.1 million for the nine months ended 31 December 2020. Such increase was mainly due to the increase in consultancy fee.

Finance costs

The Group's finance costs represented interest on bank borrowings and interest on lease liabilities after the HKFRS 16 coming into effect in 2019. Finance costs remained stable and recorded at approximately HK\$1.7 million for the nine months ended 31 December 2020, as compared to approximately HK\$1.9 million for the nine months ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/(losses) attributable to owners of the Company

For the nine months ended 31 December 2020, the Group recorded a profit attributable to owners of the Company of approximately HK\$8.2 million, as compared to the loss of approximately HK\$29.5 million for the nine months ended 31 December 2019. The turnaround from loss to profit was mainly attributable to (i) receipt of government subsidies under the Anti Epidemic Fund; (ii) reversal of impairment loss of interest in an associate; and (iii) decrease in staff costs as a result of implementation of control measures by the Group.

Dividend

The Board does not recommend any payment of dividend for the nine months ended 31 December 2020 (2019: Nil).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020 <i>HK\$'000</i>	Unutilised net proceeds from the 2020 Placing as at 31 December 2020 <i>HK\$'000</i>	Expected timeline for net proceeds from the 2020 Placing to be fully utilised
General working capital of the Group	8,150	4,395	3,755	By December 2021
Total	<u>8,150</u>	<u>4,395</u>	<u>3,755</u>	

All unutilised proceeds from the 2020 Placing have been placed in licenced banks in Hong Kong.

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any outstanding capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2020, 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

Pursuant to the announcement of the Company dated 11 December 2020, a direct wholly-owned subsidiary of the Company as the vendor ("**Vendor**") and the purchaser has entered into a provisional agreement for sale and purchase of the entire issued share capital of Access Gear Investment Limited ("**AGI**") at the consideration of HK\$21,500,000. AGI is an investment holding company and is directly wholly owned by the Vendor. The subsidiaries of AGI includes C M of (Hong Kong) LCC Limited and Wealthy Development (Hong Kong) Limited. C M of (Hong Kong) LCC Limited is principally engaged in investment holding. Wealthy Development (HK) Limited is principally engaged in property investment in Hong Kong. The disposal has not completed up to the date of this report.

Save as 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 2020. There is no other plan for material investments or capital assets as at 31 December 2020.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine-month ended 31 December 2020.

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%
Mr. SH Ma	MJL	Beneficial interest	86	4.20%
Mr. MF Wong (retired on 24 September 2020) (Note)	MJL	Interest of spouse	620	30.24%

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

OTHER INFORMATION

Saved as disclose above, as at 31 December 2020, 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

So far as known to the Directors or chief executive of the Company, as at 31 December 2020, 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 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	540,000,000	56.25%
Charm Dragon Investments Limited (<i>Note 2</i>)	Beneficial Interest	60,000,000	6.25%
Mr. Cheung Wai Yin Wilson (<i>Note 2</i>)	Interest in controlled corporation	60,000,000	6.25%
Ms. Lam Ka Wai (<i>Note 2</i>)	Interest of spouse	60,000,000	6.25%

OTHER INFORMATION

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.
- (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
Linking World Limited	All Happiness Limited	Beneficial interest	1,000	10%
Ms. Yim Wan Wing	Glory Fine Corporation Limited	Beneficial interest	20	20%
Ms. Ng Siu Ying Christina	Glory Fine Corporation Limited	Beneficial interest	20	20%

Save as disclosed above, as at 31 December 2020, 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 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 nine months ended 31 December 2020, 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 2020.

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 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

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 nine months ended 31 December 2020 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 2020 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
- 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:

Ms. Ng Yau Kuen Carmen (*Chairlady*)

Mr. Yu Ronald Patrick Lup Man

Mrs. Cheung Lau Lai Yin Becky

The Group's unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2020 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, 5 February 2021

As at the date of this report, the Board comprises Ms. Wong Suet Hing, Ms. Wong Sau Ting Peony, 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.