

StarGlory Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8213



Annual Report
2022/23

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Tao (*Chairman, appointed on 1 June 2023*)
Ms. Huang Li (*Chairlady, appointed on 13 October 2022 and resigned on 1 June 2023*)
Mr. Huang Chao (*Chairman, resigned on 13 October 2022*)
Mr. Wu Xiaowen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yee Ping Michael
Mr. Zeng Shiquan
Mr. Yang Haiyu

COMPANY SECRETARY

Ms. Lam Kit Yan FCPA

COMPLIANCE OFFICER

Ms. Huang Li (*appointed on 13 October 2022 and resigned on 1 June 2023*)
Mr. Zhang Tao (*appointed on 1 June 2023*)
Mr. Huang Chao (*resigned on 13 October 2022*)

AUDIT COMMITTEE

Mr. Chan Yee Ping Michael (*Chairman*)
Mr. Zeng Shiquan
Mr. Yang Haiyu

REMUNERATION COMMITTEE

Mr. Yang Haiyu (*Chairman*)
Ms. Huang Li (*appointed on 13 October 2022 and resigned on 1 June 2023*)
Mr. Zhang Tao (*appointed on 1 June 2023*)
Mr. Huang Chao (*resigned on 13 October 2022*)
Mr. Chan Yee Ping Michael

NOMINATION COMMITTEE

Ms. Huang Li (*appointed on 13 October 2022 and resigned on 1 June 2023*)
Mr. Zhang Tao (*appointed on 1 June 2023*)
Mr. Huang Chao (*resigned on 13 October 2022*)
Mr. Chan Yee Ping Michael
Mr. Zeng Shiquan

CORPORATE GOVERNANCE COMMITTEE

Mr. Chan Yee Ping Michael (*Chairman*)
Ms. Huang Li (*appointed on 13 October 2022 and resigned on 1 June 2023*)
Mr. Zhang Tao (*appointed on 1 June 2023*)
Mr. Huang Chao (*resigned on 13 October 2022*)
Mr. Zeng Shiquan

AUTHORIZED REPRESENTATIVES

Ms. Huang Li (*appointed on 13 October 2022 and resigned on 1 June 2023*)
Mr. Zhang Tao (*appointed on 1 June 2023*)
Mr. Huang Chao (*resigned on 13 October 2022*)
Ms. Lam Kit Yan FCPA

PRINCIPAL BANKER

The Bank of East Asia Limited

AUDITOR

PKF Hong Kong Limited
Certified Public Accountants
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Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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REGISTERED OFFICE

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Grand Cayman KY1-1104
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY'S WEBSITE ADDRESS

www.stargloryhcl.com

GEM STOCK CODE

8213

Note: Information in this section is as at the date of this report

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the **"Board"**) of StarGlory Holdings Company Limited (the **"Company"**), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively referred to as the **"Group"** or **"StarGlory"**) for the year ended 31 March 2023 (the **"Reporting Period"**).

The operating environment remained difficult in the Reporting Period due to the ongoing impact of the COVID-19 (the **"pandemic"**). Business conditions became even more challenging as a result of persistent high inflation, which triggered continuous monetary tightening policies that created obstacles for many industries and created a bumpy and uncertain path of recovery for the global economy. China also suffered unexpected shocks in 2022, including frequent COVID outbreaks and a historic downturn in the property market. Consequently, its economic growth slumped to one of its lowest levels in nearly half a century.

In Hong Kong, the food and beverage industry was hard-hit by the resurgence of COVID-19 in the first quarter of the Reporting Period, alongside weak consumer sentiment. Effective containment measures by the Hong Kong government helped relieve the local pandemic, and we saw a gradual relaxation of social distancing measures in the latter half of 2022. The launch of a new round of the Consumption Voucher Scheme was another factor in the gradual improvement in consumer sentiment and consumption habits. Following the removal of cross-border restrictions in early 2023, the food and beverage industry now seems on track for recovery and is poised to embrace new growth opportunities.

