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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 2021 AND RESUMPTION OF TRADING

The board of directors (the “**Board**”) of Simplicity Holding Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2021 (the “**Interim Results**”). This announcement contains the full text of the interim report of the Group for the six months ended 30 September 2021 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**GEM Listing Rules**”). The Interim Results have been reviewed by the Board and the audit committee of the Board.

This results announcement is published on the websites of the Company (www.simplicityholding.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 September 2021 will be delivered to shareholders of the Company and will also be available at the abovementioned websites in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 10 November 2021, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 1:00 p.m. on 10 November 2021.

For and on behalf of the Board
Simplicity Holding Limited
Wong Suet Hing
Chairman and Executive Director

Hong Kong, 10 November 2021

* For identification purpose only

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. Wong Chi Chiu Henry; and the independent non-executive Directors of the Company are Mr. Yeung Man Sun, Mrs. Cheung Lau Lai Yin Becky 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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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



麻酸樂
MARSINO



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Marsino

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INTERIM REPORT 2021

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

CONTENTS

Corporate Information	3
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Unaudited Condensed Consolidated Statement of Financial Position	8
Unaudited Condensed Consolidated Statement of Changes in Equity	10
Unaudited Condensed Consolidated Statement of Cash Flows	11
Notes to the Unaudited Condensed Consolidated Financial Statements	12
Management Discussion and Analysis	28
Other Information	43

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Wong Suet Hing (*Chairlady*)

Ms. Wong Sau Ting Peony

Mr. Wong Chi Chiu Henry

Independent non-executive Directors

Mrs. Cheung Lau Lai Yin Becky

Ms. Ng Yau Kuen Carmen

(resigned with effect from 27 July 2021)

Mr. Lo Cheuk Fei Jeffrey

(appointed with effect from 27 July 2021)

Mr. Yu Ronald Patrick Lup Man

(resigned with effect from 19 August 2021)

Mr. Yeung Man Sun

(appointed with effect from 19 August 2021)

Compliance Officer

Mr. Wong Chi Chiu Henry

Authorised Representatives

Ms. Wong Sau Ting Peony

Mr. Wong Chi Chiu Henry

Company Secretary

Mr. Wong Chi Chiu Henry

Audit Committee

Mr. Yeung Man Sun (*Chairman*)

(appointed with effect from 19 August 2021)

Mrs. Cheung Lau Lai Yin Becky

Mr. Lo Cheuk Fei Jeffrey

(appointed with effect from 27 July 2021)

Ms. Ng Yau Kuen Carmen

(resigned with effect from 27 July 2021)

Mr. Yu Ronald Patrick Lup Man

(resigned with effect from 19 August 2021)

Remuneration Committee

Mrs. Cheung Lau Lai Yin Becky (*Chairlady*)
Mr. Yeung Man Sun
(appointed with effect from 19 August 2021)
Mr. Lo Cheuk Fei Jeffrey
(appointed with effect from 27 July 2021)
Ms. Wong Suet Hing
Ms. Wong Sau Ting Peony

Nomination Committee

Mr. Yeung Man Sun (*Chairman*)
(appointed with effect from 19 August 2021)
Mr. Lo Cheuk Fei Jeffrey
(appointed with effect from 27 July 2021)
Mrs. Cheung Lau Lai Yin Becky
Ms. Wong Suet Hing
Ms. Wong Sau Ting Peony
Ms. Ng Yau Kuen Carmen
(resigned with effect from 27 July 2021)
Mr. Yu Ronald Patrick Lup Man
(resigned with effect from 19 August 2021)

Auditor

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

Legal Adviser as to Hong Kong Laws

Khoo & Co.
15/F & 16/F, Tern Centre Tower 2,
251 Queen's Road Central, Hong Kong

Principal Bankers

Shanghai Commercial Bank Limited
Shanghai Commercial Bank Tower
12 Queen's Road Central
Hong Kong

The Hongkong and Shanghai
Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 13, 8/F Vanta Industrial Centre 21-33 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar and Transfer Office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company Website	www.simplicityholding.com
GEM Stock Code	08367

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2021

The unaudited condensed consolidated results of the Group for the three months ended and six months ended 30 September 2021, together with the unaudited comparative figures for the corresponding period in 2020, are as follows:

