

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

SIMPLICITY HOLDING LIMITED

倩碧控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8367)

(I) MAJOR TRANSACTION AND CONNECTED TRANSACTION: FORMATION OF A JOINT VENTURE AND PROVISION OF CORPORATE GUARANTEE; AND (II) CHANGE IN USE OF PROCEEDS

FORMATION OF A JOINT VENTURE

The Board is pleased to announce that on 18 April 2019 (after trading hours), FGL, a wholly-owned subsidiary of the Company, together with CIL, Mr. Yau and DCL entered into the JV Agreement in relation to the JV Company.

Immediately after Completion, the issued share capital of the JV Company will be owned as to 50% by FGL, as to 30% by CIL, as to 10% by Mr. Yau and as to 10% by DCL. The JV Company will be principally engaged in cold storage business in Hong Kong.

CORPORATE GUARANTEE

The JV Company will enter into a lease agreement with the Landlord in relation to the tenancy of premises in Hong Kong for cold storage business. After the execution of the lease agreement for the cold storage facilities, the Company will execute a corporate guarantee in favour of the Landlord in such form as may be agreed by the Company, the Landlord and the JV Company for an amount up to HK\$15,000,000, to guarantee the performance of the JV Company under the relevant lease agreement.

CHANGE IN USE OF PROCEEDS

With a view to better deploy the resources of the Group, the Board has decided to re-allocate approximately HK\$9.397 million, representing approximately 28.8% of the net proceeds from the listing of the Shares in February 2018, towards the Group's investment commitment to the JV Company. The Board has also decided to re-allocate HK\$4.4 million, representing approximately 13.5% of the net proceeds from the listing of the Shares in February 2018, towards the opening of a Malay cuisine restaurant.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the JV Agreement and the corporate guarantee is more than 25% but is less than 100%, the entering into of the JV Agreement and the provision of corporate guarantee constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. As Mr. Yau is also a substantial shareholder in a subsidiary of the Company, Mr. Yau is a connected person to the Company at subsidiary level and therefore the entering into of the JV Agreement constitutes a connected transaction of the Company and is subject to reporting and announcement requirements but exempted from shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

* *For identification purpose only*

Since no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the JV Agreement, the corporate guarantee and the transactions contemplated thereunder, and the Company has obtained a written approval for the JV Agreement, the corporate guarantee and the transactions contemplated thereunder from Marvel Jumbo Limited (the controlling shareholder of the Company holding 540,000,000 Shares, representing 67.5% of the issued share capital of the Company as at the date of this announcement), an extraordinary general meeting of the Company to approve the JV Agreement, the corporate guarantee and the transactions contemplated thereunder is not required pursuant to Rule 19.44 of the GEM Listing Rules and will not be convened. A circular containing further details of the JV Agreement and the corporate guarantee is expected to be despatched to the Shareholders on or before 15 May 2019.

The Board is pleased to announce that on 18 April 2019 (after trading hours), FGL, a wholly-owned subsidiary of the Company, together with CIL, Mr. Yau and DCL entered into the JV Agreement in relation to the JV Company.

Immediately after Completion, the issued share capital of the JV Company will be owned as to 50% by FGL, as to 30% by CIL, as to 10% by Mr. Yau and as to 10% by DCL. The JV Company will be principally engaged in cold storage business in Hong Kong.

Principal terms of the JV Agreement are set out as follows:

THE JV AGREEMENT

Date: 18 April 2019

Parties: (i) FGL, a wholly-owned subsidiary of the Company;
(ii) CIL;
(iii) Mr. Yau; and
(iv) DCL

CIL is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CIL and its ultimate beneficial owner(s) are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Yau is a substantial shareholder in a subsidiary of the Company, as such Mr. Yau is a connected person of the Company at subsidiary level.

DCL is a company incorporated in Hong Kong with limited liability and is principally engaged in logistics business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, DCL and its ultimate beneficial owner(s) are Independent Third Parties.

The JV Company

The JV Company is a company incorporated in Hong Kong with limited liability and will be principally engaged in cold storage business in Hong Kong. Pursuant to the JV Agreement, the JV Company shall not engage in any other business unless otherwise agreed by the parties to the JV Agreement. At Completion, the share capital of the JV Company will be divided into 10,000 shares and owned as to 50% by FGL, as to 30% by CIL, as to 10% by Mr. Yau and as to 10% by DCL.

Upon formation of the JV Company, the JV Company will be classified as an associate of the Company under the applicable accounting standards.