During the Reporting Period, the food and beverage business continued as the Group's core business and was the main contributor to its overall financial performance. By adjusting strategies flexibly and pragmatically according to market conditions and the pandemic situation, our flagship restaurant, café and cake shop brand, Italian Tomato, was able to achieve a relatively stable performance and contribute solid, steady income to the Group. During the Reporting Period, our staff members showed great dedication in providing customers with comfortable and enjoyable dining experiences and an exceptional range of food treats, which were made available through both online and offline channels. Apart from our in-store special offers, we continued to deepen our partnerships with several third-party food-ordering platforms by offering exclusive in-app special offers, thus capturing business opportunities arising from the demand for food delivery services. This steady performance in a difficult operating environment is a testimony to the Group's agility and long-term strategic approach, which have helped Italian Tomato retain its status as one of the best recognized cake shop brands in Hong Kong.

With the rise of the pandemic, in 2020 the Group stepped into the healthcare market with a particular focus on the production and sale of oral care products. Mass production of the Group's anti-inflammatory toothpaste commenced during the Reporting Period, and we launched a series of collaborations with prominent e-commerce platforms as well as various marketing campaigns. However, this business segment has faced headwinds given the highly competitive market and significantly high entry barriers in the oral care industry, leading to a considerably smaller contribution from the segment than was expected by the Group. Given that this investment in oral care products is still at an early stage, the management will adopt a longer-term approach to its development, and will continue to seek for suitable growth opportunities and potential partners for future collaboration.

Chairman's Statement

Despite the gloomy global economic situation in 2023, weighed down by growing geopolitical tensions and a surge in inflation eroding consumers' financial security, we believe the removal of pandemic restrictions across the world will act as a stimulus for the food and beverage industry. Capitalizing on its proven track record, the Group will continue to invest resources into strengthening the reputation of the Italian Tomato brand. Following the full reopening of the border between Mainland China and Hong Kong in early 2023, the city has seen a boost in travel spending and improved consumer sentiment. We will also be continuing to leverage our capabilities in product innovation, by regularly launching seasonal and festive specialties (such as miniature 'petit cakes') with attractive promotions to cater to different market trends and needs. We will be launching additional marketing promotions to drive local spending and take advantage of the latest round of the government's Consumption Voucher Scheme. To improve customer satisfaction and loyalty and increase its market share, the Group will closely review the effectiveness of its membership program and multichannel marketing activities. Digitalization of our membership program will enable us to better engage and interact with our customers. We also plan to better utilize big data analysis to improve our understanding of customers' changing dining preferences and behavior and enhance customer satisfaction and loyalty, with the aim of further driving income and profitability in the long run.

Uncertainty looks set to continue for the e-cigarette industry in the face of strict regulations imposed by both the mainland and Hong Kong governments. In view of this, the Group intends to pursue a "wait and see" approach for this business segment. At the same time, we will pay close attention to market trends and continue to explore suitable potential business opportunities. As well as pursuing its core competencies, the Group will also seek out potential new ventures to diversify its operations, expand its income streams and ultimately stimulate long-term growth.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my heartfelt gratitude both to the management team and the extended StarGlory family for their diligent and dedicated contributions over the past year. This has enabled the Group to navigate through some highly challenging market conditions. I also wish to thank all our shareholders, business partners and customers for their continuous commitment and support. Looking ahead, we remain committed to maintaining sound operations and steady development for the Group. Our goal is to see Starglory grow steadily within the ever-changing market environment, while all along maximizing value for our shareholders.

Zhang Tao

Chairman

Hong Kong, 26 June 2023



Corporate Governance Report

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the Code Provisions under the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules (the “**CG Code**”) throughout the Reporting Period.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the Reporting Period, the Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's Directors have complied with such required standard of dealings and its code of conduct regarding Directors' securities transactions.