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2021	2020	2021	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	26,338	26,214	50,854	54,708
Other income	5	35	3,907	155	7,072
Other gains	6	505	2,065	14,628	2,786
Raw materials and consumables used		(9,025)	(10,423)	(17,921)	(19,095)
Staff costs		(8,916)	(10,996)	(17,776)	(22,290)
Depreciation		(4,204)	(6,925)	(8,419)	(14,504)
Rental and related expenses		(1,089)	(1,055)	(1,948)	(1,900)
Utilities expenses		(1,025)	(1,368)	(2,116)	(2,826)
Other expenses		(4,158)	(2,440)	(7,068)	(4,813)
Finance costs	7	(623)	(569)	(960)	(1,273)
(Loss)/profit before tax	8	(2,162)	(1,590)	9,429	(2,135)
Income tax expense	9	(79)	–	(79)	–
(Loss)/profit for the period		(2,241)	(1,590)	9,350	(2,135)
Other comprehensive expense for the period					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation of financial statements of PRC subsidiaries		(17)	–	(17)	–
Total comprehensive (expense)/income for the period		(2,258)	(1,590)	9,333	(2,135)

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
Notes		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the period attributable to:					
– owners of the Company		(2,243)	(1,588)	9,352	(2,155)
– non-controlling interests		2	(2)	(2)	20
		<u>(2,241)</u>	<u>(1,590)</u>	<u>9,350</u>	<u>(2,135)</u>
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:					
– owners of the Company		(2,260)	(1,588)	9,335	(2,155)
– non-controlling interests		2	(2)	(2)	20
		<u>(2,258)</u>	<u>(1,590)</u>	<u>9,333</u>	<u>(2,135)</u>
(Loss)/earnings per share					
Basic (HK cents)		11 <u>(0.23)</u>	<u>(0.20)</u>	<u>0.97</u>	<u>(0.27)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

		Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
	Notes		
Non-Current Assets			
Property, plant and equipment	12	34,378	42,207
Deferred tax assets		95	95
Deposits	13	4,266	3,936
Goodwill	14	51,188	—
		89,927	46,238
Current Assets			
Inventories		1,932	1,724
Trade and other receivables, deposits and prepayments	13	30,647	9,179
Tax recoverable		329	345
Bank balances and cash		37,797	12,811
Asset held for sale		—	29,860
		70,705	53,919
Current Liabilities			
Trade and other payables and accruals	15	26,888	8,376
Contract liabilities		(116)	108
Provisions for reinstatement		220	220
Lease liabilities		17,214	11,984
Bank borrowings	16	—	15,000
Liabilities directly associated with asset held for sale		—	260
		44,206	35,948
Net current assets		26,499	17,971
Total assets less current liabilities		116,426	64,209

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Notes	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Non-current liabilities			
Provisions for reinstatement		1,776	1,776
Promissory note	17	53,811	—
Lease liabilities		12,072	22,999
Deferred tax liabilities		687	687
		<u>68,346</u>	<u>25,462</u>
Net assets		<u>48,080</u>	<u>38,747</u>
Capital and reserves			
Share Capital	18	9,600	9,600
Reserves		38,528	29,193
		<u>48,128</u>	<u>38,793</u>
Equity attributable to owners of the Company		<u>48,128</u>	<u>38,793</u>
Non-controlling interests		<u>(48)</u>	<u>(46)</u>
Total equity		<u>48,080</u>	<u>38,747</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 SEPTEMBER 2021

	Attributable to the owners of the Company					Non-controlling interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	HK\$'000
As at 31 March 2020 (Audited)	8,000	81,662	–	(8,669)	(59,106)	21,887	21,897
(Loss) profit and total comprehensive (expense) income for the period	–	–	–	–	(2,155)	(2,155)	(2,135)
As at 30 September 2020 (Unaudited)	<u>8,000</u>	<u>81,662</u>	<u>–</u>	<u>(8,669)</u>	<u>(61,261)</u>	<u>19,732</u>	<u>19,762</u>
As at 31 March 2021 (Audited)	9,600	88,381	–	(8,669)	(50,519)	38,793	38,747
Profit/(loss) for the period	–	–	–	–	9,352	9,352	9,350
Other comprehensive expense for the period							
– Exchange difference on translation of financial statements of PRC subsidiaries	–	–	(17)	–	–	(17)	(17)
Total comprehensive (expenses)/income for the period	–	–	(17)	–	9,352	9,335	9,333
As at 30 September 2021 (Unaudited)	<u>9,600</u>	<u>88,381</u>	<u>(17)</u>	<u>(8,669)</u>	<u>(41,167)</u>	<u>48,128</u>	<u>48,080</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 SEPTEMBER 2021

	Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,953	12,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(49)	(176)
Repayments from an associate	1	3,000
Net cash inflow from acquisition of subsidiaries	343	–
Advances to an associate	–	(147)
Net cash outflow on disposal of subsidiaries	–	(11)
Proceeds from disposal of subsidiaries	21,500	–
Proceeds from disposal of a property	22,000	–
Proceeds from disposal of an associate	50	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	43,845	2,666
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bank borrowings	(15,000)	(5,857)
Repayment of lease liabilities	(6,795)	(9,181)
NET CASH USED IN FINANCING ACTIVITIES	(21,795)	(15,038)
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,003	349
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	12,811	2,987
Effect of foreign exchange rate changes	(17)	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	37,797	3,336

