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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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

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>.

HIGHLIGHTS

- Revenue for the year ended 31 March 2022 was approximately HK\$85.6 million, compared with HK\$97.4 million last year, representing a decrease of approximately HK\$11.8 million.
- Loss for the year attributable to owners of the Company was approximately HK\$3.3 million, compared with approximately profit HK\$8.6 million last year, representing a decrease HK\$11.9 million.
- Loss per share attributable to owners of the Company amounted to HK0.35 cents, compared with earnings HK0.99 cents last year, representing a decrease HK1.34 cents.
- No final dividend was proposed for the year ended 31 March 2022 (2021: Nil).

UNAUDITED ANNUAL RESULTS

The board of directors (the “**Board**”) of Simplicity Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to inform the shareholders of the Company that due to the implementation of COVID-19 pandemic prevention and control measures including the quarantine and lockdown measures imposed in various cities in the mainland China, the audit process of the Group for the year ended 31 March 2022 has experienced delays as the auditors of the Group have not, as at the date of this announcement, completed on site auditing works for the Company’s subsidiaries in the mainland China and received confirmations of account receivable and payable etc. that are necessary to complete the audit procedures. Accordingly, the Company cannot publish the preliminary announcement of audited consolidated annual results for the year ended 31 March 2022 today in accordance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

For the sake of providing the shareholders of the Company and market investors with information on the business operations and financial conditions of the Group, the Board is pleased to present the unaudited consolidated annual results of the Group for the year ended 31 March 2022 together with the comparative amounts for the year ended 31 March 2021. These unaudited financial results for the year ended 31 March 2022 have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	85,580	97,421
Other income	4	1,656	15,688
Other gains and losses, net	4	14,244	3,534
Raw materials and consumables used		(31,776)	(29,205)
Staff costs		(32,637)	(42,027)
Depreciation		(15,740)	(24,681)
Rental and related expenses		(4,266)	(3,772)
Utilities expenses		(3,762)	(4,979)
Other expenses		(13,687)	(14,474)
Reversal of impairment loss of interest in an associate		–	13,505
Finance costs	5	(3,026)	(2,275)
(Loss)/profit before tax	6	(3,414)	8,735
Income tax credit	7	91	16
(Loss)/profit for the year		(3,323)	8,751
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of PRC subsidiaries		(63)	–
Total comprehensive (expense)/income for the year		<u>(3,386)</u>	<u>8,751</u>
(Loss)/profit for the year attributable to:			
– owners of the Company		(3,336)	8,585
– non-controlling interests		13	166
		<u>(3,323)</u>	<u>8,751</u>
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
– owners of the Company		(3,399)	8,585
– non-controlling interests		13	166
		<u>(3,386)</u>	<u>8,751</u>
(Loss)/earnings per share			
Basic (HK cents)	9	<u>(0.35)</u>	<u>0.99</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		26,551	42,207
Deferred tax assets		95	95
Deposits	<i>10</i>	4,367	3,936
Total non-current assets		31,013	46,238
Current assets			
Inventories		1,809	1,724
Trade and other receivables, deposits and prepayments	<i>10</i>	24,629	9,179
Tax recoverable		329	345
Bank balances and cash		31,756	12,811
Asset held for sale		–	29,860
Total current assets		58,523	53,919
Current liabilities			
Trade and other payables and accruals	<i>11</i>	27,876	8,376
Contract liabilities		–	108
Bank borrowings		–	15,000
Provision for reinstatement		–	220
Lease liabilities		14,275	11,984
Liability directly associated with asset held for sale		–	260
Total current liabilities		42,151	35,948
Net current assets		16,372	17,971
Total assets less current liabilities		47,385	64,209

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Provision for reinstatement		1,776	1,776
Lease liabilities		9,655	22,999
Deferred tax liabilities		596	687
		<hr/>	<hr/>
Total non-current liabilities		12,027	25,462
		<hr/>	<hr/>
Net assets		35,358	38,747
		<hr/>	<hr/>
Capital and reserves			
Share capital	12	9,600	9,600
Reserves		25,791	29,193
		<hr/>	<hr/>
Equity attributable to owners of the Company		35,391	38,793
Non-controlling interests		(33)	(46)
		<hr/>	<hr/>
Total equity		35,358	38,747
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2022

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 Flat 1, 24/F, Wealthy Industrial Building, Nos. 22–26 Wing Yip Street, 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 and sales of drug vending machines and related services in the mainland China.