THE BOARD

Board of Directors

Following Ms. Huang Li's resignation with effect from 1 June 2023, Mr. Zhang Tao has been appointed as an executive Director in her place. The Board currently consists of five members including two executive Directors, namely Mr. Zhang Tao and Mr. Wu Xiaowen, and three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Yang Haiyu and Mr. Zeng Shiquan. Save as disclosed in the section headed “Directors and Senior Management” on pages 52 to 55 of this annual report, there is no other relationship between the Board members/ substantial shareholders.

The Company complied at all times during the Reporting Period with the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors and has arranged appropriate insurance cover for the Directors.

The Company has put in place mechanism to ensure independent views and input are available to the Board. This is achieved by giving directors access to external independent professional advice from legal advisers and auditor, as well as the full attendance of all independent non-executive Directors at all the meetings of the Board and its relevant committees held during the Reporting Period.

The Board considered that the implementation of the aforementioned mechanisms was effective during the Reporting Period. The Board reviews the implementation and effectiveness of the aforementioned mechanisms on an annual basis.

Corporate Governance Report

THE BOARD (cont'd)

Board of Directors (cont'd)

Mr. Chan Yee Ping Michael, being an independent non-executive Director, possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. All independent non-executive Directors bring their wealth of experience to the Board and serve the important function of advising the management on strategy development to ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of the shareholders and the Company as a whole. None of the independent non-executive Directors has any business or financial interests with the Group and all independent non-executive Directors confirmed their independence to the Group as at 31 March 2023 in accordance with Rule 5.09 of the GEM Listing Rules. The Company considers the independent non-executive Directors to be independent.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Despite that, pursuant to the articles of association of the Company, at every annual general meeting of the Company, one-third of the Directors shall retire from office by rotation, provided that the chairman of the Board and/or the managing director of the Company shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Mr. Zhang Tao being the chairman of the Board (the “**Chairman**”), is subject to retirement by rotation. As such, the Board considers that sufficient measures have been taken to serve the purpose of Code Provision A.4.2 under the CG Code.

Executive Directors

The executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group’s management team in accordance with the directions set by the Board and are responsible for ensuring that a proper internal control system is in place and that the Group’s business conforms with the applicable laws and regulations.

Independent non-executive Directors

Independent non-executive Directors serve an important function of advising the management on strategic development and ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole.

Mr. Chan Yee Ping Michael being an independent non-executive Director who was appointed on 8 November 2016 has signed a letter for renewal of appointment for a term of one year ending on 7 November 2023 with the Company, unless terminated earlier by either side by giving the other not less than one month’s prior written notice and subject to retirement by rotation and re-election at the Company’s annual general meetings in accordance with the articles of association of the Company.

Corporate Governance Report

THE BOARD (cont'd)

Independent non-executive Directors (cont'd)

Mr. Zeng Shiquan being an independent non-executive Director of the Company who was appointed on 28 March 2018 has signed a letter for renewal of appointment for a term of one year ending on 27 March 2024 with the Company, unless terminated earlier by either side by giving the other not less than one month's prior written notice and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the articles of association of the Company.

Mr. Yang Haiyu being an independent non-executive Director of the Company who was appointed on 11 December 2020 has signed a letter for renewal of appointment for a term of one year ending on 10 December 2023 with the Company, unless terminated earlier by either side by giving the other not less than one month's prior written notice and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the articles of association of the Company.

The commencement dates of the appointment for each of the independent non-executive Directors are as follows:

Independent non-executive Directors	Commencement Date
Mr. Chan Yee Ping Michael	Initially appointed on 8 November 2016
Mr. Zeng Shiquan	Initially appointed on 28 March 2018
Mr. Yang Haiyu	Initially appointed on 11 December 2020

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The chairman's responsibility is to manage the Board while the chief executive officer is to manage the business of the Group.

During the period from 1 April 2022 to 12 October 2022 and from 13 October 2022 to 31 March 2023, Mr. Huang Chao and Ms. Huang Li, respectively, was the Chairman/chairlady of the Board responsible for managing the Board, providing leadership for the Board and ensuring that good corporate governance practices and procedures are established, while Mr. Wu Xiaowen focused on daily management of businesses of the Group, and implemented such objectives, policies, strategies and business plans as approved and instructed by the Board. The roles of the Chairman and chief executive were segregated and were not exercised by the same individual during the Reporting Period. As such, the Board considers that sufficient measures have been taken to serve the purpose of Code Provision A.2.1 under the CG Code.

