SIMPLICITY HOLDING LIMITED
倩碧控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8367)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 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 of the Stock Exchange 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**", together with its subsidiaries the "**Group**") 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 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.

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019. The financial information of the Group has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*3*	**116,425**	142,407
Other income	*4*	**2,718**	730
Other gains and losses, net	*4*	**(10,151)**	(870)
Raw materials and consumables used		**(31,852)**	(40,166)
Staff costs		**(54,441)**	(59,446)
Depreciation		**(29,294)**	(9,499)
Rental and related expenses		**(4,457)**	(28,556)
Utilities expenses		**(6,589)**	(7,488)
Other expenses		**(10,462)**	(11,697)
Impairment loss of interest in an associate		**(13,510)**	–
Finance costs	*5*	**(3,097)**	(447)
Losses before tax	*6*	**(44,710)**	(15,032)
Income tax credit/(expense)	*7*	**95**	(1,300)
Losses and total comprehensive expense for the year		**(44,615)**	(16,332)
Losses and total comprehensive expense for the year attributable to:			
– owners of the Company		**(44,459)**	(16,087)
– non-controlling interests		**(156)**	(245)
		(44,615)	(16,332)
Losses per share			
Basic *(HK cents)*	*9*	**(5.56)**	(2.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Non-current assets			
Property, plant and equipment		**105,525**	59,269
Intangible assets		**–**	245
Deferred tax assets		**95**	95
Interest in an associate		**–**	–
Deposits	*10*	**7,652**	6,292
Total non-current assets		**113,272**	65,901
Current assets			
Inventories		**1,557**	1,012
Trade and other receivables, deposits and prepayments	*10*	**2,353**	7,628
Amount due from a related party		**–**	312
Amount due from an associate		**1,500**	–
Tax recoverable		**508**	1,009
Bank balances and cash		**2,987**	21,831
Total current assets		**8,905**	31,792
Current liabilities			
Trade and other payables and accruals	*11*	**14,540**	12,216
Contract liabilities		**224**	–
Bank borrowings	*12*	**20,857**	–
Provision for reinstatement		**200**	860
Lease liabilities		**19,267**	–
Total current liabilities		**55,088**	13,076
Net current (liabilities)/assets		**(46,183)**	18,716
Total assets less current liabilities		**67,089**	84,617

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Non-current liabilities			
Provision for reinstatement		**2,226**	1,916
Lease liabilities		**42,262**	–
Deferred tax liabilities		**703**	812
Bank borrowings	*12*	**–**	15,000
Total non-current liabilities		**45,191**	17,728
Net assets		**21,898**	66,889
Capital and reserves			
Share capital	*13*	**8,000**	8,000
Reserves		**13,889**	58,348
Equity attributable to owners of the Company		**21,889**	66,348
Non-controlling interests		**9**	541
Total equity		**21,898**	66,889

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2020

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 of Hong Kong Limited (the "**Stock Exchange**") on 26 February 2018. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 13, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

Its immediate holding company is Marvel Jumbo Limited ("**MJL**"), a private limited company incorporated in the British Virgin Islands ("**BVI**") with limited liability. MJL is 31% owned by Ms. Wong Suet Hing ("**Ms SH Wong**"), 31% owned by Ms. Chow Lai Fan ("**Ms. LF Chow**"), sister-in-law of Ms SH Wong, 18.7% owned by Ms. Wong Sau Ting Peony ("**Ms. ST Wong**"), daughter of Ms SH Wong, 15% owned by Ms. Wong Suet Ching ("**Ms. SC Wong**"), sister of Ms. SH Wong, and 4.3% owned by Mr. Ma Sui Hong ("**Mr. SH Ma**"), the son of Ms. Wong Shuet Ying ("**Ms. SY Wong**"), sister of Ms. SH Wong.

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRs**"), 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 consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