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 27 January 2017 and its shares were listed on GEM of the Stock Exchange (the "**Listing**") on 26 February 2018 (the "**Listing Date**"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal place of business of the Company is located at Unit 13, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. Its immediate holding company is Marvel Jumbo Limited ("**MJL**"), a private limited company incorporated in the British Virgin Islands ("**BVI**") with limited liability. MJL is 30.24% owned by Ms. Wong Suet Hing ("**Ms. SH Wong**"), 30.24% owned by Ms. Chow Lai Fan ("**Ms. LF Chow**"), sister-in-law of Ms. SH Wong, 18.24% owned by Ms. Wong Sau Ting Peony ("**Ms. ST Wong**"), daughter of Ms. SH Wong, 14.64% owned by Ms. Wong Suet Ching ("**Ms. SC Wong**"), sister of Ms. SH Wong, 4.20% owned by Mr. Ma Sui Hong ("**Mr. SH Ma**"), the nephew of Ms. SH Wong, and 2.44% owned by Linking World Limited.

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

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021 (the "**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Interim Financial Statements have been prepared under the historical cost convention.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Interim Financial Statements 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 Interim Financial Statements 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 Interim Financial Statements are the same as those followed in the Group's audited annual report dated 23 June 2021 (the "**2021 Annual Report**"), except for the adoption of the new and revised HKFRSs (the "**New and Revised HKFRSs**") (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA that are adopted for the first time for the current period's financial statements.

The adoption of the New and Revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these Interim Financial Statements.

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

The Interim Financial Statements 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 2021.

The Interim Financial Statements have not been audited by the Company's auditors, but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ESTIMATES

The preparation of Interim 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 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 2021.

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. Thai cuisine – Operations of Thai cuisine restaurants under the brand of "Grand Avenue"
3. Malaysian cuisine – Operations of Malaysian cuisine restaurants under the brands of "Baba Nyonya"
4. Sale of food ingredients – Sale of food ingredients to external third parties
5. Sales of drug vending machines and related services – Selling drug vending machines and pharmaceutical products through automatic drug vending machines in the PRC

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (Continued)

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 2021

	Chinese cuisine HK\$'000 (Unaudited)	Thai cuisine HK\$'000 (Unaudited)	Malaysian cuisine HK\$'000 (Unaudited)	Sale of food ingredients HK\$'000 (Unaudited)	Sales of drug vending machines and related services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	12,458	14,248	17,682	5,649	817	50,854
Segment profit	240	1,006	1,411	2,161	307	5,125
Unallocated other income						32
Unallocated finance costs						(400)
Unallocated corporate expenses						(9,882)
Gain on disposal of an associate						50
Gain on disposal of subsidiaries						2,060
Gain on disposal of a property						11,992
Gain on deregistration of fellow subsidiaries						452
Profit before taxation						9,429

Six months ended 30 September 2020

	Chinese cuisine HK\$'000 (Unaudited)	Thai cuisine HK\$'000 (Unaudited)	Malaysian cuisine HK\$'000 (Unaudited)	Sale of food ingredients HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	16,794	16,181	18,649	3,084	54,708
Segment profit	593	1,462	1,778	749	4,582
Unallocated other income					875
Unallocated finance costs					(264)
Unallocated other corporate costs					(7,328)
Loss before taxation					(2,135)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

At 30 September 2021

	Chinese cuisine HK\$'000 (Unaudited)	Thai cuisine HK\$'000 (Unaudited)	Malaysian cuisine HK\$'000 (Unaudited)	Sale of food ingredients HK\$'000 (Unaudited)	Sales of drug vending machines and related services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	<u>12,922</u>	<u>9,854</u>	<u>18,181</u>	<u>3,072</u>	<u>69,435</u>	113,464
Unallocated property, plant and equipment						1,035
Deferred tax assets						95
Unallocated inventories						606
Unallocated other receivables and prepayments						7,306
Tax recoverable						329
Bank balances and cash						<u>37,797</u>
Consolidated assets						<u>160,632</u>
Segment liabilities	<u>12,705</u>	<u>7,651</u>	<u>14,339</u>	<u>–</u>	<u>15,712</u>	50,407
Unallocated trade and other payables and accruals						7,644
Promissory note						53,811
Deferred tax liabilities						687
Tax payable						<u>3</u>
Consolidated liabilities						<u>112,552</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 March 2021