Corporate Governance Report

CORPORATE STRATEGY, BUSINESS MODEL AND CULTURE

To attain its strategic vision, the Board strives to advocate a healthy and strong corporate culture for risk and compliance, corporate governance and corporate social responsibilities across the Group. At the same time, the Group is committed to offering high quality products and services while delivering a long-term sustainable growth for its shareholders.

The Group is primarily engaged in food and beverage business in Hong Kong. Its chief cake flagship brand Italian Tomato has become one of the best recognized cake shop brands in Hong Kong, thereby helping the Group build a stronger business resilience. Leveraging its expertise and competitive advantages in the food and beverage sector, the Group is devoted to providing exceptional dining experiences and services that accommodate the changes in market demand and consumer trends. To foster customer loyalty, the Group reinforces its corporate culture with the following core principles and ensures that it aligns with the Group's vision, mission and business strategies.

- i. Excellence – we strive to deliver excellence in all what we do;
- ii. Collaboration – we are always better together;
- iii. Responsibility – we are responsible for delivering on our commitments;
- iv. Sustainability – we are committed to a sustainable future;
- v. Diversity – we acknowledge the omnipresence of excellent ideas; and
- vi. Integrity – we endeavour to do it right.

With a view of enhancing the effectiveness of its business model and creating a far-reaching impact of the corporate value, the Group will continue to review and refine its business strategies from time to time, and to better adapt to the evolving market trends and facilitate business growth.

AUDIT COMMITTEE

The Company had established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprised three independent non-executive Directors, namely Mr. Chan Yee Ping Michael, Mr. Zeng Shiquan and Mr. Yang Haiyu. Mr. Chan Yee Ping Michael currently serves as the chairman of the Audit Committee and he possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

Corporate Governance Report

AUDIT COMMITTEE (cont'd)

A total of four Audit Committee meetings were held during the Reporting Period to review and discuss the annual, quarterly and interim results and financial statements of the Group respectively. The adequacy of the Company's policies and procedures regarding financial reporting, risk management and internal control systems were also discussed. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues that the Audit Committee considers necessary. The external auditor of the Group may request a meeting with the Audit Committee if they consider it necessary.

The authorities of the Audit Committee include (1) investigation of any activity within its terms of reference; (2) seeking any information it requires from any employee; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

The main duties of the Audit Committee include but not limited to the followings:

- To consider the selection and appointment of the external auditor, the audit fee, and any question concerning the resignation or dismissal of the external auditor;
- To discuss with the external auditor the nature and scope of the audit;
- To review and monitor the external auditor's independence and the objectivity and the effectiveness of the audit process in accordance with applicable standards;
- To develop and implement policy on the engagement of external auditors to supply non-audit services;
- To review the Group's quarterly, interim and annual financial statements and results respectively before submitting to the Board;
- To discuss any problems and reservations arising from the final audits and any matters that the external auditor may wish to discuss;
- To review the Group's statement on risk management and internal control systems prior to its endorsement by the Board;
- To consider the major findings of any internal investigation and the management's response;
- To consider other topics, as determined by the Board; and
- To review arrangements that employees of the Company and its subsidiaries can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters.

Corporate Governance Report

AUDIT COMMITTEE (cont'd)

Throughout the year under review, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results, risk management and the internal control systems of the Group. As regards external auditor's remuneration, audit service was provided by the Group's external auditor during the year under review.

