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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

The board announced that on 18 November 2022, the Vendor, a wholly owned subsidiary of the Company, entered into the Agreement with the Purchaser for the sale of 100% issued shares of the Target at the consideration of HK\$3,375,000 to be satisfied by way of set off against the Promissory Note at completion.

As the highest percentage ratio under the GEM Listing Rules exceeds 5% but is under 25%, the Disposal constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Purchaser is a director of the Target and therefore is a connected person of the Company. The Disposal constituted a connected transaction of the Company. As the highest percentage ratio under the GEM Listing Rules is less than 25% and the total consideration is less than HK\$10,000,000, the Disposal is exempt from circular and shareholders approval requirements under Chapter 20 of the GEM Listing Rules.

THE AGREEMENT

Date: 18 November 2022

Parties:

1. Jumbo Spirit Group Limited as Vendor;
2. Tao Wah Wai Calvin as Purchaser.

The Purchaser is a director of the Target and therefore is a connected person of the Company.

Assets to be disposed:

The Vendor shall sell 100% issued shares in the Target.

Consideration:

The consideration is HK\$3,375,000 which is to be satisfied by the Purchaser by way of set off against the Promissory Note upon completion.

Basis of consideration:

The consideration of HK\$3,375,000 was determined after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the principal amount of the Promissory Note, (ii) the net asset value of the Target Group as at 30 September 2022 of approximately HK\$1,930,000 and (iii) the reason for the Disposal as set out under the section "REASONS FOR THE DISPOSAL" below.

The Directors consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion:

Completion shall take place on the date of the Agreement or such other date as the Vendor and the Purchaser may agree.

After Completion, the Target shall cease to be a subsidiary of the Company and the Company shall not hold any interest in the Target Group. The entire amount of the Promissory Note shall be set off against the consideration and the Promissory Note shall be cancelled accordingly.

INFORMATION ON THE TARGET GROUP

The Target is a limited company incorporated in the British Virgin Islands and is principally engaged in investment holding.

The Target Group is principally engaged in the sales of drug vending machines and related services in the PRC.

The major operating subsidiary of the Target Group was established in March 2021. The Target Group was acquired by the Group on 30 August 2021. Set out below is the financial information of the Target Group extracted from its audited financial statements of the Group for the year ended 31 March 2022:

	For the year ended 31 March 2022
	HK\$
Loss before taxation	2,532,000
Loss after taxation	2,532,000

The net asset value of the Target Group as at 30 September 2022 was approximately HK\$1,930,000.

REASONS FOR THE DISPOSAL

The Group is principally engaged in restaurant operations in Hong Kong.

Reference is made to the Company's announcements of 4, 6, 17 and 30 August 2021 relating to the acquisition of the Target Group by the Vendor from the Purchaser at the consideration of HK\$58,000,000 by way of issue of a promissory note of the same amount. Reference is also made to the Company's announcements of 26 August 2022 and 30 September 2022 relating to the total compensation of HK\$54,625,000 paid by the Purchaser to the Vendor by way of set off against the amount of the said promissory note due to failure to fulfill the relevant profit guarantee. The outstanding principal amount of the Promissory Note after the said setoff and as at the date of this announcement is HK\$3,375,000.

In view of the unsatisfactory performance and failure to achieve the profit guarantee by the Target Group, the Company negotiated with the Purchaser to put back the Target Group to the Purchaser and the consideration shall be set off against the principal amount of the Promissory Note. After completion, the Company shall cease to hold any interest in the Target Group and the Promissory Note shall be cancelled.

The Directors are of the view that the terms and conditions of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

EXPECTED FINANCIAL EFFECT OF THE DISPOSAL

The Group expects to recognise a gain of approximately HK\$1,445,000 in relation to the Disposal based on the consideration for the Disposal of HK\$3,375,000 and the unaudited carrying amount of the Target Group as at 30 September 2022 of HK\$1,930,000. Shareholders should note that the actual results of the gain in relation to the Disposal shall be subject to review and audit by the Company's auditors.

GEM LISTING RULES IMPLICATIONS

As the highest percentage ratio under the GEM Listing Rules exceeds 5% but is under

25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Purchaser is a director of the Target and therefore is a connected person of the Company. The Disposal constituted a connected transaction of the Company. As the highest percentage ratio under the GEM Listing Rules is less than 25% and the total consideration is less than HK\$10,000,000, the Disposal is exempt from circular and shareholders approval requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Agreement”	the sale and purchase agreement dated 18 November 2022 made between the Vendor and the Purchaser relating to the sale and purchase of 100% issued shares of the Target
“Board”	the Board of directors of the Company
“Business day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Simplicity Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the transactions under the Agreement pursuant to the terms thereof
“Directors”	the directors of the Company
“Disposal”	the disposal of the Target pursuant to the Agreement
“GEM”	GEM operated by the Stock Exchange
“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 PRC
“PRC”	The People’s Republic of China
“Promissory Note”	the promissory note in the principal amount of HK\$3,375,000 issued by the Company in favour of the Purchaser’s nominee company
“Purchaser”	Tao Wah Wai Calvin
"Share(s)"	ordinary share(s) of HK\$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the GEM Listing Rules
“Target”	Lucky State Investment Holdings Limited
“Target Group”	the Target and its subsidiaries
“Vendor”	Jumbo Spirit Group Limited, a wholly-owned subsidiary of the Company

By Order of the Board of
Simplicity Holding Limited
Wong Sau Ting Peony
Executive Director

Hong Kong, 18 November 2022

As at the date of this announcement, the executive Directors of the Company are Ms. Wong Sau Ting Peony and Mr. Choi Pun Lap; and the independent non-executive Directors of the Company are Mr. Yeung Man Sun, Mr. Wong Hoyen Pegasus 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 Listed Company Information” 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>.

** For identification purpose only*