



倩碧控股有限公司
Simplicity Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8367

Third Quarterly
Report
2022

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*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

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Unaudited Condensed Consolidated Statement of Changes in Equity	5
Notes to the Unaudited Condensed Consolidated Financial Statements	6
Management Discussion and Analysis	13
Other Information	18

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

THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2022

The unaudited condensed consolidated results of the Group for the three months and the nine months ended 31 December 2022, together with the unaudited comparative figures for the corresponding period in 2021, are as follows:

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	4	17,310	29,215	50,127	80,069
Other income	5	29	325	392	480
Other gains	6	–	–	–	14,628
Raw materials and consumables used		(5,029)	(10,878)	(17,818)	(28,799)
Staff costs		(7,673)	(8,264)	(22,225)	(26,039)
Depreciation		(3,597)	(3,787)	(10,343)	(12,206)
Rental and related expenses		(734)	(1,190)	(2,207)	(3,137)
Utilities expenses		(803)	(907)	(2,402)	(3,022)
Other expenses		(5,926)	(3,630)	(18,697)	(10,699)
Finance costs	7	(144)	(1,313)	(555)	(2,273)
(Loss)/profit before tax	8	(6,567)	(429)	(23,728)	9,002
Income tax expense	9	–	(679)	–	(758)
(Loss)/profit for the period		(6,567)	(1,108)	(23,728)	8,244
Other comprehensive income (expense) for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
– Exchange differences on translation of financial statements of PRC subsidiaries		–	86	(122)	69
– Reclassification adjustment on disposal of foreign subsidiaries		98	–	98	–
Total comprehensive (expense)/income for the period		(6,469)	(1,022)	(23,752)	8,313

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
(Loss)/profit for the period attributable to:				
Notes				
– owners of the Company	(6,567)	(1,128)	(23,728)	8,225
– non-controlling interests	–	20	–	19
	<u>(6,567)</u>	<u>(1,108)</u>	<u>(23,728)</u>	<u>8,244</u>
(Loss)/profit and total comprehensive (expense)/ income for the period attributable to:				
– owners of the Company	(6,469)	(1,042)	(23,752)	8,294
– non-controlling interests	–	20	–	19
	<u>(6,469)</u>	<u>(1,022)</u>	<u>(23,752)</u>	<u>8,313</u>
(Loss)/earnings per share Basic (HK cents)				
11	<u>(0.68)</u>	<u>(0.12)</u>	<u>(2.47)</u>	<u>0.86</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NINE MONTHS ENDED 31 DECEMBER 2022

	Attributable to the owners of the Company						Non-controlling		
	Share capital	Share premium	Exchange reserve	Share option reserve	Other reserves	Accumulated (losses)/ profits	Total	interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2022 (Audited)	9,600	88,381	24	-	(8,669)	(46,512)	42,824	(33)	42,791
Loss for the period	-	-	-	-	-	(23,728)	(23,728)	-	(23,728)
Other comprehensive (expense)/income for the period									
- Exchange difference on translation of financial statements of PRC subsidiaries	-	-	(122)	-	-	-	(122)	-	(122)
- Reclassification adjustment on deregistration of foreign subsidiaries	-	-	98	-	-	-	98	-	98
Total comprehensive expense for the period	-	-	(24)	-	-	(23,728)	(23,752)	-	(23,752)
Recognition of equity-settled share based payment	-	-	-	8,329	-	-	8,329	-	8,329
Forfeiture of share options	-	-	-	(4,550)	-	4,550	-	-	-
As at 31 December 2022 (Unaudited)	<u>9,600</u>	<u>88,381</u>	<u>-</u>	<u>3,779</u>	<u>(8,669)</u>	<u>(65,690)</u>	<u>27,401</u>	<u>(33)</u>	<u>27,368</u>
As at 31 March 2021 (Audited)	9,600	88,381	-	-	(8,669)	(50,519)	38,793	(46)	38,747
Profit for the period	-	-	-	-	-	8,225	8,225	19	8,244
Other comprehensive income for the period									
- Exchange difference on translation of financial statements of PRC subsidiaries	-	-	69	-	-	-	69	-	69
Total comprehensive income for the period	-	-	69	-	-	8,225	8,294	19	8,313
As at 31 December 2021 (Unaudited)	<u>9,600</u>	<u>88,381</u>	<u>69</u>	<u>-</u>	<u>(8,669)</u>	<u>(42,294)</u>	<u>47,087</u>	<u>(27)</u>	<u>47,060</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 35/F, Central Plaza, 18 Harbour Road, Wanchai, 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 for the nine months ended 31 December 2022 (the "**Financial Information**") have been prepared in accordance with accounting principles generally accepted in Hong Kong and complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the Financial Information 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 Financial Information are the same as those followed in the Group's audited annual report dated 12 August 2022, except for the adoption of the new and revised HKFRSs (the "**New and Revised HKFRSs**") (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA that are adopted for the first time for the current period's financial statements.