CORPORATE GOVERNANCE FUNCTION

The Company has established the Corporate Governance Committee with written terms of reference in compliance with Code Provision D.3.1 under Appendix 15 of the GEM Listing Rules. Mr. Chan Yee Ping Michael currently serves as the chairman of the Corporate Governance Committee of the Company and Mr. Huang Chao and Mr. Zeng Shiquan have been appointed as members of the Corporate Governance Committee. Following Mr. Huang Chao's resignation with effective from 13 October 2022, Ms. Huang Li has been appointed as a member of the Corporate Governance Committee in his place. And subsequent to the Reporting Period, following Ms. Huang Li's resignation with effective from 1 June 2023, Mr. Zhang Tao has been appointed as a member of the Corporate Governance Committee in her place.

The main duties of the Corporate Governance Committee are as follows:

- To develop and review the Company's policies and practices in corporate governance;
- To review and monitor the training and continuous professional development of the Directors and the senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct applicable to the Directors and the employees of the Group;
- To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report as required under the GEM Listing Rules;
- To direct and supervise the investigation into any matter brought to the committee's attention within the scope of its duties;
- To review annually and recommend to the Board changes as necessary to the terms of reference of the Board and its committees; and
- To make any other recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed.

During the Reporting Period, the Corporate Governance Committee held one meeting to discuss the above.

Corporate Governance Report

DIRECTORS' ATTENDANCE AT BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Set out below are the attendance records of all the Directors at the Company's board meetings, board committee meetings and general meetings held during the Reporting Period:

	No. of meetings attended/No. of meetings held					
	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Corporate Governance Committee Meetings	General Meetings
Executive Directors						
Ms. Huang Li (<i>Chairlady, appointed on 13 October 2022</i>)	1/3	N/A	N/A	N/A	N/A	N/A
Mr. Huang Chao (<i>Chairman, resigned on 13 October 2022</i>)	3/3	N/A	2/2	2/2	1/1	1/1
Mr. Wu Xiaowen	6/6	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Mr. Chan Yee Ping Michael	6/6	4/4	2/2	2/2	1/1	1/1
Mr. Zeng Shiquan	6/6	4/4	2/2	N/A	1/1	1/1
Mr. Yang Haiyu	6/6	4/4	N/A	2/2	N/A	1/1

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the Code Provision A.6.5 under Appendix 15 of the GEM Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Company is committed to arranging suitable training for all Directors for their continuous professional development. Newly appointed Directors will receive guidelines and reference materials to enable them to familiarize themselves with the Group's business operations and the Board's policies. Directors are briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group.

Reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses. The Company has provided training and reading materials on regulatory updates to the Directors for their references and studies.

During the Reporting Period, all Directors have participated in continuous professional development by attending training courses or watching training broadcasts arranged by the Company with emphasis on the roles, functions and duties of a director of a listed company and reading relevant materials on topics related to corporate governance and regulatory matters.

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT (cont'd)

A summary of training received by the Directors during the Reporting Period:

Board members	Type of training
Executive Directors	
Ms. Huang Li (<i>Chairlady, appointed on 13 October 2022</i>)	A, B, C
Mr. Huang Chao (<i>Chairman, resigned on 13 October 2022</i>)	A, B, C
Mr. Wu Xiaowen	A, B, C
Independent non-executive Directors	
Mr. Chan Yee Ping Michael	A, B, C
Mr. Zeng Shiquan	A, B, C
Mr. Yang Haiyu	A, B, C

A: attending training courses

B: watching training broadcasts

C: reading materials relating to the economy, general business, corporate governance and directors' duties and responsibilities

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with Code Provision B.1.2 under Appendix 15 of the GEM Listing Rules. Mr. Yang Haiyu, an independent non-executive Director, currently serves as the chairman of the Remuneration Committee of the Company and Mr. Huang Chao, an executive Director, and Mr. Chan Yee Ping Michael, an independent non-executive Director, have been appointed as members of the Remuneration Committee. Following Mr. Huang Chao's resignation with effect from 13 October 2022, Ms. Huang Li has been appointed as a member of the Remuneration Committee in his place. And subsequent to the Reporting Period, following Ms. Huang Li's resignation with effect from 1 June 2023, Mr. Zhang Tao has been appointed as a member of the Remuneration Committee in her place.