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.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 year.

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 and sales of drug vending machines and related services 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. Malaysian cuisine — Operations of Malaysian cuisine restaurants under the brand of “Baba Nyonya”.
4. Sales 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 accounting policies of the operating and reportable segments are the same as the Group’s accounting policies described in note 3 to the consolidated financial statements.

Year ended 31 March 2022

	Chinese cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Malaysian cuisine <i>HK\$'000</i>	Sales of food ingredients <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>23,389</u>	<u>21,684</u>	<u>29,759</u>	<u>10,748</u>	<u>85,580</u>
Segment (loss)/profit	<u>(409)</u>	<u>369</u>	<u>1,347</u>	<u>3,279</u>	4,586
Unallocated other income					70
Unallocated finance costs					(2,004)
Unallocated corporate costs					(21,182)
Gain on disposal of subsidiaries					2,061
Gain on disposal of a property					<u>13,055</u>
Loss before tax					<u>(3,414)</u>

Year ended 31 March 2021

	Chinese cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Malaysian cuisine <i>HK\$'000</i>	Sales of food ingredients <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>27,961</u>	<u>28,636</u>	<u>38,983</u>	<u>1,841</u>	<u>97,421</u>
Segment (loss)/profit	<u>(625)</u>	<u>717</u>	<u>797</u>	<u>1,841</u>	2,730
Other income					14,540
Finance costs					(396)
Unallocated corporate costs					(21,644)
Reversal of impairment loss of interest in an associate					<u>13,505</u>
Profit before tax					<u>8,735</u>

4. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2022 HK\$'000	2021 HK\$'000
Other income		
Reversal of provision for reinstatement	220	430
Reversal of employee injury provision	–	750
Promotion income	26	178
Employment support scheme	–	11,334
Bank interest income	8	–
Subsidies income (<i>note a</i>)	1,250	2,670
Other income	152	326
	<u>1,656</u>	<u>15,688</u>
	2022 HK\$'000	2021 HK\$'000
Other gains and losses, net		
Rent concession (<i>note b</i>)	107	1,589
Gain on early termination of leases	–	3,202
Gain on disposal of property, plant and equipment	13,055	–
Loss on written-off/disposal of property, plant and equipment	–	(1,686)
Gain on disposal of subsidiaries	2,060	429
Gain on disposal of an associate	50	–
Gain on deregistration of fellow subsidiaries	594	–
Impairment loss of property, plant and equipment	(1,711)	–
Others	89	–
	<u>14,244</u>	<u>3,534</u>

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

	2022 HK\$'000	2021 HK\$'000
Interests on bank borrowings	45	396
Interests on lease liabilities	1,022	1,879
Imputed interest on promissory note	267	–
Interest expenses on promissory note	1,692	–
	<u>3,026</u>	<u>2,275</u>

6. LOSS BEFORE TAX

	2022 HK\$'000	2021 HK\$'000
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and other benefits	31,160	40,141
Contribution to retirement benefit scheme	1,477	1,886
	<u>32,637</u>	<u>42,027</u>
Auditor's remuneration	630	650
Depreciation:		
– owned property, plant and equipment	4,157	8,847
– leased right-of-use assets	11,583	15,834
Impairment loss of property, plant and equipment	1,711	–
Variable lease payments not included in the measurement of lease liabilities:		
– short-term lease expenses	1,752	1,473
– contingent rents (<i>note</i>)	43	–
	<u>43</u>	<u>–</u>

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

7. INCOME TAX CREDIT

	2022 HK\$'000	2021 HK\$'000
Current tax:		
Hong Kong Profits Tax	–	–
Over provision in prior years	91	–
PRC Enterprise Income Tax	–	–
	<u>91</u>	<u>–</u>
Deferred tax	–	16
	<u>91</u>	<u>16</u>

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

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits for the year ended 31 March 2022 (2021: 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%.

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for the year ended 31 March 2022.

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of reporting period (2021: nil).

