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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

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

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

*This announcement, for which the directors (the “**Directors**”) of Simplicity Holding Limited (the “**Company**”) and together with its subsidiaries, the “**Group**” or “**We**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the 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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2019

The unaudited condensed consolidated results of the Group for the three months ended and six months ended 30 September 2019, together with the unaudited comparative figures for the corresponding period in 2018, are as follows:

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2019	2018	2019	2018
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	27,223	38,289	59,130	73,163
Other income	5	28	150	73	268
Other losses	6	(117)	–	(4,974)	–
Raw materials and consumables used		(7,494)	(11,028)	(15,971)	(20,785)
Staff costs		(12,816)	(15,134)	(27,785)	(28,441)
Depreciation		(6,950)	(2,230)	(14,175)	(4,182)
Rental and related expenses		(853)	(7,146)	(2,287)	(13,517)
Utilities expenses		(1,750)	(2,014)	(3,453)	(3,779)
Other expenses		(2,395)	(3,188)	(5,118)	(5,879)
Finance costs	7	(642)	(121)	(1,241)	(219)
Share of loss of a joint venture		(2,637)	–	(7,366)	–
Loss before tax	8	(8,403)	(2,422)	(23,167)	(3,371)
Income tax expense	9	–	(401)	–	(803)
Loss and total comprehensive expense for the period		<u>(8,403)</u>	<u>(2,823)</u>	<u>(23,167)</u>	<u>(4,174)</u>
(Loss) profit and total comprehensive (expense) income for the period attributable to:					
– owners of the Company		(8,357)	(2,961)	(23,075)	(4,397)
– non-controlling interests		(46)	138	(92)	223
		<u>(8,403)</u>	<u>(2,823)</u>	<u>(23,167)</u>	<u>(4,174)</u>
Loss per share					
Basic (HK cents)	11	<u>(1.04)</u>	<u>(0.37)</u>	<u>(2.88)</u>	<u>(0.55)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		Unaudited	Audited
		30 September	31 March
		2019	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment	12	52,417	59,269
Right-of-use assets		52,292	–
Intangible asset	13	211	245
Deferred tax assets		95	95
Deposits	15	5,581	6,292
Investment in a joint venture	14	7,644	–
		<u>118,240</u>	<u>65,901</u>
Current Assets			
Inventories		1,142	1,012
Trade and other receivables, deposits and prepayments	15	7,639	7,628
Amount due from related parties		–	312
Tax recoverable		1,358	1,009
Bank balances and cash		3,878	21,831
		<u>14,017</u>	<u>31,792</u>
Current Liabilities			
Trade and other payables and accruals	16	10,783	12,216
Lease liabilities		20,199	–
Provisions		670	860
Bank borrowings	17	5,777	–
		<u>37,429</u>	<u>13,076</u>
Net current (liabilities) assets		<u>(23,412)</u>	<u>18,716</u>
Total assets less current liabilities		<u>94,828</u>	<u>84,617</u>

		Unaudited	Audited
		30 September	31 March
		2019	2019
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Provisions		1,916	1,916
Lease liabilities		33,378	–
Deferred tax liabilities		812	812
Bank borrowings	<i>17</i>	15,000	15,000
		51,106	17,728
Net assets		43,722	66,889
Capital and reserves			
Share Capital	<i>18</i>	8,000	8,000
Reserves		35,273	58,348
Equity attributable to owners of the Company		43,273	66,348
Non-controlling interests		449	541
Total equity		43,722	66,889