Pursuant to Code Provision B.1.2(c) under Appendix 15 of the GEM Listing Rules, the Company has adopted the model code in which the Remuneration Committee will make recommendations to the Board on the remuneration packages of individual executive Director and senior management. The principal responsibilities of the Remuneration Committee include but not limited to the followings:

- To make recommendations to the Board on the remuneration packages of individual executive Director(s) and senior management;
- To evaluate the performance of all Directors and senior management and make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

Corporate Governance Report

REMUNERATION COMMITTEE (cont'd)

- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- To review annually the appropriateness and relevance of the remuneration policy;
- To administer the Company's share option schemes as they apply to Directors and/or senior management; and
- To make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed.

The emoluments of the executive Directors and senior management are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. No Director is involved in deciding his own remuneration. Details of the Directors' emoluments are set out in note 7 to the consolidated financial statements.

Remuneration Policy

No individual or any of his or her associates should participate in deciding his or her own remuneration. The remuneration of the Directors and senior management is determined with reference to their expertise and experience in the industry, level of responsibility, the performance and profitability of the Group and prevailing market conditions. Discretionary bonuses, based on each individual's performance, are paid to the Directors and senior management as recognition and in reward of their contributions.

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographical details are set out in the section headed "Directors and Senior Management" on pages 52 to 55 of this annual report, for the Reporting Period are set out below:

Remuneration band(s)	Number of individuals
Nil – HK\$1,000,000	5
HK\$1,000,001 – HK\$1,500,000	2

Meetings of the Remuneration Committee shall be held at least once a year. During the Reporting Period, two meetings were held to review and discuss the remuneration and appointment of the Directors and senior management.

Corporate Governance Report

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with Code Provision A.5.2 under Appendix 15 of the GEM Listing Rules. Mr. Huang Chao, an executive Director, has been appointed as the chairman of the Nomination Committee. Following Mr. Huang Chao's resignation with effect from 13 October 2022, Ms. Huang Li has been appointed as the chairlady of the Nomination Committee in his place. And subsequent to the Reporting Period, following Ms. Huang Li's resignation with effective from 1 June 2023, Mr. Zhang Tao has been appointed as the chairman of the Nomination Committee in her place. The members of the Nomination Committee comprise of two independent non-executive Directors, namely Mr. Chan Yee Ping Michael and Mr. Zeng Shiquan.

The principal responsibilities of the Nomination Committee include but not limited to the followings:

- To review the structure, size and composition (including but not limited to skills, knowledge, gender, age, culture, educational background, professional experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- To identify individuals suitably qualified to become Directors and select or make recommendations to the Board in this regard;
- To assess the independence of independent non-executive Directors having regard to the requirements under the GEM Listing Rules;
- To ensure that no Director or any of his/her associates is involved in approving his/her or any of his associates' nomination;
- To make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors, in particular the chairman of the Board and chief executive of the Company;
- To make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed;
- To develop and maintain a policy for the nomination of board members which includes the nomination procedures and the process and criteria adopted by the Committee to identify, select and recommend candidates for directorship during the year, and to review periodically and disclose in the Company's corporate governance report the policy and the progress made towards achieving the objectives set in the policy. The committee should ensure that the selection process is transparent and fair, and that it considers a broad range of candidates who are outside the Board's circle of contacts and in accordance with the Company's diversity policy; and
- To develop and maintain a policy concerning the diversity of board members and to review periodically and disclose the policy on diversity or a summary of the policy in the Company's corporate governance report.

