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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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2020**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of Simplicity Holding Limited (the “**Company**”) and together with its subsidiaries, the “**Group**” or “**We**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company.*

*The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its publication and posting and will be published and remains on the website of the Company at <http://www.simplicityholding.com>.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
*THREE MONTHS ENDED 30 JUNE 2020*

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2020, together with the unaudited comparative figures for the corresponding period in 2019, are as follows:

		<b>Unaudited</b>	
		<b>Three months ended</b>	
		<b>30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	28,494	31,897
Other income	4	3,165	44
Other gains/(losses)	5	722	(4,857)
Raw materials and consumables used		(8,673)	(8,468)
Staff costs		(11,294)	(14,969)
Depreciation		(7,578)	(7,225)
Rental and related expenses		(845)	(1,434)
Utilities expenses		(1,458)	(1,703)
Other expenses		(2,371)	(2,722)
Finance costs	6	(705)	(599)
Share of loss in an associate		–	(4,729)
Losses before tax	7	(543)	(14,765)
Income tax expense	8	–	–
Losses and total comprehensive expense for the period		<u>(543)</u>	<u>(14,765)</u>
(Losses) profit and total comprehensive (expense) income for the period attributable to:			
– owners of the Company		(566)	(14,719)
– non-controlling interests		23	(46)
		<u>(543)</u>	<u>(14,765)</u>
Losses per share			
Basic ( <i>HK cents</i> )	10	<u>(0.07)</u>	<u>(1.84)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**THREE MONTHS ENDED 30 JUNE 2020**

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated losses			
	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
Losses and total comprehensive expense for the period	-	-	-	(14,719)	(14,719)	(46)	(14,765)
As at 30 June 2019 (Unaudited)	<u>8,000</u>	<u>81,662</u>	<u>(8,669)</u>	<u>(29,364)</u>	<u>51,629</u>	<u>495</u>	<u>52,124</u>
As at 31 March 2020 (Audited)	8,000	81,662	(8,669)	(59,104)	21,889	9	21,898
(Losses) profit and total comprehensive (expense) income for the period	-	-	-	(566)	(566)	23	(543)
As at 30 June 2020 (Unaudited)	<u>8,000</u>	<u>81,662</u>	<u>(8,669)</u>	<u>(59,670)</u>	<u>21,323</u>	<u>32</u>	<u>21,355</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 31% owned by Ms. Wong Suet Hing (“**Ms. SH Wong**”), 31% owned by Ms. Chow Lai Fan (“**Ms. LF Chow**”), sister-in-law of Ms. SH Wong, 18.7% owned by Ms. Wong Sau Ting Peony (“**Ms. ST Wong**”), daughter of Ms. SH Wong, 15% owned by Ms. Wong Suet Ching (“**Ms. SC Wong**”), sister of Ms. SH Wong, and 4.3% owned by Mr. Ma Sui Hong (“**Mr. SH Ma**”), the nephew of Ms. SH Wong.

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

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

## 2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 June 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 three months ended 30 June 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 three months ended 30 June 2020 are the same as those followed in the Group’s audited annual report dated 23 June 2020 (the “**2020 Annual Report**”), except for the adoption of the new and revised HKFRSs (the “**New and Revised HKFRSs**”) (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA that are adopted for the first time for the current period’s financial statements.

The adoption of the New and Revised HKFRSs has had no material effect on these unaudited condensed consolidated financial statements for the three months ended 30 June 2020 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 30 June 2020.

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 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 three months ended 30 June 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 and sale of food ingredients which the Group operates.

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

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

	<b>Unaudited</b>	
	<b>Three months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$’000</b>	<b>HK\$’000</b>
Chinese cuisine	<b>8,900</b>	11,305
Thai cuisine	<b>8,537</b>	11,405
Japanese cuisine	–	809
Malaysian cuisine	<b>9,406</b>	8,378
Sale of food ingredients	<b>1,651</b>	–
	<b>28,494</b>	31,897

#### 4. OTHER INCOME

	Unaudited	
	Three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Promotion income	1	10
Bank interest income	–	19
Subsidies income	2,301	–
Others	863	15
	<u>3,165</u>	<u>44</u>

#### 5. OTHER GAINS/(LOSSES)

	Unaudited	
	Three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of fixed assets	–	(4,857)
Rent concession	722	–
	<u>722</u>	<u>(4,857)</u>