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated profits/(loss)	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2018 (Audited)	8,000	81,662	(8,482)	1,442	82,622	949	83,571
(Loss) profit and total comprehensive (expense) income for the period	–	–	–	(4,397)	(4,397)	223	(4,174)
Acquisition of additional interest of a subsidiary	–	–	(68)	–	(68)	(233)	(301)
Acquisition of interest of a subsidiary	–	–	(312)	–	(312)	–	(312)
As at 30 September 2018 (Unaudited)	<u>8,000</u>	<u>81,662</u>	<u>(8,862)</u>	<u>(2,955)</u>	<u>77,845</u>	<u>939</u>	<u>78,784</u>
As at 31 March 2019 (Audited)	8,000	81,662	(8,669)	(14,645)	66,348	541	66,889
Loss and total comprehensive expense for the period	–	–	–	(23,075)	(23,075)	(92)	(23,167)
As at 30 September 2019 (Unaudited)	<u>8,000</u>	<u>81,662</u>	<u>(8,669)</u>	<u>(37,720)</u>	<u>43,273</u>	<u>449</u>	<u>43,722</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited	
	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
NET CASH GENERATED FROM (USED IN)		
OPERATING ACTIVITIES	<u>1,721</u>	<u>(5,249)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	20	152
Purchase of property, plant and equipment	(2,639)	(10,600)
Investment in a joint venture	(15,010)	–
Repayments from related parties	<u>312</u>	<u>1,100</u>
NET CASH USED IN INVESTING ACTIVITIES	(17,317)	(9,348)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	5,777	–
Acquisition of additional interest of a subsidiary	–	(300)
Acquisition of interest of a subsidiary	–	(300)
Payment of lease liabilities	<u>(8,134)</u>	<u>–</u>
NET CASH USED IN FINANCING ACTIVITIES	(2,357)	(600)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,953)	(15,197)
CASH AND CASH EQUIVALENTS AT BEGINNING		
OF THE PERIOD	21,831	49,225
CASH AND CASH EQUIVALENTS AT END OF		
THE PERIOD	<u>3,878</u>	<u>34,028</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 27 January 2017 and its shares were listed on GEM of the Stock Exchange (the “**Listing**”) on 26 February 2018 (the “**Listing Date**”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 13, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

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

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

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

2. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those adopted in the Group’s audited annual report dated 18 June 2019 (the “**2019 Annual Report**”), except for the adoption of the new and revised HKFRSs (the “**New and Revised HKFRSs**”) (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA that are adopted for the first time for the current period’s financial statements.

- (a) The Group has adopted the following new and revised HKFRSs for the first time for the financial period beginning on or after 1 April 2019:

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKFRS 3, Business Combinations</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKFRS 11, Joint Arrangements</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKAS 12, Income Taxes</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKAS 23, Borrowing Costs</i>

The adoption of the New and Revised HKFRSs, except for HKFRS 16, did not have any significant financial impacts on the unaudited condensed consolidated financial statements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard will affect primarily the accounting for the Group’s operating leases. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The Group has performed an assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK\$61.7 million and lease liabilities of HK\$61.7 million were recognised at 1 April 2019.

Mandatory for financial years commencing on or after 1 April 2019, the Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

- (b) The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee agreed with the accounting principles and practices adopted by the Company.

As at 30 September 2019, the Group's current liabilities exceeded its current assets by approximately HK\$23.4 million. The current liabilities mainly consisted of interest-bearing bank overdrafts of approximately HK\$5.8 million and the lease liabilities of approximately HK\$20.2 million due to the Group's adoption of the new accounting standard HKFRS 16. Based on the Group's history of its operating performance and its expected future working capital, the Directors believe that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. ESTIMATES

The preparation of interim unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable for goods sold and services rendered by the Group during the period.

Information reported to the management of the Group, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on styles of cuisine serving by the Group's restaurants to the customers.

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. Western cuisine – Operations of Western cuisine restaurants under the brand of "La Dolce" were ceased to operate since 18 March 2019
3. Thai cuisine – Operations of Thai cuisine restaurants under the brand of "Grand Avenue"
4. Japanese cuisine – Operations of Japanese cuisine restaurants under the brand of "Beefst" were ceased to operate since 30 June 2019
5. Malaysian cuisine – Operations of Malaysian cuisine restaurants under the brand of "HaHa Prawn Mee" and "Baba Nyonya" of which, "HaHa Prawn Mee" was ceased to operate since 30 June 2019

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

The following is an analysis of the Group's revenue, results, assets and liabilities by operating and reportable segments:

Segment revenue and results

Six months ended 30 September 2019

	Chinese cuisine <i>HK\$'000</i> (Unaudited)	Thai cuisine <i>HK\$'000</i> (Unaudited)	Japanese cuisine <i>HK\$'000</i> (Unaudited)	Malaysian cuisine <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue recognised over time	<u>21,654</u>	<u>21,317</u>	<u>809</u>	<u>15,349</u>	<u>59,129</u>
Segment (loss) profit	<u>(136)</u>	<u>847</u>	<u>(2,053)</u>	<u>(2,883)</u>	<u>(4,225)</u>
Other income					73
Finance costs					(1,241)
Unallocated corporate costs					(10,408)
Share of loss of a joint venture					<u>(7,366)</u>
Loss before tax					<u><u>(23,167)</u></u>