Investment commitment

The following table shows the capital contribution to be injected by each of the parties to the JV Agreement:

Name	Capital contribution to be contributed by each party (HK\$'000,000)	Approximate percentage of equity interest in the JV Company
FGL	15	50%
CIL	9	30%
Mr. Yau	3	10%
DCL	3	10%
Total	<u>30</u>	<u>100%</u>

The amount of the capital contributions to be injected by the parties was determined after arm's length negotiations among the parties with reference to the JV Company's initial estimated funding needs and the agreed share by each party. Subject to the satisfaction of the condition as set out in the section headed "Condition precedent" below, the capital contributions to be made by each party to the JV Agreement shall be payable in cash in proportion to their respective equity interest in the JV Company. The Company's portion of the capital contribution is expected to be funded partially by the Group's internal resources and partially by re-allocating certain proceeds from the listing of the Shares in February 2018, details of which are set out in the section headed "Change in Use of Proceeds" below. The Company expects that the making of such capital contribution would not have any material adverse impact on the financial position of the Group.

Condition precedent

The performances of the terms of the JV Agreement by the parties thereto are conditional upon the obtaining of the relevant Shareholders' approval at a general meeting of the Company pursuant to the requirements of the GEM Listing Rules or the Company has obtained a written approval for the JV Agreement and the transactions contemplated thereunder from a closely allied group of Shareholders holding 50% or more of the voting rights at a general meeting of the Company.

As at the date of this announcement, the Company has obtained a written approval for the JV Agreement, the corporate guarantee and the transactions contemplated thereunder from Marvel Jumbo Limited (the controlling shareholder of the Company holding 540,000,000 Shares, representing 67.5% of the issued share capital of the Company as at the date of this announcement). As no Shareholder is required to abstain from voting if a general meeting was to be convened for the approval of the JV Agreement, the corporate guarantee and the transactions contemplated thereunder, an extraordinary general meeting of the Company to approve the JV Agreement, the corporate guarantee and the transactions contemplated thereunder is not required pursuant to Rule 19.44 of the GEM Listing Rules. Therefore, the condition precedent of the JV Agreement has been satisfied.

Board composition

The board of directors of the JV Company will comprise of three directors. Each of FGL, CIL and DCL shall have the right to appoint one (1) director.

CORPORATE GUARANTEE

The JV Company will enter into a lease agreement with the Landlord in relation to the tenancy of premises in Hong Kong for cold storage business. After the execution of the lease agreement for the cold storage facilities, the Company will execute a corporate guarantee in favour of the Landlord in such form as may be agreed by the Company, the Landlord and the JV Company for an amount up to HK\$15,000,000, to guarantee the performance of the JV Company under the relevant lease agreement.

Each of CIL, Mr. Yau and DCL has agreed to indemnify FGL against all losses and costs which may be sustained by FGL flowing from the Landlord exercising its rights under the guarantee provided by FGL in proportion to each of their respective shareholding in the JV Company.

Given the back-to-back guarantee provided by other parties to the JV Agreement, the Directors (including the independent non-executive Directors) consider that the provision of such corporate guarantee to be fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE AND THE PROVISION OF THE CORPORATE GUARANTEE

The Group is a casual dining full service restaurants operator with central kitchen and storage facilities in Hong Kong.

The Company is seeking opportunities in order to increase the return to its Shareholders. The Company considers that there will be growth potential in investment of cold storage business in Hong Kong. The JV Company will allow the Group to diversify into investment in cold storage business in Hong Kong. The Company is optimistic as to the prospect of the JV Company.

Taking into account the future prospect of the JV Company and the back-to-back guarantee provided by other parties to the JV Agreement, the Directors (including the independent non-executive Directors) consider that the entering into of the JV Agreement, the provision of the corporate guarantee and the terms and conditions thereunder are fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

CHANGE IN USE OF PROCEEDS

With a view to better deploy the resources of the Group, the Board has decided to re-allocate approximately HK\$9.397 million, representing approximately 28.8% of the net proceeds from the listing of the Shares in February 2018, towards the Group's investment commitment to the JV Company. The Board has also decided to re-allocate HK\$4.4 million, representing approximately 13.5% of the net proceeds from the listing of the Shares in February 2018, towards the opening of a Malay cuisine restaurant.