#### 6. FINANCE COSTS

	Unaudited	
	Three months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank borrowings	178	152
Interest expenses on lease liabilities	527	447
	<u>705</u>	<u>599</u>

## 7. LOSSES BEFORE TAX

	Unaudited	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Losses before tax have been arrived at after charging:		
Staff costs (including Directors' emoluments):		
Salaries and other benefits	10,789	14,330
Contributions to retirement benefit scheme	505	639
	<hr/>	<hr/>
	11,294	14,969
Auditor's remuneration	150	219
Amortisation of intangible asset (included in other expenses)	–	24
Loss on disposal of items of property, plant and equipment ( <i>Note 1</i> )	–	4,857
Operating lease payments in respect of rented premises:		
– contingent rentals ( <i>Note 2</i> )	–	2
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (1) It mainly represents the remaining balance of the property, plant and equipment of Mongkok Beefst and Mongkok Haha Prawn Mee that were not fully depreciated upon the closure of these restaurants at the end of June 2019.
- (2) The operating lease rentals for certain restaurants are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

## 8. INCOME TAX EXPENSE

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

For the three months ended 30 June 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.

## 9. DIVIDENDS

The board of Directors (the “**Board**”) does not recommend any payment of dividend in respect of the three months ended 30 June 2020 (2019: Nil).

## 10. LOSSES PER SHARE

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

### Losses

	Unaudited	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Losses for the period attributable to owners of the Company for the purpose of basic losses per share	<u>(566)</u>	<u>(14,719)</u>

### Number of shares

	30 June 2020	30 June 2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic losses per share	<u>800,000</u>	<u>800,000</u>

No diluted losses per share for the three months ended 30 June 2020 and 2019 were presented as there were no potential ordinary shares in issue for the three months ended 30 June 2020 and 2019.

## 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 Hong Kong government has been tightened up social distancing measures after the third wave of Covid-19 cases surged in Hong Kong since July 2020. The toughest preventive measures imposed by the Hong Kong government includes banning on dine-in services at restaurants from 6 pm to 5 am, restaurants can only operate at half capacity and must take stringent epidemic-prevention measures, including allowing only two people per table. This will be a devastating blow to the catering sector as by only serving takeaway orders after 6 pm which cannot make up for the losses in dine-in services in the evening.

In view of these challenges faced by the Group, we have implemented cost-saving measures including but not limited to minimising our staff costs, negotiating with our landlords for rent concessions and our suppliers for purchasing discounts and longer payment terms and some sales stimulating measures including but not limited to increasing marketing efforts and expanding the take-away product line as well as cooperating with food delivery companies to provide food delivery services for us, to partially offset the aforesaid impacts.

### BUSINESS OVERVIEW

We are a casual dining full service restaurant operator and up to the date of this announcement, we are operating 13 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 13 restaurants, 12 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.

For the three months ended 30 June 2020, the Group has 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 has opened a new restaurant, namely Tin Shui Wai Baba Nyonya which is serving Malaysian cuisine and it has been showing good performance since its establishment.

“Marsino” had recorded revenue of approximately HK\$8.9 million during the three months ended 30 June 2020, which is equivalent to 31.2% of our total revenue. As compared to the last corresponding period, “Marsino” has experienced a decrease in revenue by 21.3% mainly due to the negative impacts brought by the coronavirus pandemic.

“Grand Avenue” had recorded revenue of approximately HK\$8.5 million during the three months ended 30 June 2020, which is equivalent to 30.0% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced a decrease in revenue by 25.1% due to reduction of number of restaurants and the negative impacts brought by the coronavirus pandemic.

“Baba Nyonya” had recorded revenue of approximately HK\$9.4 million during the three months ended 30 June 2020, which is equivalent to 33.0% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced an increase in revenue by 12.3% 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 first quarter 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\$1.7 million during the three months ended 30 June 2020, which is equivalent to 5.8% of our total revenue. As this is a newly startup business, there is no corresponding period in 2019.