The adoption of the New and Revised HKFRSs has had no material effect on the Financial Information and there have been no significant changes to the accounting policies applied in the Financial Information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Financial Information have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee agreed with the accounting principles and practices adopted by the Company.

3. ESTIMATES

The preparation of Financial Information 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 Financial Information, 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 2022.

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, as well as the sales of food ingredients.

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. Sales of food ingredients — Sale of food ingredients to external third parties

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Chinese cuisine	5,808	6,167	16,779	18,625
Thai cuisine	3,640	5,020	11,383	19,268
Malaysian cuisine	6,022	7,897	17,245	25,579
Sale of food ingredients	1,840	2,758	4,720	8,407
Sales of drug vending machine and related services	–	7,373	–	8,190
	<u>17,310</u>	<u>29,215</u>	<u>50,127</u>	<u>80,069</u>

5. OTHER INCOME

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Other income				
Promotion income	3	6	10	19
Bank interest income	24	2	24	11
Subsidies income	–	–	300	100
Others	2	317	58	350
	<u>29</u>	<u>325</u>	<u>392</u>	<u>480</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER GAINS

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Gain on disposal of items of property, plant and equipment	–	–	–	11,992
Rent concession	–	–	–	71
Gain on disposal of subsidiaries	–	–	–	2,060
Gain on reversal of impairment loss of interest in an associate	–	–	–	–
Gain on disposal of an associate	–	–	–	50
Gain on deregistration of fellow subsidiaries	–	–	–	452
Others	–	–	–	3
	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,628</u>

7. FINANCE COSTS

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Interest expenses on bank borrowings	–	8	–	55
Interest expenses on lease liabilities	144	233	555	791
Imputed interest expenses on promissory note	–	347	–	460
Interest on promissory note	–	725	–	967
	<u>144</u>	<u>1,313</u>	<u>555</u>	<u>2,273</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. (LOSS)/PROFIT BEFORE TAX

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
(Loss)/profit before tax has been arrived at after charging:				
Staff costs (including director's emoluments):				
Salaries and other benefits	7,348	7,876	21,280	24,850
Contributions to retirement benefit scheme	325	388	945	1,189
	<u>7,673</u>	<u>8,264</u>	<u>22,225</u>	<u>26,039</u>
Auditor's remuneration	150	188	450	564
Gain on disposal of items of property, plant and equipment	–	–	–	11,992
Operating lease payments in respect of rented premises:				
– minimum lease payments	244	586	759	1,167
– contingent rentals (<i>Note</i>)	14	32	50	43
Recognition of equity-settled share based payment	–	–	8,329	–
Loss on disposal of subsidiary	1,930	–	1,930	–
	<u>1,930</u>	<u>–</u>	<u>1,930</u>	<u>–</u>

Note:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
PRC Enterprise Income Tax				
– Current tax	–	787	–	866
Hong Kong Profits Tax				
– Income tax credit	–	(108)	–	(108)
	<u>–</u>	<u>679</u>	<u>–</u>	<u>758</u>

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

No provision was made for Hong Kong Profits Tax and Enterprise Income Tax as there was no assessable profit for the nine months period ended 31 December 2022.

Provision for PRC Enterprise Income Tax has been made for the nine months ended 31 December 2021 at 25% as the Group has assessable profits arising in or derived from the PRC.

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits for the nine months ended 31 December 2021.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of a qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2 million will continue to be taxed at 16.5%. For the nine months period ended 31 December 2022 and 2021, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. DIVIDENDS

The board of Directors (the "Board") does not recommend any payment of dividend in respect of the nine months ended 31 December 2022 (2021: Nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share (2021: basis earnings per share) attributable to owners of the Company is based on the following data:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	(6,567)	(1,128)	(23,728)	8,225
	31 December 2022 '000	31 December 2021 '000	31 December 2022 '000	31 December 2021 '000
Number of shares Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	960,000	960,000	960,000	960,000

The computation of diluted loss per share for the nine months period ended 31 December 2022 did not assume the exercise of the Company's outstanding share options since it would result in a decrease in loss per share.