Going concern assumption

During the year, the Group incurred a loss of HK$44,615,000 for the year ended 31 March 2020 and as of that date, its current liabilities exceeded its current assets by HK$46,183,000. In addition, the COVID-19 pandemic has prompted the introduction of public health measures by the Government of the Hong Kong Special Administrative Region ("**HKSAR Government**") since 28 March 2020, which include social distancing between tables in restaurant and gathering restriction. These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis as the Company's directors, based on a cash flow forecast of the Group prepared by them covering a period up to 31 March 2021 (the "**Forecasted Period**"), are satisfied that the Group will be able to meet its financial obligations as and when they fall due within the twelve months from 31 March 2020, after taking into account the following:

i) The Group has signed a new banking facilities letter on 18 June 2020 that the bank borrowings of HK$20,857,000 will be extended to 21 June 2021. Given the covenants attached to the bank borrowings, the directors of the Company have tested the sensitivity of the financial covenants relevant to the bank borrowings and considered that it the Group would be able to fulfil the terms of the borrowings over the Forecasted Period;

ii) The Group has applied for the "Employment Support Scheme" launched by the HKSAR Government under the second round of the "Anti-epidemic Fund". The Group will be able to obtain HK$1,901,300 for each month from June 2020 to November 2020 with total amounts of HK$11,408,000. The Group received first payment from HKSAR with an amount of HK$5,704,000 for June 2020 to August 2020 on 16 June 2020;

iii) The Group has undertaken various measures which enable it to improve its business performance and generate sufficient working capital during the Forecasted Period, which comprise closure of loss making restaurant, reducing staff costs, which commenced during the year before the outbreak of the COVID-19, and other operating costs. The directors of the Company have developed the forecast based on actual performance since the outbreak of the COVID-19 up to the latest period that the financial information is available and have considered the possible impact to the operations if the pandemic has been sustaining over the Forecasted Period with the anti-pandemic measures be restored; and

iv) The Group has unutilised facilities up to approximately HK$8,375,000 as at 23 June 2020.

Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to re-classify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

HKFRS 16	Leases
Amendments to HKFRS 16	Lease – COVID-19-Related Rent Concessions
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

HKFRS 16 "Leases"

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of reserves at the date of initial application. The comparative information presented in 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 April 2019	
Right-of-use assets	75,653
Lease liabilities (current)	18,442
Lease liabilities (non-current)	58,190

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 March 2019	50,371
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	32,440
Less: practical expedient-leases with lease term ending within 12 months from the date of initial application	(300)
	82,511
Less: future interest expenses	(5,879)
Total lease liabilities as of 1 April 2019	76,632

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon adoption of HKFRS 16	76,632
Add: reinstatement costs	300
Less: accrued lease liabilities relating to rent-free period and progressive rent at 1 April 2019	(1,279)
Total right-of-use assets as of 1 April 2019	75,653

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 is 3.5% for the leases in Hong Kong.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For leasehold land and buildings which are held for own use would continue to be accounted for under HKAS 16 and would be carried at depreciated cost. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application of 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019 and recognised right-of-use assets at amounts equal to the related lease liabilities. The Group had also relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

Amendments to HKFRS 16 – Lease – COVID-19-Related Rent Concessions

The amendments to HKFRS 16 exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. The amendments apply to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received or receivable from the operation of restaurants in Hong Kong during the year.

Revenue

The amounts of each significant category of revenue recognised during the reporting period were disaggregated as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from restaurant operation	**116,425**	142,407
By timing of revenue recognition at a point in time	**116,425**	142,407

Segment revenue and results

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 cusine – Operations of Japanese cuisine restaurants under the brand of "Beefst" were closed on 28 June 2019.

4. Malaysian cusine – Operations of Malaysian cuisine restaurants under the brand of "Baba Nyonya" and "Haha Prawn Mee", "Haha Prawn Mee" were ceased to operate since 30 June 2019.

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4(p) to the consolidated financial statements.

Year ended 31 March 2020

	Chinese cuisine *HK$'000*	**Western cuisine** *HK$'000* *(Note)*	**Thai cuisine** *HK$'000*	**Japanese cuisine** *HK$'000*	**Malaysian cuisine** *HK$'000*	**Total** *HK$'000*
Segment revenue	**43,292**	**–**	**38,724**	**809**	**33,600**	**116,425**
Segment loss	**(2,130)**	**–**	**(1,224)**	**(2,140)**	**(6,008)**	**(11,502)**
Unallocated other income						**482**
Unallocated finance costs						**(744)**
Unallocated corporate costs						**(19,436)**
Impairment loss of interest in an associate						**(13,510)**
Loss before tax						**(44,710)**

Year ended 31 March 2019

	Chinese cuisine *HK$'000*	Western cuisine *HK$'000* *(Note)*	Thai cuisine *HK$'000*	Japanese cuisine *HK$'000*	Malaysian cuisine *HK$'000*	Total *HK$'000*
Segment revenue	45,725	17,893	60,714	7,079	10,996	142,407
Segment profit/(loss)	2,508	7	4,395	(953)	(3,810)	2,147
Other income						730
Finance costs						(447)
Unallocated corporate costs						(17,462)
Loss before tax						(15,032)

Note: The operations of western cuisine were ceased to operate since 19 March 2019 and no operation conducted during the year ended 31 March 2020.