Six months ended 30 September 2018

	Chinese cuisine <i>HK\$'000</i> (Unaudited)	Western cuisine <i>HK\$'000</i> (Unaudited)	Thai cuisine <i>HK\$'000</i> (Unaudited)	Japanese cuisine <i>HK\$'000</i> (Unaudited)	Malaysian cuisine <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue recognised over time	<u>21,882</u>	<u>10,168</u>	<u>33,188</u>	<u>3,764</u>	<u>4,161</u>	<u>73,163</u>
Segment profit (loss)	<u>2,895</u>	<u>778</u>	<u>5,132</u>	<u>(447)</u>	<u>(1,425)</u>	<u>6,933</u>
Other income						268
Finance costs						(219)
Unallocated corporate costs						<u>(10,353)</u>
Loss before tax						<u><u>(3,371)</u></u>

Segment assets and liabilities

At 30 September 2019

	Chinese cuisine <i>HK\$'000</i> (Unaudited)	Thai cuisine <i>HK\$'000</i> (Unaudited)	Malaysian cuisine <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	<u>34,837</u>	<u>20,929</u>	<u>26,384</u>	82,150
Unallocated property, plant and equipment				33,779
Intangible asset				211
Deferred tax assets				95
Investment in a joint venture				7,644
Unallocated inventories				899
Unallocated other receivables and prepayments				2,243
Tax recoverable				1,358
Bank balances and cash				<u>3,878</u>
Consolidated assets				<u>132,257</u>
Segment liabilities	<u>29,288</u>	<u>14,574</u>	<u>19,233</u>	63,095
Unallocated trade and other payables and accruals				3,851
Bank borrowings				15,000
Bank overdrafts				5,777
Deferred tax liabilities				<u>812</u>
Consolidated liabilities				<u>88,535</u>

At 31 March 2019

	Chinese cuisine <i>HK\$'000</i> (Audited)	Thai cuisine <i>HK\$'000</i> (Audited)	Japanese cuisine <i>HK\$'000</i> (Audited)	Malaysian cuisine <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	<u>10,412</u>	<u>12,414</u>	<u>2,392</u>	<u>12,818</u>	38,036
Unallocated property, plant and equipment					34,400
Deferred tax assets					95
Unallocated inventories					710
Unallocated other receivables and prepayments					1,300
Amount due from a related party					312
Tax recoverable					1,009
Bank balances and cash					<u>21,831</u>
Consolidated assets					<u>97,693</u>
Segment liabilities	<u>4,402</u>	<u>3,348</u>	<u>396</u>	<u>2,802</u>	10,948
Unallocated trade and other payables and accruals					4,044
Bank borrowings					15,000
Deferred tax liabilities					<u>812</u>
Consolidated liabilities					<u>30,804</u>

5. OTHER INCOME

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income				
Promotion income	14	33	24	62
Bank interest income	1	89	20	152
Others	13	28	29	54
	<u>28</u>	<u>150</u>	<u>73</u>	<u>268</u>

6. OTHER LOSSES

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of fixed assets	117	–	4,974	–

7. FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank borrowings	183	121	334	219
Interest expenses on lease liabilities	459	–	907	–
	<u>642</u>	<u>121</u>	<u>1,241</u>	<u>219</u>

8. LOSS BEFORE TAX

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before tax has been arrived at after charging:				
Staff costs (including director's emoluments):				
Salaries and other benefits	12,246	14,477	26,576	27,222
Contributions to retirement benefit scheme	570	657	1,209	1,219
	12,816	15,134	27,785	28,441
Auditor's remuneration	251	285	470	703
Amortisation of intangible asset (included in other expenses)	9	16	34	34
Loss on disposal of items of property, plant and equipment (<i>Note 1</i>)	117	–	4,974	–
Operating lease payments in respect of rented premises:				
– minimum lease payments	146	5,638	146	10,931
– contingent rentals (<i>Note 2</i>)	5	136	7	294

Note:

- (1) It mainly represents the remaining balance of the property, plant and equipment of Mongkok Beefst and Mongkok Haha Prawn Mee that were not fully depreciated upon the closure of these restaurants at the end of June 2019.
- (2) The operating lease rentals for certain restaurants are detereminated 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.

9. INCOME TAX EXPENSE

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

For the six months ended 30 September 2019 and 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

10. DIVIDENDS

The board of Directors (the “**Board**”) does not recommend any payment of dividend in respect of the six months ended 30 September 2019 (2018: Nil).