Therefore, the diluted loss per share is the same as the basic loss per share for the nine months period ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 7 February 2023, the value of total receipts of the restaurants sector in the fourth quarter of 2022 was provisionally estimated at HK\$25.5 billion, representing an increase of approximately 1.6% over a year earlier. Over the same period, the provisional estimate of the value of total purchases by restaurants increased by approximately 1.7% to approximately HK\$8.4 billion.

Analysed by type of restaurant and comparing the fourth quarter of 2022 with the fourth quarter of 2021, total receipts of Chinese restaurants decreased by 1.6% in value and 4.7% in volume. Total receipts of non-Chinese restaurants increased by 2.2% in value, but decreased by 1.3% in volume. Total receipts of fast food shops increased by 3.9% in value, but remained virtually unchanged in volume. Total receipts of bars increased by 1.8% in value, but decreased by 2.2% in volume. As for miscellaneous eating and drinking places, total receipts increased by 9.0% in value and 5.5% in volume.

A Government spokesman said that business of restaurants continued to improve in the fourth quarter of 2022, thanks to the further relaxation of social distancing measures, improved labour market conditions and disbursement of consumption vouchers. The value of total restaurant receipts increased further by 5.7% over the preceding quarter on a seasonally adjusted basis, and turned to an increase of 1.6% on a year-on-year comparison. Yet, reflecting the severe impact of the fifth wave of the local epidemic in early 2022, the value of total restaurant receipts declined by 6.4% for the year as a whole.

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

PROSPECTS

Looking ahead, the return of economic activities from the epidemic to normalcy and an expected rebound in inbound tourism should boost business of restaurants. An expected further improvement of the labour market will provide additional support.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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) Refining business strategies to cope with the continuing challenges.

BUSINESS OVERVIEW

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

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

“Marsino” had recorded revenue of approximately HK\$16.8 million during the nine months ended 31 December 2022, which is equivalent to 33.5% of our total revenue. As compared to the last corresponding period, “Marsino” has experienced a decrease in revenue by 9.7% mainly due to the negative impacts brought by the COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

“Grand Avenue” had recorded revenue of approximately HK\$11.4 million during the nine months ended 31 December 2022, which is equivalent to 22.8% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced a decrease in revenue by 40.9% due to the negative impacts brought by the COVID-19.

“Baba Nyonya” had recorded revenue of approximately HK\$17.2 million during the nine months ended 31 December 2022, which is equivalent to 34.3% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced a decrease in revenue by 32.8% due to the negative impacts brought by the COVID-19.

The segment of “Sale of food ingredients” had recorded revenue of approximately HK\$4.7 million during the nine months ended 31 December 2022, which is equivalent to 9.4% of our total revenue. As compared to the last corresponding period, the segment of “Sale of food ingredients” has experienced a decrease in revenue by 44.1% due to the negative impact brought by the COVID-19.

FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2022, the Group recorded revenue of approximately HK\$50.1 million (nine months ended 31 December 2021: approximately HK\$80.1 million), representing a decrease of 37.5% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to the negative impact brought 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\$17.8 million and HK\$28.8 million for each of the nine months ended 31 December 2022 and 2021, respectively, representing approximately 35.5% and 36.0% of the Group’s total revenue for the corresponding periods. Such decrease was mainly attributable to decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs

Staff costs was approximately HK\$22.2 million for the nine months ended 31 December 2022, representing a decrease of approximately 14.6% as compared to approximately HK\$26.0 million for the nine months ended 31 December 2021. Such decrease was mainly due to the tightened cost control.

Depreciation

Depreciation expenses were approximately HK\$10.3 million and HK\$12.2 million for the nine months ended 31 December 2022 and 2021 respectively.

Rental and related expenses

The rental expenses for the nine months ended 31 December 2022 amounted to approximately HK\$2.2 million, representing a decrease of approximately 29.0% as compared with that of the nine months ended 31 December 2021 which amounted to approximately HK\$3.1 million.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the nine months ended 31 December 2022 and 2021, the total utility expenses amounted to approximately HK\$2.4 million and HK\$3.0 million, respectively.

Other expenses

The Group's other expenses increased by approximately 74.8% from approximately HK\$10.7 million for the nine months ended 31 December 2021 to approximately HK\$18.7 million for the nine months ended 31 December 2022. Such increase was mainly attributable to the recognition of equity settled share based payment of approximately HK\$8.3 million and loss on disposal of Lucky State and its subsidiary of approximately HK\$1.9 million.