Corporate Governance Report

NOMINATION COMMITTEE (cont'd)

Board Diversity Policy

Pursuant to the CG Code, the Board has adopted a board diversity policy since August 2013. The Company recognizes and embraces the benefits of having a diverse Board, and regards increasing diversity at the Board level as an essential element in maintaining a competitive advantage. All appointments of the members of the Board are made on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will discuss annually to achieve diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The existing Board members come from a variety of business and professional backgrounds. In recognizing the particular importance of gender diversity, the Company has appointed one female director during the Reporting Period. During the Reporting Period, the Board consists of five members, of which four are male and one is female. Following Ms. Huang Li's resignation with effect from 1 June 2023, Mr. Zhang Tao has been appointed as an executive Director in her place, the Board currently consists of five members and all of them are male. In recognizing the particular importance of gender diversity, the Company will appoint at least one female director by no later than 31 December 2024. With regard to age groups currently, two members of the Board are aged below 50, two are aged between 51 to 61, and one is at the age of above 70.

During the Reporting Period, the Nomination Committee held two meetings to review the structure, size, composition, diversity of the Board and nomination of director. It also reviewed the re-election of the Directors by rotation, as well as the independence of the independent non-executive Directors. The Nomination Committee considered that the Board is sufficiently diverse during the Reporting Period. The Nomination Committee will review the Board diversity policy on an annual basis to ensure its effectiveness

AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the Reporting Period is presented as follows:

	Fee amount HK\$'000
Audit services	679
Non-audit services	–
	679

Corporate Governance Report

FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, quarterly and interim reports and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Reporting Period. Statements of Directors' responsibilities for preparing the financial statements and the external auditor's reporting responsibilities are set out in the Independent Auditor's Report as contained in this annual report.

The Company's external auditor, without qualifying their opinion, draws the users' attention to note 2(d) to the consolidated financial statements indicating the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Please refer to the paragraph headed "Material Uncertainties Related to Going Concern" in the section headed "Independent Auditor's Report" on page 65 of this annual report. The Directors, taking into account of the factors set out in note 2(d) to the consolidated financial statements, are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis.

COMPANY SECRETARY

Ms. Lam Kit Yan was appointed as the company secretary of the Company and one of its authorized representatives on 8 November 2016. She has duly complied with the relevant professional training requirements of the GEM Listing Rules during the year under review. The biographical details of Ms. Lam Kit Yan are set out on page 55 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems to safeguard the interests of the shareholders of the Company and the Group's assets. The Board also acknowledges its responsibility for overseeing the Group's risk management, financial reporting, and internal control systems on an ongoing basis and reviewing their effectiveness at least annually through the Audit Committee. These systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance mechanisms and risk management functions, and the resourcing of the finance and internal audit functions. Appropriate controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. During the Reporting Period, the Company has engaged an external consultant to perform a review of the effectiveness of the Group's risk management and internal control systems for the Group.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

The Group's risk management process starts with identifying the major risks associated with its business, market, and industry in the ordinary course of business. The Group adopts a control and risk self-assessment methodology and assesses and manages its risk profile on a regular basis. This is a continuous process of identifying, evaluating, prioritizing, managing, and monitoring of the risks that the Group faces. The risks are categorized into strategic risks, operational risks, financial risks, and compliance risks. Depending on the likelihood and potential impacts of the relevant risks exposed to the Group, the management prioritizes the risks and either takes immediate mitigating actions, devises a contingency plan, or conducts periodic reviews in accordance with the contingency plan. All operating departments are responsible for identifying and analyzing the risks associated with their respective functions, preparing risk mitigation plans and reporting the status of respective risk factors to the senior management and the Audit Committee. The external consultant is responsible for coordinating and advising on matters in relation to risk management of the Group, while the Audit Committee and ultimately the Board will supervise the implementation of the Group's risk management procedures and measures.

Regarding the review of internal controls, a risk-based approach is adopted by the external consultant. The three-year internal audit plan is subject to review annually, and it covers the major activities and processes of the Group's businesses. The internal control reviews included making enquiries with the appropriate management and the key process owners, performing tests of controls to identify control deficiencies, and making recommendations for improving and strengthening the internal control system. The reviews covered all material controls including financial, operational and compliance controls. The review findings are communicated to the senior management and the Audit Committee of the Group. Internal control issues are tracked, followed up for proper implementation, and their progress are reported to the senior management and the Audit Committee of the Group. Based on the internal control reviews conducted during the Reporting Period, no significant areas of concern have been identified.