11. LOSS PER SHARE

The calculation of the basic loss per share (2018: basis loss per share) attributable to owners of the Company is based on the following data:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(8,357)	(2,961)	(23,075)	(4,397)
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	800,000	800,000	800,000	800,000

The number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 September 2019 and 2018 has taken into account the capitalisation issue of 599,980,000 ordinary shares of the Company on 26 February 2018 as if it had been effective on 1 April 2017.

No diluted loss per share for the periods was presented as there were no potential ordinary shares in issue during the periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$2.6 million (30 September 2018: HK\$13.0 million).

13. INTANGIBLE ASSETS

	Franchise <i>HK\$'000</i>
At 31 March 2019 (audited)	
Cost	342
Accumulated amortisation	(97)
Net book amount	245
Six months ended 30 September 2019 (unaudited)	
Opening net book amount	245
Amortisation charges	(34)
Net book amount	211
At 30 September 2019 (unaudited)	
Cost	342
Accumulated amortisation and impairment	(131)
Net book amount	211

The above intangible asset represents franchise acquired from third parties with finite useful lives. Such intangible asset is amortised on a straight-line basis over five years according to the terms of the franchise agreement.

14. INVESTMENT IN A JOINT VENTURE

	Unaudited As at 30 September 2019 HK\$'000	Audited As at 31 March 2019 HK\$'000
Cost of investment in a joint venture	15,010	–
Share of loss of a joint venture	(7,366)	–
	7,644	–

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited As at 30 September 2019 <i>HK\$'000</i>	Audited As at 31 March 2019 <i>HK\$'000</i>
Trade receivables from restaurant operations	709	775
Rental deposits	6,604	6,604
Other deposits	1,713	3,421
Prepayments and other receivables	4,194	3,120
Total	13,220	13,920
Analysed for reporting purposes as:		
Non-current assets	5,581	6,292
Current assets	7,639	7,628
	13,220	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.

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	Unaudited As at 30 September 2019 <i>HK\$'000</i>	Audited As at 31 March 2019 <i>HK\$'000</i>
Trade payables	2,399	2,543
Salaries payables	4,959	5,429
Payable for acquisition of property, plant and equipment	239	62
Accruals and other payables	3,186	4,182
	10,783	12,216

The credit period granted to the Group by suppliers normally ranges from 0 to 30 days. All trade payables are aged within 30 days at the end of the reporting period.

17. BANK BORROWINGS

	Unaudited As at 30 September 2019 HK\$'000	Audited As at 31 March 2019 HK\$'000
Non-current		
Carrying amount that does not contain repayment on demand clause repayable based on scheduled repayment terms:		
– More than two years but not exceeding five years	15,000	15,000
Current		
Bank overdrafts	5,777	–

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 loans and bank overdrafts was 3.78% (31 March 2019: 2.91% on bank loans only) per annum as at 30 September 2019.

At 30 September 2019, bank borrowings of HK\$15,000,000 were secured by leasehold land and building owned by the Group with the carrying amount of HK\$31,788,000 and corporate guarantee provided by the group companies.

18. SHARE CAPITAL

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

	Number of shares	Share Capital HK\$'000
Authorised:		
At 1 April 2017	38,000,000	380
Share subdivision (<i>Note (a)</i>)	3,762,000,000	–
Share consolidation (<i>Note (b)</i>)	(3,762,000,000)	–
Increased on 29 January 2018 (<i>Note (c)</i>)	1,962,000,000	19,620
As at 31 March 2019 and 30 September 2019	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 April 2017	9,750	–
Issue of shares on 21 April 2017 (<i>Note (d)</i>)	1,250	–
Share subdivision (<i>Note (a)</i>)	1,089,000	–
Share consolidation (<i>Note (b)</i>)	(1,089,000)	–
Issue of shares on 29 January 2018 (<i>Note (e)</i>)	9,000	–
Issue of shares pursuant to the Capitalisation Issue (<i>Note (f)</i>)	599,980,000	6,000
Issue of shares under the share offer (<i>Note (g)</i>)	200,000,000	2,000
As at 30 September 2018, 31 March 2019 and 30 September 2019	<u>800,000,000</u>	<u>8,000</u>