	Chinese cuisine HK\$'000 (Audited)	Thai cuisine HK\$'000 (Audited)	Malaysian cuisine HK\$'000 (Audited)	Sale of food ingredients HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	15,746	12,075	21,063	1,963	50,847
Unallocated property, plant and equipment					1,012
Deferred tax assets					95
Unallocated inventories					743
Unallocated other receivables and prepayments					4,444
Tax recoverable					345
Bank balances and cash					12,811
Asset held for sale					29,860
Consolidated assets					100,157
Segment liabilities	14,407	9,789	17,827	–	42,023
Unallocated trade and other payables and accruals					3,322
Bank borrowings					15,000
Deferred tax liabilities					687
Contract liabilities					108
Liabilities directly associated with asset held for sale					260
Consolidated liabilities					61,410

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other income				
Promotion income	7	20	13	21
Bank interest income	7	–	9	–
Subsidies income	–	3,803	100	6,104
Others	21	84	33	947
	<u>35</u>	<u>3,907</u>	<u>155</u>	<u>7,072</u>

6. OTHER GAINS

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
(Loss)/gain on disposal of property, plant and equipment	–	(771)	11,992	(771)
Rent concession	–	537	71	1,258
Gain on disposal of subsidiaries	–	586	2,060	586
Gain on reversal of impairment loss of interest in an associate	–	1,500	–	1,500
Gain on disposal of an associate	50	–	50	–
Gain on deregistration of fellow subsidiaries	452	–	452	–
Others	3	213	3	213
	<u>505</u>	<u>2,065</u>	<u>14,628</u>	<u>2,786</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Interest expenses on bank borrowings	2	87	47	264
Interest expenses on lease liabilities	266	482	558	1,009
Imputed interest on promissory note	113	–	113	–
Interest expenses on other loan	242	–	242	–
	<u>623</u>	<u>569</u>	<u>960</u>	<u>1,273</u>

8. (LOSS)/PROFIT BEFORE TAX

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
(Loss)/profit before tax has been arrived at after charging:				
Staff costs (including director's emoluments):				
Salaries and other benefits	8,501	10,496	16,975	21,285
Contributions to retirement benefit scheme	415	500	801	1,005
Auditor's remuneration	188	180	376	330
(Loss)/gain on disposal of items of property, plant and equipment	–	(771)	11,992	(771)
Operating lease payments in respect of rented premises:				
– Short – term lease expenses	414	238	581	238
– contingent rentals (<i>Note</i>)	9	–	11	–

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE

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 six months ended 30 September 2021 (2020: 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%.

10. DIVIDENDS

The board of Directors (the “**Board**”) does not recommend any payment of dividend in respect of the six months ended 30 September 2021 (2020: Nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share (2020: basis (loss)/earnings per share) attributable to owners of the Company is based on the following data:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
(Loss)/earnings for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	(2,243)	(1,588)	9,352	(2,155)
	30 September 2021 '000	30 September 2020 '000	30 September 2021 '000	30 September 2020 '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	960,000	800,000	960,000	800,000

No diluted (loss)/earnings per share were presented as there were no potential ordinary shares in issue for the six months ended 30 September 2021 and 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired property, plant and equipment of approximately HK\$0.05 million (30 September 2020: HK\$0.2 million). In addition, through acquisition of subsidiaries, the Group's property, plant and equipment increased by approximately HK\$0.008 million during the current period.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Trade receivables from sale of food ingredients	2,009	1,303
Trade receivables from restaurant operations	706	766
Trade receivables from sales of drug vending machines and related services (net of allowance for credit loss)	6,214	—
Rental deposits	4,393	4,060
Other deposits	1,981	2,109
Prepayments and other receivables	19,610	4,877
Total	<u>34,913</u>	<u>13,115</u>
Analysed for reporting purposes as:		
Non-current assets	4,266	3,936
Current assets	30,647	9,179
	<u>34,913</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. All trade receivables from sales of food ingredients are aged within 30 days based on the invoice date at the end of the reporting period.

The Group has a policy of allowing a credit period up to 90 days to its customers. Longer credit period is also allowed on a case by case basis. For the sales of drug vending machines and related services, the range of ageing of an amount of approximately HK\$6,214,000 is 0-90 days.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. GOODWILL

HK\$'000

COST

At 1 April 2021	–
Additions relating to acquisition of subsidiaries (<i>note 19</i>)	51,188
	<u>51,188</u>
At 30 September 2021	<u>51,188</u>

ACCUMULATED IMPAIRMENT LOSS

At 1 April 2021	–
Impairment loss recognised	–
	<u>–</u>
At 30 September 2021	<u>–</u>

CARRYING VALUE

At 30 September 2021	51,188
	<u>51,188</u>
At 31 March 2021	<u>–</u>

The Group tests for impairment of goodwill annually and in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, the carrying value of the goodwill set out above has been allocated to the CGU which operates in sales of drug vending machines and related services segment.