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

9. (LOSS)/EARNINGS PER SHARE

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

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per share	<u>(3,336)</u>	<u>8,585</u>
	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>960,000</u>	<u>865,315</u>

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

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Trade receivables from sales of food ingredients	1,290	1,303
Trade receivables from restaurant operations	614	766
Rental deposits	3,878	4,060
Other deposits	1,572	2,109
Prepayments and other receivables	21,642	4,877
	<u>28,996</u>	<u>13,115</u>
Total	<u>28,996</u>	<u>13,115</u>
Analysed for reporting purposes as:		
Non-current assets	4,367	3,936
Current assets	24,629	9,179
	<u>28,996</u>	<u>13,115</u>

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. Trade receivables from sales of food ingredients are aged within 30 days base on the invoice date at the end of the reporting period.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022 HK\$'000	2021 HK\$'000
Trade payables	1,400	2,274
Salaries payables	2,716	3,977
Payable for acquisition of property, plant and equipment	–	230
Accruals and other payables	23,760	1,886
	<u>27,876</u>	<u>8,367</u>

The credit period granted to the Group by suppliers normally ranges from 0 to 90 days. All trade payables are aged within 90 days based on the invoice date at the end of the reporting period.

12. SHARE CAPITAL

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

	Number of shares	Share Capital <i>HK\$'000</i>
Authorised:		
At 31 March 2021 and 31 March 2022	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 March 2021 and 31 March 2022	<u>960,000,000</u>	<u>9,600</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 6 May 2022, the value of total receipts of the restaurants sector in the first quarter of 2022 was provisionally estimated at HK\$15.2 billion, representing a decrease of approximately 23.1% over a year earlier. Over the same period, the provisional estimate of the value of total purchases by restaurants decreased by approximately 18.9% to approximately HK\$5.2 billion.

Analysed by type of restaurant and comparing the first quarter of 2022 with the first quarter of 2021, total receipts of Chinese restaurants decreased by 33.5% in value and 35.4% in volume. Total receipts of non-Chinese restaurants decreased by 23.6% in value and 26.1% in volume. Total receipts of fast-food shops decreased by 11.3% in value and 13.9% in volume. Total receipts of bars decreased by 34.9% in value and 34.0% in volume. As for miscellaneous eating and drinking places, total receipts decreased by 12.9% in value and 15.1% in volume.

A Government spokesman said that business of restaurants deteriorated sharply in the first quarter of 2022 due to the fifth wave of local epidemic and the resultant restrictive measures. The value of total restaurant receipts fell visibly by 23.1% year-on-year despite a low base of comparison. On a seasonally adjusted quarter-to-quarter comparison, it plunged by 40.2%.

The spokesman pointed out that the easing local epidemic situation and gradual relaxation of social distancing measures, as well as the launch of a new round of Consumption Voucher Scheme, should provide support to business of restaurants in the coming months. Various other support measures rolled out by the Government should also help. It is essential for the community to work in unison to support the Government to further stabilise the local epidemic situation. The Government will continue to monitor the developments closely.

The outlook down the road depends critically on how the situation of the COVID-19 infection will evolve.

The Group will continue to monitor the developments closely and will be cautious in running our business.

PROSPECTS

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

The Group is committed to strengthen our core capabilities to keep on improving its business performance and operating results so as to cope with these challenges and to present satisfactory results and bring favourable returns to our shareholders.

In view of the challenges faced by the Group, we will adopt a conservative and cautious approach to operate our businesses. Actions we have taken or are likely to take are:

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

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

In the long run, the Group aims at extending its food and beverage business in Hong Kong as well as the business of automatic drug vending machines in the PRC to enhance values to our shareholders. The Board considers that these strategic initiatives will enable the Group to broaden its income streams and asset base, thus contributing to future development and growth of the Group.

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

On 30 August 2021, the Company has completed an acquisition of the entire issued share capital of Lucky State, Lucky State together with its subsidiaries are principally engaged in the sales of drug vending machines and related services in the PRC.

For the year ended 31 March 2022, the outbreak of the coronavirus pandemic in PRC had affected the operating environment for the business of sales of drug vending machines and related services in PRC.

BUSINESS OVERVIEW

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

"Marsino" is a Chinese noodle specialist, "Grand Avenue" offers Thai cuisine, and "Baba Nyonya" offers Malaysian cuisine. Each of "Marsino", "Grand Avenue" and "Baba Nyonya" are founded and operated by our Group except for one of "Baba Nyonya" is operated by a franchisee.

“Marsino” had recorded revenue of approximately HK\$23.4 million during the year ended 31 March 2022, which is equivalent to 27.3% of our total revenue. As compared to the last corresponding period, “Marsino” has experienced a decrease in revenue by 16.4% mainly due to reduction of number of restaurants and the negative impacts brought by the COVID-19.