Geographical information

All of the Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets are located in Hong Kong.

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group for both years.

4. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
Other income		
Reversal of provision for reinstatement	**400**	180
Promotion income	**97**	53
Bank interest income	**20**	359
Subsidies income *(note a)*	**1,680**	–
Other income	**521**	138
	2,718	730
Other gains and losses, net		
Rent concession *(note b)*	**757**	–
Gain on early termination of leases	**380**	–
Loss on written-off/disposal of property, plant and equipment	**(4,884)**	(870)
Provision for impairment:		
– owned property, plant and equipment	**(1,925)**	–
– leased right-of-use assets	**(4,302)**	–
– intangible assets	**(177)**	–
	(10,151)	(870)

Notes:

(a) Subsidies income were granted from HKSAR Government in relation to the food license without unfulfilled conditions or other contingencies attaching to the subsidies.

(b) The rent concession had satisfied the practical expedient criteria of HKFRS 16 and the amount recognised in profit or loss to reflect changes in lease payments that arised from COVID-19.

5. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interests on bank borrowings	**744**	447
Interests on lease liabilities	**2,353**	–
	3,097	447

6. LOSSES BEFORE TAX

	2020 *HK$'000*	2019 *HK$'000*
Losses before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and other benefits	**52,076**	56,867
Contribution to retirement benefit scheme	**2,365**	2,579
	54,441	59,446
Auditor's remuneration	**700**	830
Depreciation:		
– owned property, plant and equipment	**9,678**	9,499
– leased right-of-use assets	**19,616**	–
Provision for impairment:		
– owned property, plant and equipment	**1,925**	–
– leased right-of-use assets	**4,302**	–
– intangible assets	**177**	–
Amortisation of intangible assets (included in other expenses)	**68**	69
Total minimum lease payments for leases previously classified as operating lease under HKAS 17	**–**	23,260
Variable lease payments not included in the measurement of lease liabilities:		
– short-term lease expenses	**300**	–
– contingent rents *(note)*	**31**	457

Note: The lease payments for certain restaurants are determinated as the higher of a fixed rental or a predeterminated percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

7. INCOME TAX CREDIT/(EXPENSE)

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	(4)
(Under)/over provision in prior years	**(14)**	6
	(14)	2
Deferred tax	**109**	(1,302)
	95	(1,300)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits for the year ended 31 March 2020 (2019: 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%.

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of reporting period (2019: nil).

There are no income tax consequences related the payment of dividends by the Company to its shareholders.

9. LOSSES PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Losses for the year attributable to owners of the Company for the purpose of basic losses per share	**(44,459)**	(16,087)

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic losses per share	**800,000**	800,000

No diluted losses per share were presented as there were no potential ordinary shares in issue for both years.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables from restaurant operations	**334**	775
Rental deposits	**5,817**	6,604
Other deposits	**2,423**	3,421
Prepayments and other receivables	**1,431**	3,120
Total	**10,005**	13,920
Analysed for reporting purposes as:		
Non-current assets	**7,652**	6,292
Current assets	**2,353**	7,628
	10,005	13,920

There was no credit period granted to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash, octopus card and credit card settlement. The settlement terms of octopus card and credit card companies are usually within 7 days after the service rendered date. All trade receivables from restaurant operations are aged within 7 days after the service rendered date.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**3,379**	2,543
Salaries payables	**4,839**	5,429
Payable for acquisition of property, plant and equipment	**3,098**	62
Accruals and other payables	**3,224**	4,182
	14,540	12,216

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. All trade payables are aged within 60 days based on the invoice date at the end of the reporting period.

12. BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Bank loans, do not contain repayment on demand clause repayable within one year (2019: less than two years)	**15,000**	15,000
Bank overdraft, repayment on demand	**5,857**	–
	20,857	15,000

The bank borrowings are at floating rate which carry interest at HK$ Best Lending Rate minus a spread. The effective interest rate on the Group's bank borrowings were 3.80% (2019: 2.91%) per annum as at 31 March 2020.

At 31 March 2020, bank borrowings of HK$20,857,000 (2019: HK$15,000,000) were secured by leasehold land and building owned by the Group with the carrying amount of HK$30,982,000 (2019: HK$32,594,000) and corporate guarantee provided by the Group's companies.