Carrying amount of goodwill allocated to CGU in:
Sales of drug vending machines and related services segment

At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
<u>51,188</u>	<u>–</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Trade payables	9,343	2,274
Salaries payables	4,233	3,977
Payable for acquisition of property, plant and equipment	79	230
Accruals and other payables	13,233	1,895
	<u>26,888</u>	<u>8,376</u>

An amount of approximately HK\$6,944,000 included in trade payable is related to the business of sales of drug vending machines and related services, the range of ageing of an amount of approximately HK\$6,944,000 is 0-90 days.

16. BANK BORROWINGS

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Bank loans, do not contain repayment on demand clause repayable within one year	—	15,000
	<u>—</u>	<u>15,000</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. PROMISSORY NOTE

Promissory note

At 31 March 2021 and 1 April 2021
Issue of promissory note (*note 19*)
Imputed interest on promissory note

At 30 September 2021

2021
HK\$'000

53,811

HK\$'000

—

53,698

113

53,811

On 30 August 2021, the Company issued the promissory note in the principal amount of HK\$58,000,000 in respect of the acquisition of subsidiaries (*note 19*). The promissory note is interest bearing at 5% per annum and payable monthly in arrears, unsecured and the maturity date is 3 years from the date of issue of the promissory note.

The effective interest rate of the promissory note is 5% per annum.

18. SHARE CAPITAL

	Number of shares	Share Capital HK\$'000
Authorised:		
As at 31 March 2021 and 30 September 2021	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
As at 31 March 2021 and 30 September 2021	<u>960,000,000</u>	<u>9,600</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. ACQUISITION OF SUBSIDIARIES

Lucky State Investment Holdings Limited and its subsidiaries

"On 4 August 2021, a direct wholly-owned subsidiary of the Company entered into the sale and purchase agreement to acquire 100% equity interest in Lucky State Investment Holdings Limited ("**Lucky State**") ("**Acquisition**") from vendor namely Mr. Tao Wah Wai Calvin, an independent third party to the Group, at a consideration of HK\$58,000,000 which was satisfied by the issue of the Promissory Note upon Completion. Lucky State was incorporated in the BVI with limited liability, which is principally engaged in investment holding. Ivan International Biology Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Lucky State, the principal activity of Ivan International Biology Limited is investment holding. 開封伊萬金生物科技有限公司 (Kaifeng Yiwangjin Biotechnology Co., Ltd.*), a company established in the PRC with limited liability and wholly-owned by Ivan International Biology Limited ("**Kaifeng YWJ**"), the principal activity of Kaifeng YWJ is investment holding. 開封正修福來醫藥科技有限公司 (Kaifeng Zhengxiu Fulai Pharmaceutical Technology Co., Ltd.*) ("**Kaifeng Zhengxiu**"), a company established in the PRC with limited liability and wholly-owned by Kaifeng YWJ, is a major operating subsidiary. 河南正修福來醫藥科技管理有限公司 (Henan Zhengxiu Fulai Pharmaceutical Technology Management Co., Ltd.*) ("**Henan Zhengxiu**"), a company established in the PRC with limited liability and wholly-owned by Kaifeng YWJ, is a major operating subsidiary. Kaifeng Zhengxiu and Henan Zhengxiu are principally engaged in the sales of drug vending machines and related services. Kaifeng Zhengxiu has been authorized to be responsible for the promotion and selling automatic drug vending machines (the "**Machines**") in the PRC, namely the "二十四小時未來藥房藥機項目" (24 Hour Future Pharmacies and Drug Machines Project*) (the "**Project**") for a term of 10 years for a pharmaceutical group (the "**Pharmaceutical Group**") in the PRC. The Pharmaceutical Group is principally engaged in the production and sales of proprietary Chinese medicine, chemical pharmaceuticals, and biopharmaceuticals in the PRC and has over 100 types of medicine products. More details are set out in the Company's announcement dated 4 August 2021, 6 August 2021, 17 August 2021 and 30 August 2021."

During the six months period 30 September 2021, the Group obtained control in Lucky State and its subsidiaries on 30 August 2021.

Consideration transferred:

HK\$'000

Provisional value of promissory note (note 17)

53,698

Note: the Company has issued the three (3) years five (5) % interest per annum promissory note with the principal amount of HK\$58,000,000 to the vendor as directed in full settlement of the consideration of Acquisition amounting to HK\$58,000,000.