- (a) Pursuant to the written resolutions of shareholders of the Company passed on 13 July 2017, each issued and unissued share of HK\$0.01 each was subdivided into 100 shares of HK\$0.0001 each such that the authorised share capital as at 13 July 2017 was HK\$380,000 divided into 3,800,000,000 shares of HK\$0.0001 each, in which 1,100,000 shares of HK\$0.0001 each were in issue.
- (b) Pursuant to the written resolutions of shareholders of the Company passed on 25 July 2017, every 100 issued and unissued shares of the Company of HK\$0.0001 each were consolidated into one share of HK\$0.01 each such that the authorised share capital as at 25 July 2017 was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, in which 11,000 shares of HK\$0.01 each were in issue.
- (c) On 29 January 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$20,000,000 divided into 2,000,000,000 shares by the creation of 1,962,000,000 additional ordinary shares.
- (d) On 21 March 2017 and 21 April 2017, 750 shares and 1,250 shares of the Company were allotted and issued at cash consideration of HK\$3,000,000 and HK\$5,000,000 to the Pre-IPO Investor as disclosed in the Company's prospectus dated 6 February 2018.
- (e) On 29 January 2018, 9,000 shares of the Company were issued to the Controlling Shareholders and Mr. SH Ma to acquire the entire equity interests in FGL as disclosed in the Company's prospectus dated 6 February 2018.
- (f) On 26 February 2018, the Company capitalised the amount of HK\$5,999,800 standing to the credit of the share premium account of the Company and applied the amount towards paying up in full at par 599,980,000 shares for allotment and issue to the shareholders.
- (g) On 26 February 2018, the Company issued 200,000,000 shares of HK\$0.01 each at HK\$0.275 per share upon the completion of its share offer. On the same date, the Company's shares were listed on GEM of the Stock Exchange.

All ordinary shares issued rank pari passu with the existing issued shares in all aspects.

19. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Within one year	19,731	18,129
In the second to fifth year inclusive	34,458	32,242
	54,189	50,371

The above operating lease payments represent rental payable by the Group for restaurants.

Leases are negotiated and rentals are for term of three to five years. Certain leases include contingent rentals calculated with reference to turnover of the restaurants plus monthly fixed rental. Other leases are fixed for terms of three to five years.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Hong Kong's food and beverage industry has taken a massive hit from the on-going protests as well as the US-China trade war, with uncertainty looming large as the civil unrest continues.

Some restaurants are laying off workers and forcing them to take unpaid leave. A number of restaurants are also asking workers to stay home, and in some cases, they do not get any pay due to business slows down. With no end in sight to the protests, it is not clear when business will go back to normal.

Estimated data showed that the city reported declines in total values of restaurant receipts in the second quarter of this year, posting an overall 0.4 per cent fall year on year to HK\$28.7 billion, and a 4.6 per cent slump from the first quarter.

To survive, some of the restaurant operators are asking rent reduction from the landlords, and some of them has chosen to shut down their businesses. If the situation persists, more restaurants will suffer the same fate.

To operate in such a difficult business environment, our Group has been trying to negotiate with some of our landlords to reduce the rent. We have also reduced using the part-time employees to save cost. To remain competitive, we need to provide good and stable food quality and control operating costs. Introducing new dishes in our food menu could attract more customers as people tends to try new things. In addition, we will continue to work closely with social media and other business partners to offer promotions and to attract media attention, since more people rely on the reviews and star-rating provided by the social media before they make the decision to choose which restaurants to dine in.

BUSINESS OVERVIEW

We are a casual dining full service restaurant operator and up to the date of this announcement, we are operating 11 restaurants under 3 brands, namely "Marsino", "Baba Nyonya" and "Grand Avenue", and they are all situated across Hong Kong, Kowloon and the New Territories.

"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.

During the period, we have renovated Ngau Tau Kok Marsino and rebranded it to a new Marsino in which its decoration and food menu are similar to our Chai Wan Marsino.

"Marsino" had recorded revenue of approximately HK\$21.7 million during the six months ended 30 September 2019, which is equivalent to 36.6% of our total revenue. As compared to the last corresponding period, "Marsino" has experienced a decrease in revenue by 1.0%.

“Grand Avenue” had recorded revenue of approximately HK\$21.3 million during the six months ended 30 September 2019, which is equivalent to 36.1% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced an decrease in revenue by 35.8% mainly due to the reduction of number of restaurants.

“Baba Nyonya” had recorded revenue of approximately HK\$14.3 million during the six months ended 30 September 2019, which is equivalent to 24.2% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced an increase in revenue by 2,320.1% due to the expansion of number of restaurants under “Baba Nyonya” from 1 to 3.