13. SHARE CAPITAL

Details of the Company's shares are disclosed as follows:

	Number of shares	**Share Capital**
		HK$'000
Authorised:		
At 31 March 2019 and 31 March 2020	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2019 and 31 March 2020	800,000,000	8,000

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

BDO Limited was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 March 2020

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 3(c) in the consolidated financial statements which indicates that the Group incurred a net loss of HK$44,615,000 during the year ended 31 March 2020, and, as of that date, the Group's current liabilities exceeded its current assets by HK$46,183,000. As stated in note 3(c), these conditions, along with other matters as set forth in that note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

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 under a franchise agreement.

"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 one of "Baba Nyonya" is operated by a franchisee.

In November 2019, the Group has opened a new restaurant, namely Ngau Tau Kok Baba Nyonya which is serving Malaysian cuisine and it has been showing steadily good performance since commencement of its business due to relatively less competition on offering similar cuisine in its proximity.

"Marsino" had recorded revenue of approximately HK$43.3 million during the year ended 31 March 2020, which is equivalent to 37.2% of our total revenue. As compared to the last corresponding period, "Marsino" has experienced a decrease in revenue by 5.3%.

"Grand Avenue" had recorded revenue of approximately HK$38.7 million during the year ended 31 March 2020, which is equivalent to 33.3% of our total revenue. As compared to the last corresponding period, "Grand Avenue" has experienced a decrease in revenue by 36.2% mainly due to the reduction of number of restaurants.

"Baba Nyonya" had recorded revenue of approximately HK$32.6 million during the year ended 31 March 2020, which is equivalent to 28.0% of our total revenue. As compared to the last corresponding period, "Baba Nyonya" has experienced an increase in revenue by 645.5% due to the expansion of number of restaurants under "Baba Nyonya" from 1 to 4.

"Beefst" had recorded revenue of approximately HK$0.8 million during the year ended 31 March 2020, which is equivalent to 0.7% of our total revenue. As compared to the last corresponding period, "Beefst" has experienced a decrease in revenue by 88.6% due to the closure of all "Beefst" restaurants.

"Haha Prawn Mee" had recorded revenue of approximately HK$1.0 million during the year ended 31 March 2020, which is equivalent to 0.9% of our total revenue. As compared to the last corresponding period, "Haha Prawn Mee" has experienced a decrease in revenue by 84.2% due to the closure of all "Haha Prawn Mee" restaurants.

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.

The cold storage's business operated by the Associate was slowed down due to the social instabilities and the coronavirus outbreak, which had adversely affected the customer's spending sentiment as well as reducing the number of visitors traveling to Hong Kong. As a result, local consumption of frozen food products was decreased which led to the demand for the cold storage facilities were also affected. In response to the challenging business, the Associate has been expanding its customer base by introducing dry storage area which allows us to accept dried products from our customers in additional to the existing frozen products. Moreover, the Associate is negotiating a flexible rental payment schedule with its landlord as well as reducing its labour cost by streamlining the business workflow.

Although there is no one can predict when the coronavirus outbreak will be ended, we are still optimistic as to the prospect of the Associate as given the fact that there are limited numbers of sizable cold storage operator in Hong Kong. In addition to that, as approved by Trade and Industry Department in late 2019, the Associate has been registered as a rice stockholder, which allows us to store rice for our customers, and this create an additional source of income for us as there is significant demand for rice in Hong Kong. Starting in April 2019, our Group has entered an agreement with a Taiwanese rice supplier and act as their sole agent in Greater China area to supply their rice products in the region, we anticipate that the formation of this business could generate positive income flow towards our Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, the Group recorded revenue of approximately HK$116.4 million (year ended 31 March 2019: approximately HK$142.4 million), representing a decrease of 18.2% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to the reduction of the number of our restaurants as well as the severe economic downturn as caused by the social instabilities and the coronavirus outbreak which led to fewer tourists coming to Hong Kong and weaker consumer's spending sentiment.

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$40.2 million and HK$31.9 million for each of the year ended 31 March 2019 and 2020, respectively, representing approximately 28.2% and 27.4% of the Group's total revenue for the corresponding periods. Our management has been very conscious in striking the balance between food cost and food quality. Despite the rising costs of raw materials which has adversely affected the profitability of the food and beverage industry, the Group has steadily improved its food cost through adopting a variety of planning, monitoring and evaluation techniques, such as comparing different prices between suppliers, finding alternative but less expensive food ingredients without sacrificing the quality, performing food cost calculations, evaluating menu planning, and reducing waste and theft.