* For identification only

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. ACQUISITION OF SUBSIDIARIES (Continued)

Consideration transferred: (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Properties, Plant and Equipments	8
Right of use assets	534
Trade and other receivables, deposits and prepayments	17,407
Cash and bank balances	343
Trade and other payables and accruals	(15,241)
Lease liabilities	(541)
	2,510

Acquisition-related costs amounting to approximately HK\$618,000 have been excluded from the consideration transferred and have been recognized as an expenses in the current period, within the "other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

The provisional value as well as the gross contractual amount of trade and other receivables at the date of acquisition of approximately HK\$15,892,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arising on acquisition:

	<i>HK\$'000</i>
Consideration transferred, issued of promissory note	53,698
Less: Provisional value of identifiable net assets acquired	(2,510)
	51,188

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. ACQUISITION OF SUBSIDIARIES (Continued)

Consideration transferred: (Continued)

Net cash inflow on acquisition of Lucky State:

	HK\$'000
Cash consideration paid	—
Less: cash and cash equivalents acquired	343
	<u>343</u>

Included in the profit for the six months reporting period was profit of approximately HK\$227,000 attributable to the additional business generated by Lucky State and its subsidiaries after the acquisition date. Revenue for the six months reporting period includes approximately HK\$818,000 generated from Lucky State and its subsidiaries after the acquisition date.

Had the acquisitions of Lucky State and its subsidiaries been completed on 1 April 2021, total group revenue for the six months reporting period would have been approximately HK\$62,535,000 and profit for the six months reporting period would have been approximately HK\$13,107,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be projection of future results.

The provisional values recognised on acquisition as shown above, including but not limited to the provisional value of promissory note, may be adjusted upon the completion of the initial accounting for the business combination during the measurement period, which shall not exceed one year from the acquisition date.

The goodwill arising on acquisition of Lucky State and its subsidiaries is determined on a provisional basis as the Group is in the process of completing a valuation to assess the fair values of the identifiable assets acquired and liabilities assumed.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 4 November 2021, the value of total receipts of the restaurants sector in the third quarter was provisionally estimated at HK\$24.5 billion, representing an increase of approximately 43.8% over a year earlier. Over the same period, the provisional estimate of the value of total purchases by restaurants increased by approximately 41.2% to approximately HK\$8.0 billion.

Analysed by type of restaurant and comparing the third quarter of 2021 with the third quarter of 2020, total receipts of Chinese restaurants increased by 61.6% in value and 56.7% in volume. Total receipts of non-Chinese restaurants increased by 51.1% in value and 43.9% in volume. Total receipts of fast-food shops increased by 18.5% in value and 15.2% in volume. Total receipts of bars increased by 88.9% in value and 102.4% in volume. As for miscellaneous eating and drinking places, total receipts increased by 21.2% in value and 18.3% in volume.

A Government spokesman said that business of restaurants improved further in the third quarter of 2021, thanks to the stable local epidemic situation, improved labour market conditions and the Consumption Voucher Scheme. The value of total restaurant receipts increased sharply by 43.8% in the third quarter over a low base of comparison a year ago. On a seasonally adjusted quarter-to-quarter comparison, it increased further by 2.1% after a strong rebound in the preceding quarter.

The spokesman further pointed out that, looking ahead, the favourable factors mentioned above should continue to render support to business of restaurants in the near term. Yet, the pace of improvement in business should remain restrained by the virtually frozen inbound tourism. To facilitate a full revival of the sector and a broader-based recovery in the overall economy, it is essential for the community to strive towards more widespread vaccination and abide by the anti-epidemic measures.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

The consideration of HK\$58,000,000 was satisfied by issue of the promissory note upon completion as at 30 August 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

In October 2021, the Group closed down two restaurants at Tseung Kwan O under the brand names of “Baba Nyonya” and “Grand Avenue” respectively following the expiry of its lease term.

“Marsino” had recorded revenue of approximately HK\$12.5 million during the six months ended 30 September 2021, which is equivalent to 24.5% of our total revenue. As compared to the last corresponding period, “Marsino” has experienced a decrease in revenue by 25.8% 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\$14.2 million during the six months ended 30 September 2021, which is equivalent to 28.0% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced a decrease in revenue by 11.9% due to reduction of number of restaurant and the negative impacts brought by the COVID-19.

“Baba Nyonya” had recorded revenue of approximately HK\$17.7 million during the six months ended 30 September 2021, 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 5.2% due to reduction of number of restaurant and the negative impacts brought by the COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$5.6 million during the six months ended 30 September 2021, which is equivalent to 11.1% 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 83.2% due to sales growth.

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. In regard to this new business, a new revenue segment “Sales of drug vending machines and related services” was therefore established in accordance with HKFRSs.