Update on Use of Proceeds

Reference is made to section headed "Future plans and use of proceeds" of the prospectus of the Company dated 6 February 2018 and the 2018 Third Quarterly Report of the Company. As at the date of this announcement, the Board would like to provide an update on the use of proceeds as follows:

	Original allocation as disclosed in the prospectus of the Company <i>HK\$'000</i>	Utilisation up to the date of this announcement <i>HK\$'000</i>	Remaining unutilised balances as at the date of this announcement <i>HK\$'000</i>	Proposed revised allocation as at the date of this announcement <i>HK\$'000</i>
Planned use of proceeds				
Opening of one new Marsino restaurant	4,400	4,400	–	–
Opening of one new Grand Avenue restaurant	4,400	–	4,400	–
Opening of 4 new Japanese ramen restaurants	17,500	10,060	7,440	–
Expansion of central kitchen storage facilities	3,500	1,543	1,957	–
Upgrade of computer system	1,300	1,031	269	269
Marketing and promotional initiatives	1,000	383	617	617
General working capital	500	500	–	–
Opening of one new Malay cuisine restaurant	–	–	–	4,400
Capital contribution to JV Company	–	–	–	9,397
	32,600	17,917	14,683	14,683

Proposed Changes in Use of Proceeds

As shown above, part of the proceeds of approximately HK\$14.683 million from the net proceeds of the listing of the Shares in February 2018 remains unutilised due to the reduction in the pace of the Group's expansion as a result of the unfavourable condition in the Hong Kong food and beverage market. It was expected that the Group would use approximately HK\$4.4 million of the net proceeds to open a new Grand Avenue restaurant on or before 30 September 2018. Although the Group had made attempts to identify suitable locations, there was no location available which the Group considers to be suitable for the new Grand Avenue restaurant. The two Japanese ramen restaurants operated by the Group has been underperforming since their opening and the Board has decided to close down one of the Japanese ramen restaurants in February 2019. Further, the Group has not been able to identify suitable location within close proximity of the Group's central kitchen facilities to expand the central kitchen storage facilities.

In order to increase the return to its Shareholders. The Company considers that there will be growth potential in cold storage business in Hong Kong and the Board therefore decided to re-allocate approximately HK\$9.397 million which was originally planned for opening of Japanese ramen restaurants and expansion of the Group's central kitchen storage facilities towards the Group's capital contribution to the JV Company.

The Board has also been monitoring the market performance of Thai cuisine in Hong Kong and the Board considers that the competition for Thai cuisine in Hong Kong is very strong and the revenue of the Group's Thai cuisine business has been declining. As such, the Board has decided to re-allocate the HK\$4.4 million originally planned for the opening of a new Grand Avenue restaurant to be applied towards the opening of a Malay cuisine restaurant.

The Board considers that the aforesaid proposed change in use of proceeds is in the interests of the Group and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the JV Agreement is more than 25% but is less than 100%, the entering into of the JV Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. As Mr. Yau is also a substantial shareholder in a subsidiary of the Company, Mr. Yau is a connected person to the Company at subsidiary level and therefore the entering into of the JV Agreement constitutes a connected transaction of the Company and is subject to reporting and announcement requirements but exempted from shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

DESPATCH OF CIRCULAR

Since no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the JV Agreement and the transactions contemplated thereunder, and the Company has obtained a written approval for the JV Agreement and the transactions contemplated thereunder from Marvel Jumbo Limited (the controlling shareholder of the Company holding 540,000,000 Shares, representing 67.5% of the issued share capital of the Company as at the date of this announcement), an extraordinary general meeting of the Company to approve the JV Agreement and the transactions contemplated thereunder is not required pursuant to Rule 19.44 of the GEM Listing Rules and will not be convened. A circular containing further details of the JV Agreement is expected to be despatched to the Shareholders on or before 15 May 2019.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors
“CIL”	Cabletron Investments Limited, a company incorporated in the British Virgin Islands
“Company”	Simplicity Holding Limited, a company established in the Cayman Islands with limited liability
“Completion”	the completion of the formation of the joint venture in accordance with the terms of the JV Agreement
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“DCL”	DCL Logistics (Hong Kong) Limited, a company incorporated in Hong Kong
“Director(s)”	the director(s) of the Company
“FGL”	Foodies Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons
“JV Agreement”	the joint venture agreement dated 18 April 2019 and entered into between FGL, CIL, Mr. Yau and DCL in relation to the formation of the JV Company
“JV Company”	Well Strong Holdings Limited, a company incorporated in Hong Kong
“Landlord”	the owner of the building which will house the cold storage facilities to be operated by the JV Company, who is also an Independent Third Party
“Mr. Yau”	Mr. Yau Wai Leung
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 18 April 2019

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

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>.