Loss attributable to owners of the Company

The Group recorded loss attributable to owners of the Company of approximately HK\$23.7 million for the nine months ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

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

On 18 November 2022, Jumbo Spirit Group Limited, a wholly owned subsidiary of the Company, entered into an agreement with Tao Wah Wai Calvin for the sale of 100% issued shares of Lucky State Investment Holdings Limited (the "**Target**") at the consideration of HK\$3,375,000 to be satisfied by way of set off against the principal amount of the promissory note at completion.

During the nine months ended 31 December 2022, the Group recognised a loss of approximately HK\$1,930,000 in relation to the disposal. The Target has ceased to be a subsidiary of the Company.

The Target is a limited company incorporated in the British Virgin Islands and is principally engaged in investment holding. The Target and its subsidiaries are principally engaged in the sales of drug vending machines and related services in the PRC.

Except for the above, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the nine months ended 31 December 2022.

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 nine months ended 31 December 2022.

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 31 December 2022, so far as is known to the Directors, none of the Directors and chief executives of the Company and their associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which were 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 which any such director or chief executive is 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 of members of the Company, or which were required, pursuant to standard of dealings by Directors as to 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 31 December 2022, 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	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 31 December 2022, 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 nine months ended 31 December 2022, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings. Having made specific enquiries to all the Directors and all the Directors had confirmed they have complied with the required standard of dealings and the code of conduct for directors' securities transactions during the nine months ended 31 December 2022.

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.

The board of directors of Company hereby announces that on 20 April 2022, the Company has granted a total of 33,600,000 share options to 4 eligible participants of the Company pursuant to the share option scheme of the Company adopted by the Company on 29 January 2018 to subscribe for an aggregate of 33,600,000 new ordinary shares of HK\$0.01 each Share(s) of the Company. Details are set out in the Company’s announcement date 20 April 2022.

The board of directors of Company hereby announces that on 27 September 2022, the Company has granted a total of 62,400,000 share options to 7 eligible participants of the Company pursuant to the share option scheme of the Company adopted by the Company on 29 January 2018 to subscribe for an aggregate of 62,400,000 new ordinary shares of HK\$0.01 each Share(s) of the Company. Details are set out in the Company’s announcement date 27 September 2022.

OTHER INFORMATION

Movements of the shares options granted to the selected employees and consultants pursuant to the Share Option Scheme during the nine months period ended 31 December 2022 are as follows:

Grantees	Validity period of the share options	Number of shares options				Outstanding at 31 December 2022
		Outstanding at 1 April 2022	Granted during the period	Vested during the period	Lapsed during the period	

Granted on 20 April 2022

Director

Wong Chi Chiu Henry (note 1)	20 April 2022 to 19 April 2032	—	9,600,000	—	9,600,000	—
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Employees (note 2)	20 April 2022 to 19 April 2032	—	24,000,000	—	24,000,000	—
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Granted on

27 September 2022

Director

Choi Pun Lap	27 September 2022 to 26 September 2032	—	9,600,000	—	—	9,600,000
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Employees and consultants	27 September 2022 to 26 September 2032	—	52,800,000	—	—	52,800,000
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Notes:

1. Wong Chi Chiu Henry resigned as executive director on 30 June 2022.
2. Employees resigned during the nine months period ended 31 December 2022.

OTHER INFORMATION

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 nine months ended 31 December 2022 and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this report, except below.

On 13 January 2023, the Company and Jumbo Spirit Group Limited, a wholly owned subsidiary of the Company, entered into an agreement with Wong Sai Cheong for the acquisition of 100% issued shares of High Smart Engineering Limited, a company incorporated in Hong Kong at the consideration of HK\$35 million to be settled in cash and by the allotment and issue of the consideration shares. Details are set out in the Company’s announcements dated 13 January 2023, 19 January 2023 and 8 February 2023.

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

OTHER INFORMATION

- 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*)

Mr. Lo Cheuk Fei Jeffrey

Mr. Wong Hoyen Pegasus

The Group's Financial Information has been reviewed by the Audit Committee. The Audit Committee is of the opinion that the Financial Information comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By Order of the Board
SIMPLICITY HOLDING LIMITED
Choi Pun Lap
Executive Director

Hong Kong, 14 February 2023

As at the date of this report, the Board comprises Mr. Choi Pun Lap and Mr. Leung Wai Tai as executive Directors; and Mr. Yeung Man Sun, Mr. Lo Cheuk Fei Jeffrey and Mr. Wong Hoyen Pegasus as independent non-executive Directors.