After the completion of acquisition of Lucky State, the segment of “Sales of drug vending machines and related services” had recorded revenue of approximately HK\$0.8 million during the six months ended 30 September 2021, which is equivalent to 1.6% of our total revenue. As this is a new revenue segment, there is no corresponding period in 2020 can be compared.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2021, the Group recorded revenue of approximately HK\$50.9 million (six months ended 30 September 2020: approximately HK\$54.7 million), representing a decrease of 7.0% 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\$17.9 million and HK\$19.1 million for each of the six months ended 30 September 2021 and 2020, respectively, representing approximately 35.2% and 34.9% of the Group's total revenue for the corresponding periods. Such increase in percentage was mainly contributed by the increase in additional marketing efforts for sales stimulating measures as well as higher food costs associated with launching new food menu at the initial stage.

Staff costs

Staff costs was approximately HK\$17.8 million for the six months ended 30 September 2021, representing a decrease of approximately 20.3% as compared to approximately HK\$22.3 million for the six months ended 30 September 2020. Such decrease was mainly due to reduction of the number of our restaurants and the tightened cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation

Depreciation expenses were approximately HK\$8.4 million and HK\$14.5 million for the six months ended 30 September 2021 and 2020 respectively. Such decrease was mainly due to reduction of number of our restaurants.

Rental and related expenses

The Group's rental and related expenses remained relatively stable from approximately HK\$1.9 million for the six months ended 30 September 2020 to approximately HK\$1.9 million for the six months ended 30 September 2021.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the six months ended 30 September 2021 and 2020, the total utility expenses amounted to approximately HK\$2.1 million and HK\$2.8 million, respectively.

Other expenses

The Group's other expenses increased by approximately 46.9% from approximately HK\$4.8 million for the six months ended 30 September 2020 to approximately HK\$7.1 million for the six months ended 30 September 2021. Such increase was mainly due to the increase in consulting fees, commission fees paid to food delivery platforms, and so on.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners of the Company

For the six months ended 30 September 2021, the Group recorded a profit attributable to owners of the Company of approximately HK\$9.4 million, as compared to the loss of approximately HK\$2.2 million for the six months ended 30 September 2020. The Board considered that the turnaround from loss to profit was mainly attributable to the gain on disposal of a property and the gain on disposal of the subsidiaries.

Dividend

The Board does not recommend any payment of dividend for the six months ended 30 September 2021 (2020: 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 2021 is set out below:

Business Strategies

as stated in the Prospectus	Business plan as stated in the Prospectus	Actual business progress up to the date of this report
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 this Malay restaurant was subsequently opened in November 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business Strategies

as stated in the Prospectus	Business plan as stated in the Prospectus	Actual business progress up to the date of this report
	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 loan to an associate 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 loan to an associate as set out in the 18 April 2019 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	We have implemented a new human resources management system as well as upgrading some new computer hardware, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021 <i>HK\$'000</i>	Unutilised IPO Proceeds up to 30 September 2021 <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	1,300	—
Marketing and promotional activities	1,000	1,000	—
General working capital	500	500	—
Opening of one new Malay cuisine restaurant	4,400	4,400	—
Capital contribution to an associate	9,397	9,397	—
	<u>32,600</u>	<u>32,600</u>	<u>—</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE (THE “2020 PLACING”)

2020 Placing

On 16 October 2020, the Company entered into the Placing Agreement as supplemented by a supplemental agreement dated 20 October 2020 (collectively, the “**Placing Agreements**”) with the placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 160,000,000 placing shares (the “**Placing Shares**”), to not less than six Placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK\$0.052 per Placing Share. The Placing Shares were allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 24 September 2020. All the conditions precedent under the Placing Agreements have been fulfilled and completion of the Placing Agreements took place on 2 November 2020. For details of the 2020 Placing, please refer to the announcements of the Company dated 16 October 2020, 20 October 2020 and 2 November 2020. The net proceeds from the 2020 Placing are approximately HK\$8,150,000 which is intended to be used as general working capital of the Group.

The following table sets forth the status of use of proceeds from the 2020 Placing:

	Utilised net proceeds from the 2020 Placing as at 30 September 2021 HK\$'000	Unutilised net proceeds from the 2020 Placing as at 30 September 2021 HK\$'000	Expected timeline for net proceeds from the 2020 Placing to be fully utilised
General working capital of the Group	8,150	7,446	704
			By December 2021
Total	<u>8,150</u>	<u>7,446</u>	<u>704</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

There were no change in the capital structure of the Group for the six months ended 30 September 2021.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2021, current assets amounted to approximately HK\$70.7 million (as at 31 March 2021: approximately HK\$53.9 million), of which approximately HK\$37.8 million (as at 31 March 2021: approximately HK\$12.8 million) was bank balances and cash, approximately HK\$30.6 million (as at 31 March 2021: approximately HK\$9.2 million) was trade and other receivables, deposits and prepayments. The increase of the cash balance was mainly due to the proceeds from disposal of subsidiaries, and the proceeds from disposal of a property. The Group's current liabilities amounted to approximately HK\$44.2 million (as at 31 March 2021: approximately HK\$35.9 million) which primarily consisted of trade and other payables, accrued charges and lease liabilities. Current ratio (calculated based on the total current assets divided by total current liabilities) and quick ratio (calculated based on the total current assets less inventories divided by total current liabilities) were 1.6 and 1.6 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, promissory note 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 111.9% (as at 31 March 2021: 38.7%).