The cold storage’s business operated by the joint venture company (the “**Associate**”) was slowed down due to the coronavirus pandemic and the social instabilities, 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. Meanwhile, the Associate are cooperated with several business partners to develop an online shopping platform by utilising its existing resources including: 1) the relationships with its existing cold storage customers in which they will supply goods to the Associate and sell them via our online platform; 2) our cold storage facilities will be acted as a distribution hub where we will store the goods and pack them properly before delivering them to the customers and 3) our logistics partner will be responsible for dispatching the goods to the customers. By combining all these services together, we are able to provide one-stop solution to our online shopping customers, and this new business could provide another source of income towards the Associate.

## **FUTURE PROSPECTS**

In view of the recent economic downturn accompanied by the unstable social atmosphere and the coronavirus pandemic in Hong Kong, the Group will continue to effect its core strategy of prioritising its customers’ dining experience by maintaining stringent food safety and diversifying the menu to suit seasonal changes in order to attract a broader base of customers whilst ensuring that our food will continue to be served at the highest quality. The Group has always endeavoured to provide high-quality food for its customers in a comfortable and hygienic environment. The prevention and control of the pandemic has continued to be the core of the Group’s catering business. Notwithstanding the degree of impact of the coronavirus pandemic will depend on the duration of the pandemic and prevention and control activities taken by the Hong Kong government, the catering business in Hong Kong will still be facing a lot of uncertainties in the remaining periods of 2020. The Group expects that after the coronavirus pandemic has been under control, the revenue generated by our Group will continue to grow.

To cope with the difficulties faced by the Group, management is actively seeking for potential business opportunities in the food and beverage industry, aiming at further substantiating its existing operations together with its expansion plan on its restaurants.

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

## **FINANCIAL REVIEW**

### **Revenue**

For the three months ended 30 June 2020, the Group recorded revenue of approximately HK\$28.5 million (three months ended 30 June 2019: approximately HK\$31.9 million), representing a decrease of 10.7% 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 coronavirus pandemic.

### **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\$8.7 million and HK\$8.5 million for each of the three months ended 30 June 2020 and 2019, respectively, representing approximately 30.4% and 26.5% 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\$11.3 million for the three months ended 30 June 2020, representing a decrease of approximately 24.6% as compared to approximately HK\$15.0 million for the three months ended 30 June 2019. Such decrease was mainly due to reduction of the number of our restaurants and the tightened cost control.

### **Depreciation**

Depreciation was approximately HK\$7.6 million and HK\$7.2 million for the three months ended 30 June 2020 and 2019, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, kitchen and other equipment. The increase in such expense was mainly contributed by the incremental amortisation of right-of-use asset following the renewal of a lease and license agreement of our restaurant since the second quarter of previous year.

## **Rental and related expenses**

The rental expenses for the three months ended 30 June 2020 amounted to approximately HK\$0.8 million, representing a decrease of approximately 41.1% as compared with that of the three months ended 30 June 2019 which amounted to approximately HK\$1.4 million. Such decrease was mainly due to the classification of rental expenses as depreciation of right-of-use assets and expenses from short-term leases under HKFRS 16.

## **Utility expenses**

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the three months ended 30 June 2020 and 2019, the total utility expenses amounted to approximately HK\$1.5 million and HK\$1.7 million, respectively.

## **Other expenses**

The Group's other expenses decreased by approximately 12.9% from approximately HK\$2.7 million for the three months ended 30 June 2019 to approximately HK\$2.4 million for the three months ended 30 June 2020. Such decrease was mainly due to the decrease in demolishing expenses, computer expenses, cleaning fees, audit fees and so on.

## **Finance costs**

Finance costs of the Group increased from approximately HK\$0.6 million for the three months ended 30 June 2019 to approximately HK\$0.7 million for the three months ended 30 June 2020 mainly due to the increase of interest expenses on lease liabilities.

## **Losses attributable to owners of the Company**

For the three months ended 30 June 2020, the Group recorded a loss attributable to owners of the Company of approximately HK\$0.6 million, as compared to the loss of approximately HK\$14.7 million for the three months ended 30 June 2019. The reduction of such losses was mainly attributable to (i) there was no share of loss in an associate in this period but in the last corresponding period (ii) there was no loss on disposal of fixed assets in this period but in the last corresponding period (iii) the Group received government subsidies and rent concessions from our landlords in this period.

## **DIVIDEND**

The Board does not recommend any payment of dividend for the three months ended 30 June 2020 (2019: Nil).