“Beefst” had recorded revenue of approximately HK\$0.8 million during the six months ended 30 September 2019, which is equivalent to 1.4% of our total revenue. As compared to the last corresponding period, “Beefst” has experienced a decrease in revenue by 78.5% due to the closure of all “Beefst” restaurants.

“Haha Prawn Mee” had recorded revenue of approximately HK\$1.0 million during the six months ended 30 September 2019, which is equivalent to 1.8% of our total revenue. As compared to the last corresponding period, “Haha Prawn Mee” has experienced a decrease in revenue by 70.7% 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.

Announced on 18 April 2019, a wholly-owned subsidiary of our Group, together with three independent third parties, had entered into a joint venture agreement and a joint venture company (the “**JV Company**”) was formed. This JV Company has been operating cold storage business starting from the end of April 2019. We are optimistic as to the prospect of the JV Company as it is evidenced by the growing number of customers and the growing volume of transactions being handled by the JV Company. During the period, the JV Company had invested in acquisition of number of forklift trucks to cater for the growing demand from the customers. In the meantime, the JV Company is planning to expand the cold storage capacity in order to increase its sales. This expansion project will be at their priority and expected to be completed in the first quarter of 2020. Despite of this expansion project, the JV Company is also screening their customers and priorities are given to those customers with high turnover rates and are less price sensitive towards our charge rates. By continually fine-tuning its business and steering its wheel to the right course, it is foreseeable that the JV Company could generate positive returns in the future once the aforesaid project and action have been completed.

FINANCIAL REVIEW

The food and beverage sector is characterised by low entry barrier, high risk, high business cost primarily in rental, labour and food materials. Our success is heavily dependent on the food quality, cost of operating restaurants and economic conditions of Hong Kong.

Our Group's key risk exposures and uncertainties are summarised as follows:

- 1) As we lease all of the properties for our restaurant operations, our operating lease obligations expose us to potential risks, such as increasing our vulnerability to adverse economic conditions, as we may not be able to terminate such leases even if we are operating at a loss. As a result, our financial condition and results of operations may be adversely affected.
- 2) 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.
- 3) Labour shortages or increases in labour costs will increase our Group's operating costs and reduce our profitability. Furthermore, minimum wage requirements in Hong Kong may further increase and impact our staff costs in the future.
- 4) If there are any adverse incidents associated with the quality of our food and services provided or if our hygiene standards do not meet the relevant statutory requirements, our restaurant business could be adversely affected.
- 5) The availability of raw materials and consumables, such as the type, variety and quality, and their prices, can fluctuate and be volatile and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental regulations, exchange rates and availability, each of which may affect our cost of food and beverages or cause a disruption in our supply.
- 6) If Hong Kong experiences any adverse economic condition due to events beyond our control, such as mass civil disobedience movements and some recent social uncertainties or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

To manage the Group's risks and to improve the overall business of the Group, we will focus on the following business strategies:

1. Expand the restaurant network – the Group plans to open a new “Baba Nyonya” restaurant at Ngau Tau Kok in November 2019. This is the fourth “Baba Nyonya” restaurant within our Group followed by the success of Ma On Shan Baba Nyonya. We chose to open a new restaurant under the brand of “Baba Nyonya” instead of “Marsino” or “Grand Avenue” as we believe that operating a Malaysian restaurant at the neighbourhood of Ngau Tau Kok is relatively less competitive than operating a Chinese or a Thai restaurant. We believe that by leveraging our core competencies to further expand the network of our existing brands which could generate additional profits to us with relatively lower risk taken as compared to the risk of developing a new brand.
2. Rebranding – the Group has successfully rebranded our second “Marsino” at Ngau Tau Kok in September 2019. This rebranded “Marsino” has been injected Taiwanese elements such as the Taiwanese beef noodle and Taiwanese drinks while retaining popular food items from the traditional “Marsino”. Rebranding can rejuvenate the brand image since the logo, colour scheme, and theme of the new restaurant are completely redesigned. Given the benefits of rebranding, we will continue to pursue this strategy in order to maximise our returns.
3. Renewal of existing leases – during the period, the Group has renewed our leases on Tin Shui Wai Marsino and Tuen Mun Marsino respectively with the terms and conditions similar to our existing ones. Factors which we will consider before making decision to renew our leases are the rent on the new leases and their potentials of obtaining positive returns. If none of these factors can these restaurants achieve, we will not consider to renew the leases.