The Group's non-current liabilities amounted to approximately HK\$68.3 million (as at 31 March 2021: approximately HK\$25.5 million) which primarily consisted of provisions for reinstatement, promissory note, lease liabilities and deferred tax liabilities. The increase of non-current liabilities was mainly due to the issued of promissory note on 30 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 September 2021, 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 30 September 2021, the Group did not have any outstanding capital commitment.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any material contingent liabilities.

BORROWING

As at 30 September 2021, there was no bank borrowings outstanding (31 March 2021: approximately HK\$15.0 million).

ACQUISITION OF SUBSIDIARIES

Details are set out in note 19 of acquisition of subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP ASSETS

At 30 September 2021, the Group did not have any charge of assets.

At 31 March 2021, bank loans of HK\$15,000,000 were secured by leasehold land and building owned by the Group with the carrying amount of approximately HK\$29,860,137.

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 six months ended 30 September 2021, details are set out in note 19 of acquisition of subsidiaries 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 six months ended 30 September 2021. There is no other plan for material investments or capital assets as at 30 September 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group had 153 full-time and 70 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.

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 year ended 30 September 2021.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors subsequent to the date of the 2021 annual report of the Company are set out below:

Ms. Ng Yau Kuen Carmen resigned as an independent non-executive Director, and ceased to be the chairperson of the Audit Committee and member of each of nomination and remuneration committees of the Company with effect from 27 July 2021.

Mr. Yu Ronald Patrick Lup Man resigned as an independent non-executive Director, and ceased to be the chairman of each of audit and nomination committees, and the member of the remuneration committee with effect from 19 August 2021.

Save as disclosed above, there has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

OTHER INFORMATION

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

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

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

Name of Director	Name of associated corporation	Capacity/nature	No. of shares	% of
			held in the associated corporation	shareholding in the associated corporation
Ms. SH Wong	MJL	Beneficial interest	620	30.24%
Ms. ST Wong	MJL	Beneficial interest	374	18.24%

Saved as disclosed above, as at 30 September 2021, 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.

OTHER INFORMATION

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

So far as known to the Directors or chief executive of the Company, as at 30 September 2021, 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 were directly or indirectly, to be 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares of the Company

Name	Capacity/nature	No. of shares held in	Approximate % of shareholding
MJL (<i>Note 1</i>)	Beneficial interest	480,000,000	50%

Note:

- (1) MJL is owned as to (i) 30.24% by Ms. SH Wong; (ii) 30.24% by Ms. LF Chow; (iii) 18.24% by Ms. ST Wong; (iv) 14.64% by Ms. SC Wong; (v) 4.20% by Mr. SH Ma; and (vi) 2.44% by Linking World Limited. Ms. SH Wong and Ms. ST Wong being our executive Directors, are also directors of MJL.

Long positions in other members of our Group

Name	Name of member of our Group	Capacity/nature	No. of shares held	Approximate % of shareholding
Linking World Limited	All Happiness Limited	Beneficial interest	1,000	10%

OTHER INFORMATION

Save as disclosed above, as at 30 September 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

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 2021, 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 six months ended 30 September 2021.

OTHER INFORMATION

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 2021, 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 2021 and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

On 31 October 2021, the Group has closed down two restaurants, namely Tseung Kwan O Grand Avenue and Tseung Kwan O Baba Nyonya following the expiration of its lease term.

Other than the above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 30 September 2021 and up to the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

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

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

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

Mr. Yeung Man Sun (*Chairman*)

Mrs. Cheung Lau Lai Yin Becky

Mr. Lo Cheuk Fei Jeffrey

The Group's Interim Financial Statements have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the Interim Financial Statements 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, 12 November 2021

As at the date of this report, the Board comprises Ms. Wong Suet Hing, Ms. Wong Sau Ting Peony, and Mr. Wong Chi Chiu Henry as executive Directors; and Mr. Yeung Man Sun, Mrs. Cheung Lau Lai Yin Becky and Mr. Lo Cheuk Fei Jeffrey as independent non-executive Directors.