## **USE OF PROCEEDS FROM THE IPO**

The Company's shares were listed on the GEM of the Stock Exchange on 26 February 2018. A total of 200,000,000 new shares with nominal value of HK\$0.01 each of the Company were issued at HK\$0.275 per share for a total of approximately HK\$55.0 million (the "IPO"). The net proceeds raised by the Company from the IPO were approximately HK\$32.6 million (the "IPO Proceeds").

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

	<b>Revised allocation of IPO Proceeds (as disclosed in the 18 April 2019 Announcement <i>HK\$'000</i></b>	<b>Utilised IPO Proceeds up to 30 June 2020 <i>HK\$'000</i></b>	<b>Unutilised IPO Proceeds up to 30 June 2020 <i>HK\$'000</i></b>
Opening of one new Marsino restaurant	4,400	4,400	–
Opening of 4 new Japanese ramen restaurants	10,060	10,060	–
Expansion of central kitchen storage facilities	1,543	1,543	–
Upgrade of computer system	1,300	1,300	–
Marketing and promotional activities	1,000	1,000	–
General working capital	500	500	–
Opening of one new Malay cuisine restaurant	4,400	4,400	–
Capital contribution to an Associate	9,397	9,397	–
	<u>32,600</u>	<u>32,600</u>	<u>–</u>

The IPO Proceeds had been fully utilised as at 30 June 2020 and in accordance with the revised allocation of IPO Proceeds as disclosed in the 18 April 2019 Announcement.

## **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 2020, the Group did not have any outstanding capital commitment.

## **CONTINGENT LIABILITIES**

As at 30 June 2020, the Group did not have any material contingent liabilities.

## **OTHER INFORMATION**

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 June 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 announcement, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Long position in the shares of the associated corporation of the Company

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

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

Saved as disclose above, as at 30 June 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

As at 30 June 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

### Long positions in the shares of the Company

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

Notes:

- (1) MJL is owned as to (i) 31.0% by Ms. SH Wong; (ii) 31.0% by Ms. LF Chow; (iii) 18.7% by Ms. ST Wong; (iv) 15.0% by Ms. SC Wong; and (v) 4.3% by Mr. SH Ma. Ms. SH Wong and Ms. ST Wong being our executive Directors, are also directors of MJL.
- (2) Charm Dragon Investments Limited is 100% owned by Mr. Cheung Wai Yin Wilson, as such, he is deemed under the SFO to be interested in all the shares in which Charm Dragon Investments Limited is interested. By virtue of being the spouse of Mr. Cheung Wai Yin Wilson, Ms. Lam Ka Wai is deemed to be interested in all the shares in which Mr. Cheung Wai Yin Wilson is interested pursuant to the SFO.

### Long positions in other members of our Group

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

Save as disclosed above, as at 30 June 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

No director or a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the three months ended 30 June 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 three months ended 30 June 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 three months ended 30 June 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

## **CORPORATE GOVERNANCE**

The Group is committed to achieving high standards of corporate governance by emphasising transparency, accountability, fairness and responsibility. The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the Code during the three months ended 30 June 2020 and up to the date of this announcement.

## **EVENTS AFTER THE REPORTING PERIOD**

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this announcement.

## AUDIT COMMITTEE

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

- Make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor
- Review the adequacy of the Group's policies and systems regarding risk management and internal controls
- Review the financial reporting principles and practices applied by the Group in preparing its financial statements
- Before audit commencement, review external auditor's independence, objectivity, effectiveness of the audit process and the scope of the external audit, including the engagement letter
- Monitor integrity of the Group's financial statements and the annual, quarterly and interim financial reports, and review significant financial reporting judgements contained in them prior to approval by the Board

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

Ms. Ng Yau Kuen Carmen (*Chairlady*)

Mr. Yu Ronald Patrick Lup Man

Mrs. Cheung Lau Lai Yin Becky

The Group's unaudited condensed consolidated financial statements for the three months ended 30 June 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 three months ended 30 June 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, 7 August 2020

*As at the date of this announcement, the Board comprises Ms. Wong Suet Hing, Ms. Wong Sau Ting Peony, Mr. Wong Muk Fai Woody, Mr. Ma Sui Hong and Mr. Wong Chi Chiu Henry as executive Directors; and Ms. Ng Yau Kuen Carmen, Mrs. Cheung Lau Lai Yin Becky and Mr. Yu Ronald Patrick Lup Man as independent non-executive Directors.*