“Grand Avenue” had recorded revenue of approximately HK\$21.7 million during the year ended 31 March 2022, which is equivalent to 25.3% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced a decrease in revenue by 24.3% due to reduction of number of restaurant and the negative impacts brought by the COVID-19.

“Baba Nyonya” had recorded revenue of approximately HK\$29.8 million during the year ended 31 March 2022, which is equivalent to 34.8% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced a decrease in revenue by 23.7% due to reduction of number of restaurant and the negative impacts brought by the COVID-19.

In addition to the above restaurants, our Group also operates a central kitchen which supplies raw materials and consumables to our restaurants. We established our central kitchen as early as in 2007, and then we moved to the existing premises due to expansion. Our management believes that our central kitchen can continuously improve the efficiency of our operation.

The segment of “Sale of food ingredients” had recorded revenue of approximately HK\$10.7 million during the year ended 31 March 2022, which is equivalent to 12.6% of our total revenue. As compared to the last corresponding period, the segment of “Sale of food ingredients” has experienced an increase in revenue by 483.8% due to sales growth.

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

MATERIAL PRINCIPAL RISKS AND UNCERTAINTIES

- 1) As we lease all of the properties for our restaurant operations, any attractive location will likely be subject to high demand from, among others, other food and beverage operators that compete directly with our Group for the same location. As such, there is no assurance that our Group would be able to find suitable premises that are commercially attractive for its restaurants with reasonable commercial terms in the event there is a need for relocation or our Group intends to open new restaurants. In addition, it is uncertain that all our leases can be renewed at all when they expire or on terms acceptable to us. Even if our Group is able to renew or extend its leases, the rental expenses may increase significantly, which could adversely affect our profitability.
- 2) We rely on our central kitchen to supply some of our semi-processed or processed food ingredients used in our restaurants and any disruption of operation at our central kitchen could adversely affect our business and operations.
- 3) If our suppliers fail to deliver food with an acceptable quality or in a timely manner, we may experience supply shortages and increased food costs.
- 4) We require various approvals and licences to operate our business, and the loss of, or failure to, obtain or renew any or all of these approvals and licences, could materially and adversely affect our business.
- 5) Labour shortages or increases in labour costs will increase our Group's operating costs and reduce our profitability.
- 6) Risks related to the spread of coronavirus and other possible infectious disease which may adversely affect the business of the food and beverage sector and the business of sales of drug vending machines and related services.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2022, the Group recorded revenue of approximately HK\$85.6 million (year ended 31 March 2021: approximately HK\$97.4 million), representing a decrease of 12.1% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to reduction of the number of our restaurants as well as the severe economic downturn as caused by the COVID-19.

Raw materials and consumables used

The raw materials and consumables used mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants and central kitchen. The major food ingredients purchased by the Group include, but are not limited to, meat, seafood, frozen food, vegetables and beverages. Raw materials and consumables used is one of the major components of the Group's operating expenses which amounted to approximately HK\$31.8 million and HK\$29.2 million for each of the year ended 31 March 2022 and 2021, respectively, representing approximately 37.2% and 30.0% 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.

Other gains and losses, net

For the year ended 31 March 2022, the Group recorded other gains of approximately HK\$14.2 million (year ended 31 March 2021: other gains of approximately HK\$3.5 million), representing a net increase by approximately HK\$10.7 million. Such increase was mainly due to the gains on disposal of property and subsidiaries.

Staff costs

Staff costs was approximately HK\$32.6 million for the year ended 31 March 2022, representing a decrease of approximately 22.3% as compared to approximately HK\$42.0 million for the year ended 31 March 2021. Such decrease was mainly due to reduction of the number of our restaurants and the tightened cost control.

Depreciation

Depreciation expenses were approximately HK\$15.7 million and HK\$24.7 million for the year ended 31 March 2022 and 2021 respectively. Such decrease was mainly due to reduction of number of our restaurants.

Rental and related expenses

The rental expenses for the year ended 31 March 2022 amounted to approximately HK\$4.3 million, representing an increase of approximately 13.1% as compared with that of the year ended 31 March 2021 which amounted to approximately HK\$3.8 million.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the year ended 31 March 2022 and 2021, the total utility expenses amounted to approximately HK\$3.8 million and HK\$5.0 million, respectively.