Other gains and losses, net

Other gains and losses, net increased by approximately HK$9.3 million from approximately HK$0.9 million for the year ended 31 March 2019 to approximately HK$10.2 million for the year ended 31 March 2020. Such increase was mainly due to the impairment loss of the property, plant and equipment which was approximately HK$6.2 million and it was mainly attributable to Tiu Keng Leng Grand Avenue, Mongkok Baba Nyonya and Ngau Tau Kok Marsino as well as the loss on written-off/disposal of property, plant and equipment of Mongkok Beefst and Mongkok Haha Prawn which was approximately HK$4.8 million due to the closure of these two restaurants at the end of June 2019.

Staff costs

Staff costs was approximately HK$54.4 million for the year ended 31 March 2020, representing a decrease of approximately 8.4% as compared to approximately HK$59.5 million for the year ended 31 March 2019. Such decrease was mainly due to the reduction of the number of our restaurants and the tightened cost control.

Depreciation

Depreciation was approximately HK$29.3 million and HK$9.5 million for the year ended 31 March 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 due to the implementation of HKFRS 16 – Leases which has required the Group to recognise the right-of-use assets for our leases and depreciated them over the lease terms.

Rental and related expenses

The rental expenses for the year ended 31 March 2020 amounted to approximately HK$4.5 million, representing a decrease of approximately 84.4% as compared with that of the year ended 31 March 2019 which amounted to approximately HK$28.6 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 year ended 31 March 2020 and 2019, the total utility expenses amounted to approximately HK$6.6 million and HK$7.5 million, respectively.

Other expenses

The Group's other expenses decreased by approximately 10.6% from approximately HK$11.7 million for the year ended 31 March 2019 to approximately HK$10.5 million for the year ended 31 March 2020. Such decrease was mainly due to the decrease in audit fees, cleaning fee, small tools and equipment expenses, bank charges, the royalty fee paid to the franchisor for using its brand name "Beefst" in Hong Kong and so on.

Finance costs

Finance costs of the Group significantly increased by approximately HK$2.7 million or approximately 592.8% from approximately HK$0.4 million for the year ended 31 March 2019 to approximately HK$3.1 million for the year ended 31 March 2020. The increase in finance costs was mainly attributable to the interest on lease liabilities attributable to the right-of-use assets under HKFRS 16.

Loss attributable to owners of the Company

For the year ended 31 March 2020, the Group recorded a loss attributable to owners of the Company of approximately HK$44.5 million, as compared to the loss of approximately HK$16.1 million for the year ended 31 March 2019. The loss for the year ended 31 March 2020 was mainly attributable to (i) the impairment loss on property, plant and equipment for three restaurants (ii) the decrease in revenue as affected by the reduction of the number of our restaurants as well as the severe economic downturn as caused by the social instabilities and the coronavirus outbreak; (iii) the loss on written-off/disposal of property, plant and equipment due to the closure of our restaurants; (iv) staff costs were remained high despite our revenue was dropped; and (v) impairment loss of interest in an associate.

Dividend

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

FUTURE PROSPECTS

In view of the uncertainties and the combined negative effects brought by the coronavirus outbreak, the social instabilities and the US-China trade war, the Group adopts a conservative and cautious approach on operating our business. Since the beginning of the coronavirus outbreak, Hong Kong government has rolled out measures in several rounds to encourage people staying at home and limit the number of seats provided by the restaurants which has tremendously slashed the income of all the restaurants. On the other hand, the staff costs and food costs are remained relatively high despite of the economic downturn, therefore the Group is facing huge pressure on striking the balance between cost control without sacrificing the qualities of our food and services. Another major cost component for our Group is the rental expenses, and we have been negotiating with our landlords for rent concessions, and some of them agreed to reduce the rent and given the gloomy and uncertain economic future, we will continue to negotiate further rent concessions with our landlords.

To address the current weakness in customer sentiment and unpredictable market conditions, the Group will strengthen its promotional efforts to maintain the Group's competitiveness, including offering promotional menus and launching seasonal products like moon cake, Chinese New Year cakes, stainless steel kettles and so forth. On the other hand, our Group has entered into an agreement with a restaurant chain and our Group is providing sourcing, purchasing and logistics functions to them, we are confident that this new business could generate positive return to our Group.

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.