Our ongoing enhancement and improvement plans will fortify our market position while we will continue to refine our business strategy to cope with the continuing challenges. We will also proactively seek potential business opportunities that will broaden our sources of revenue and enhance value to our shareholders.

Revenue

For the six months ended 30 September 2019, the Group recorded revenue of approximately HK\$59.1 million (six months ended 30 September 2018: approximately HK\$73.2 million), representing a decrease 19.2% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to (i) the closure of our four restaurants, namely Shatin La Dolce, Tsuen Wan Grand Avenue, Mongkok Beefst and Mongkok Haha Prawn Mee, as well as the renovation of Ngau Tau Kok Marsino which had suspended its business for 2 months, and (ii) the weak consumer sentiment caused by the social unrest in Hong Kong since late June 2019. However, this negative effect was partially offset by the opening of a new restaurant, namely Chai Wan Marsino, as well as rebranding of Ma On Shan Beefst and Ma On Shan Haha Prawn Mee to Ma On Shan Baba Nyonya which has improved its sales performance after rebranding.

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\$20.8 million and HK\$16.0 million for each of the six months ended 30 September 2018 and 2019, respectively, representing approximately 28.4% and 27.0% 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.

Staff costs

Staff costs was approximately HK\$27.8 million for the six months ended 30 September 2019, representing a decrease of approximately 2.3% as compared to approximately HK\$28.4 million for the six months ended 30 September 2018. Such decrease was mainly due to the closure of our four restaurants but the effect was partially offset by the opening of a new restaurant and the salary increment for employees of each restaurant.

Depreciation

Depreciation was approximately HK\$14.2 million and HK\$4.2 million for the six months ended 30 September 2019 and 2018, 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 it over the lease terms.

Rental and related expenses

The rental expenses for the six months ended 30 September 2019 amounted to approximately HK\$2.3 million, representing a decrease of approximately 83.1% as compared with that of the six months ended 30 September 2018 which amounted to approximately HK\$13.5 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 six months ended 30 September 2019 and 2018, the total utility amounted to approximately HK\$3.5 million and HK\$3.8 million, respectively.

Other expenses

The Group's other expenses decreased by approximately 12.9% from approximately HK\$5.9 million for the six months ended 30 September 2018 to approximately HK\$5.2 million for the six months ended 30 September 2019. Such decrease was mainly due to the decrease in audit fees, cleaning expenses, insurance expenses, bank charges, computer and software expenses and legal and professional fees.

Loss attributable to owners of the Company

For the six months ended 30 September 2019, the Group recorded a loss attributable to owners of the Company of approximately HK\$23.1 million, as compared to the loss of approximately HK\$4.4 million for the six months ended 30 September 2018. The loss for the six months ended 30 September 2019 was mainly attributable to the decrease in revenues for the numbers of our restaurants, partly because of the social instabilities beginning in June which has been affecting the customers' sentiment in dining at our restaurants. In some cases, our restaurants were forced to close earlier as the protests were happened in the proximity of our restaurants. Another reason was the staff costs were remained high even our revenues were dropped, as it is always a challenge for the restaurant operators in Hong Kong to find and retain people to work for your restaurants. The third major reason was the high rental prices charged by the landlords, given the current situation in Hong Kong, we are trying our best effort to discuss with our landlords for rent concession, as this could help us to save our operating costs.

Dividend

The Board does not recommend any payment of dividend for the six months ended 30 September 2019 (2018: Nil).

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2019 is set out below:

Business strategies as stated in the Prospectus	Implementation plan up to 30 September 2019 as stated in the Prospectus	Actual business progress up to the date of this announcement
Expansion of restaurant network	– Opening of one new Grand Avenue restaurant	– We have re-allocated the resources towards the opening of a Malay cuisine restaurant as set out in the announcement of the Company dated 18 April 2019 (the “ 18 April 2019 Announcement ”) and which is expected to open in November 2019
	– Opening of four new Japanese ramen restaurants	– Two Japanese ramen restaurants were opened in May 2018 and in July 2018 respectively. We have re-allocated the remaining unutilised balances towards the Group's investment to a joint venture company as set out in the 18 April 2019 Announcement (<i>Note</i>)
	– Opening of one new Marsino restaurant	– We have opened a new Marsino restaurant at Chai Wan in November 2018
Expanding the capacity of our central kitchen to support our business expansion plans	– Expanding our central kitchen storage facilities	– We have partially expanded the central kitchen by purchasing new equipment and renting additional storage facilities. We have re-allocated the remaining unutilised balances towards the Group's investment to a joint venture company as set out in the 18 April 2019 Announcement