Other expenses

The Group's other expenses decreased by approximately 5.5% from approximately HK\$14.5 million for the year ended 31 March 2021 to approximately HK\$13.7 million for the year ended 31 March 2022.

Finance costs

The Group's finance costs represented interest on bank borrowings and interest on lease liabilities after the HKFRS 16 coming into effect in 2019. For the year ended 31 March 2022 and 2021, finance costs were approximately HK\$3.0 million and HK\$2.3 million, respectively. The increase in finance costs was mainly attributable to the non-cash imputed interest expenses of HK\$0.27 million and the interest payable of HK\$1.7 million arising from the issuance of a promissory note.

Loss attributable to owners of the Company

For the year ended 31 March 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$3.3 million, as compared to the profit of approximately HK\$8.6 million for the year ended 31 March 2021. The increase in loss was mainly due to the reduction of the number of our restaurants and the Group recorded a lower amount of government subsidies during the year and the fifth wave of the COVID-19 pandemic in the last quarter brought serious disruptions to business and operations.

Dividend

The Board does not recommend any payment of dividend for the year ended 31 March 2022 (2021: Nil).

CAPITAL STRUCTURE

There were no change in the capital structure of the Group for the year ended 31 March 2022.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2022, current assets amounted to approximately HK\$58.5 million (as at 31 March 2021: approximately HK\$53.9 million), of which approximately HK\$31.8 million (as at 31 March 2021: approximately HK\$12.8 million) was bank balances and cash, approximately HK\$24.6 million (as at 31 March 2021: approximately HK\$9.2 million) was trade and other receivables, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$42.2 million (as at 31 March 2021: approximately HK\$35.9 million) which primarily consisted of bank borrowings, trade and other payables, 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 1.4 and 1.3 respectively (as at 31 March 2021: 1.5 and 1.5 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 0% (as at 31 March 2021: 38.7%).

FOREIGN CURRENCY EXPOSURE

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

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

As at 31 March 2022, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions

CAPITAL COMMITMENTS

As at 31 March 2022, the Group did not have any outstanding capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any material contingent liabilities.

BORROWING

As at 31 March 2022, there was no bank borrowings outstanding (31 March 2021: approximately HK\$15.0 million).

CHARGE ON GROUP ASSETS

At 31 March 2022, the Group did not have any charge of assets.

At 31 March 2021, bank loans of HK\$15.0 million were secured by leasehold land and building owned by the Group with the carrying amount of approximately HK\$29.9 million. The Group had repaid all the bank loans on 25 May 2021.

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

In respect of the acquisition of subsidiaries for the year ended 31 March 2022, details are set out in note of prospects and set out in the Company's announcement date of 4 August 2021, 6 August 2021, 17 August 2021 and 30 August 2021.

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

Except for the above, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 March 2022. There is no other plan for material investments or capital assets as at 31 March 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group had 95 full-time and 60 part-time employees (as at 31 March 2021: 170 full-time and 68 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 remuneration of the Directors is determined based on, among others, the prevailing market conditions and his/her roles and responsibilities.

The Directors are of 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.

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 2022.

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 year ended 31 March 2022, 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 year ended 31 March 2022.

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 year ended 31 March 2022, 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 year the ended 31 March 2022 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

Share option was granted, details are set out in the Company’s announcement date 20 April 2022.

Other than the above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2022 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 four independent non-executive Directors as follows:

Mr. Yeung Man Sun (Chairman)

Mr. Chan Wai Pun

Mr. Lo Cheuk Fei Jeffrey

Mr. Wong Hoyen Pegasus

REVIEW OF UNAUDITED ANNUAL RESULTS

At the date of this announcement, due to the further surge in the COVID-19 pandemic in mainland China since early 2022, the audit process for the annual results for the year ended 31 March 2022 has not been completed and the auditor is still in the process of performing the audit work. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under the GEM Listing Rules but have been reviewed by the Audit Committee.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS, ANNUAL REPORT AND FURTHER ANNOUNCEMENT(S)

It is expected that the Company will issue further announcement(s) in relation to the audited annual results and annual report for the year ended 31 March 2022 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein on 22 July 2022 subject to the completion of the audit process. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the audit process.

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

Hong Kong, 30 June 2022

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

This announcement, for which the Directors 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 of Hong Kong Limited 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 website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the “Latest Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.simplicityholding.com.

** For identification purpose only*