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.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2020, current assets amounted to approximately HK$8.9 million (as at 31 March 2019: approximately HK$31.8 million), of which approximately HK$3.0 million (as at 31 March 2019: approximately HK$21.8 million) was bank balances and cash (excluding bank overdrafts), approximately HK$2.4 million (as at 31 March 2019: approximately HK$7.6 million) was trade and other receivables, deposits and prepayments. The decrease in bank balances and cash was mainly due to the investment costs on opening the new restaurants, the funds injected into the Associate and the decline in our restaurant business. The Group's current liabilities amounted to approximately HK$55.1 million (as at 31 March 2019: approximately HK$13.1 million) which primarily consisted of bank borrowings, trade and other payables, accrued charges and lease liabilities. Current ratio (calculated based on the total current assets divided by total current liabilities) and quick ratio (calculated based on the total current assets less inventories divided by total current liabilities) were 0.2 and 0.1 respectively (as at 31 March 2019: 2.4 and 2.4 respectively). Gearing ratio is calculated based on the borrowings representing the sum of interest-bearing bank borrowings and amounts due to related parties which are non-trade nature divided by total equity at the end of the year and multiplied by 100%. Gearing ratio was 95.2% (as at 31 March 2019: 22.4%).

CHARGE ON GROUP ASSETS

At 31 March 2020, bank loans of HK$15,000,000 and bank overdrafts HK$5,857,082 were secured by leasehold land and building owned by the Group with the carrying amount of approximately HK$30,982,042.

At 31 March 2019, bank loans of HK$15,000,000 were secured by the leasehold land and building owned by the Group with the carrying amount of approximately HK$32,594,000.

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

During the year ended 31 March 2020, a wholly-owned subsidiary of the Company invested HK$15.0 million towards an Associate, other than that, the Group had no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 March 2020.

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 18 April 2019 Announcement.

	Revised allocation of IPO Proceeds as disclosed in the 18 April 2019 Announcement *HK$'000*	**Utilised IPO Proceeds up to 31 March 2020** *HK$'000*	**Unutilised IPO Proceeds up to 31 March 2020** *HK$'000*
Opening of one new Marsino Restaurant	4,400	4,400	–
Opening of 4 new Japanese ramen restaurants	10,060	10,060	–
Expansion of central kitchen storage facilities	1,543	1,543	–
Upgrade of computer system	1,300	1,300	–
Marketing and promotional activities	1,000	944	56
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	–
	32,600	32,544	56

The Group intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. All unutilised proceeds have been placed in licenced banks in Hong Kong.

BORROWING

As at 31 March 2020, the total borrowing of the Group, which consisted of bank loans and bank overdrafts, all of which were denominated in Hong Kong dollar, amounted to approximately HK$20.9 million (31 March 2019: the Group's borrowing only consisted of bank loans, amounted to approximately HK$15.0 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

DIVIDENDS

The Directors did not recommend the payment of any dividend in respect of the year ended 31 March 2020.

CORPORATE GOVERNANCE

The Board and the senior management of the Company 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 to the GEM Listing Rules throughout the year ended 31 March 2020 and complied with all applicable code provisions under the Code throughout the year. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the Code.

Further information on the Group's corporate governance practices will be set out in the Corporate Governance Report contained in the Group's annual report for the year ended 31 March 2020, which will be sent to shareholders in due course.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 198 full-time and 77 part-time employees (as at 31 March 2019: 236 full-time and 114 part-time employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions.

The Directors are of the view that employees are one of the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relationships with its employees.

EVENTS AFTER THE REPORTING DATE

Save as the events as disclosed in note 40 to the consolidated financial statements, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of approval of the Annual Report.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Dakin Capital Limited ("**Dakin Capital**") to be the compliance adviser. As informed by Dakin Capital, neither Dakin Capital nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Dakin Capital dated 15 January 2019.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

The Company has received an annual declaration from each of the Controlling Shareholders confirming that they complied with the undertakings for the year ended 31 March 2020. The Controlling Shareholders also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 March 2020.

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 year ended 31 March 2020.

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 year.

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 year ended 31 March 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 29 January 2018. The chairman of the Audit Committee is Ms. Ng Yau Kuen Carmen, other members included Mr. Yu Ronald Patrick Lup Man and Mrs. Cheung Lau Lai Yin Becky, both of them are our independent non-executive directors.

The core duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors.

The Group's consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2020 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED ("BDO")

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 March 2020 have been agreed by the Group's auditor, BDO, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on the preliminary announcement.

By order of the Board
Simplicity Holding Limited
Wong Suet Hing
Chairman and Executive Director

Hong Kong, 23 June 2020

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