Business strategies as stated in the Prospectus	Implementation plan up to 30 September 2019 as stated in the Prospectus	Actual business progress up to the date of this announcement
Upgrading our computer system	– Integrating our existing POS systems, installing a new human resources management system and purchasing new computer accessories, software and necessary licences	– Installing of a new human resources management system is at the final stage, while the integration of POS systems is still ongoing. We have also purchased some new computer accessories, software and necessary licences
Implementing marketing and promotional initiatives	– For continuous promotional and branding activities	– We have launched different marketing and promotional activities such as working with social media companies, shopping mall operators, credit card company and electric company to promote our brands and restaurants.

Note: These two Japanese ramen restaurants were closed down subsequently in January 2019 and in June 2019 respectively.

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 <i>HK\$'000</i>	Utilised IPO Proceeds up to 30 September 2019 <i>HK\$'000</i>	Unutilised IPO Proceeds up to 30 September 2019 <i>HK\$'000</i>
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	1,156	144
Marketing and promotional initiatives	1,000	445	555
General working capital	500	500	–
Opening of one new Malay cuisine restaurant	4,400	–	4,400
Capital contribution to JV Company	9,397	9,397	–
	<u>32,600</u>	<u>27,501</u>	<u>5,099</u>

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.

CAPITAL STRUCTURE

The Company's Shares were successfully listed on the GEM on 26 February 2018. There has been no change in the Company's capital structure since the Listing Date and up to the date of this announcement. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2019, current assets amounted to approximately HK\$14.0 million (as at 31 March 2019: approximately HK\$31.8 million), of which approximately HK\$3.9 million (as at 31 March 2019: approximately HK\$21.8 million) was bank balances and cash (excluding bank overdrafts), approximately HK\$7.6 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 investment in the JV Company and the decline in our restaurant business. The Group's current liabilities amounted to approximately HK\$37.4 million (as at 31 March 2019: approximately HK\$13.1 million) which primarily consisted of trade and other payables, accrued charges, lease liabilities and bank overdrafts. 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 0.4 and 0.3 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 and non-controlling shareholders of subsidiaries which are non-trade nature divided by total equity at the end of the year and multiplied by 100%. Gearing ratio was 47.5% (as at 31 March 2019: 22.4%).

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS

As at 30 September 2019, the Group's outstanding capital commitments were approximately HK\$0.3 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of fixed assets raised from the newly opened restaurants.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities.

BORROWING

As at 30 September 2019, 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\$20.8 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.

CHARGE ON GROUP ASSETS

At 30 September 2019, bank loans of HK\$15,000,000 and bank overdrafts HK\$5,777,260 were secured by leasehold land and building owned by the Group with the carrying amount of approximately HK\$31,788,000.

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

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the six months ended 30 September 2019. However, as set out in the 18 April 2019 Announcement, a wholly-owned subsidiary of the Company will inject capital contribution towards the JV Company for an amount of approximately HK\$15.0 million. As at the date of this announcement, this capital contribution is fully utilised as most of it was using to pay the rental deposit for leasing the cold storage facilities by the JV Company. Save as disclosed above, the Group had no other plan for material investment or capital assets as at 30 September 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group had 206 full-time and 99 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 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.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six-month ended 30 September 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the date of this announcement, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

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

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

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares of the Company

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

Notes:

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

Long positions in other members of our Group

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

Save as disclosed above, as at 30 September 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed “Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the six months ended 30 September 2019, 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.

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.

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 six months ended 30 September 2019.

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 six months ended 30 September 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance by emphasising transparency, accountability, fairness and responsibility. The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the Code during the six months ended 30 September 2019 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2019 and up to the date of this announcement.

AUDIT COMMITTEE

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

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

Currently, the Audit Committee comprises three INEDs as follows:

Ms. Ng Yau Kuen Carmen (*Chairlady*)

Mr. Yu Ronald Patrick Lup Man

Mrs. Cheung Lau Lai Yin Becky

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By Order of the Board
SIMPLICITY HOLDING LIMITED
Wong Suet Hing
Chairlady and Executive Director

Hong Kong, 8 November 2019

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