The Board, through the Audit Committee, had conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the Reporting Period and the Board considered the systems to be effective and adequate. The Board also reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, and training programs, on the Group's accounting, financial reporting, and internal audit functions.

WORKFORCE DIVERSITY POLICY

As at 31 March 2023, the Group had a total of 115 full-time employees and 105 part-time employees, among which 43 are male and 177 are female. The Group considers the workforce to be diverse in respect of the aforesaid evaluation criteria. The Group has decided not to set any measurable objectives for implementing the workforce diversity policy. The Group will continue to ensure that diversity is taken into consideration when assessing workforce composition.

Corporate Governance Report

PROCEDURE AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with the requirements of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

SHAREHOLDERS’ RIGHTS

Convening an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition and sending to the Company’s head office and principal place of business in Hong Kong (details of which are set out in the section headed “Corporate Information” on page 3 of this annual report) to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requested shareholder(s) (“**Requested Shareholders**”) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requested Shareholders as a result of the failure of the Board shall be reimbursed to the Requested Shareholders by the Company.

Enquiries to the Board

Shareholders may at any time make a request in writing with his/her/its detailed contact information and send it to the Company’s head office and principal place of business in Hong Kong (details of which are set out in the section headed “Corporate Information” on page 3 of this annual report) for the Company’s information, to the extent such information is publicly available to the company secretary of the Company who is responsible for forwarding communications relating to matters within the Board and ordinary business matters, such as suggestions, inquiries and customer complaints, to the Board.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (cont'd)

Putting forward proposals at a general meeting

Shareholders are welcome to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meetings. The proposals shall be sent to the company secretary of the Company by a written requisition with his/her/its detailed contact information to the Company's head office and principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" on page 3 of this annual report). Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening an extraordinary general meeting" above.

SHAREHOLDERS' COMMUNICATION POLICY

To promote and strengthen the relationship between its shareholders and the investment community, the Company is committed to maintaining a high degree of open dialogue with its shareholders, ensuring that all relevant information is disclosed in a timely and transparent manner through the following means to reduce information asymmetry:

(i) Statutory Publications:

The Company is dedicated to ensuring the accuracy and completeness of the information about the Group's performance and updating its shareholders and investors on the Group's latest business developments. Through the publication of quarterly reports, interim reports and annual reports as well as announcements and circulars, the Company endeavours to ensure that all information published is factual and presented on a regular and clear basis to help the investment community make better-informed investment decisions accordingly;

(ii) Corporate Website:

The Company's corporate website offers a convenient communication channel for all the shareholders and investors of the Company with ease of access to a wide range of useful and up-to-date information, such as operational and financial updates, announcements, corporate notices and so on;

(iii) General Meetings:

The Company's annual general meetings and extraordinary general meetings provide the opportunities for shareholders to communicate with the Board and senior management of the Company directly, whereby their enquiries and opinions towards the Company can be addressed. A separate resolution will be proposed by the chairman of the relevant meeting and voting on each resolution shall be conducted by way of a poll in accordance with the GEM Listing Rules. The announcement of the results shall be on the respective websites of the Stock Exchange and the Company on the same day of the meeting;

Corporate Governance Report

SHAREHOLDERS' COMMUNICATION POLICY (cont'd)

(iv) Making Enquiries:

Shareholders may make enquiries to the Board or the Company by post to the Company's head office and principal place of business in Hong Kong for the attention of the company secretary (details of which are set out in the section headed "Corporate Information" on page 3 of this annual report).

Shareholders may also direct their queries by posts regarding their shareholdings, payment of dividend, change of correspondence address and share transfer/registration to the Group's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, to the following correspondence address:

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

The implementation and effectiveness of the shareholder communication policy are reviewed by the Board on an annual basis. During the Reporting Period, the current shareholder communications policy was considered effective by the Company:

- (i) The multiple channels of communication have catered the different needs and priorities of the shareholders and investors of the Company. For example, corporate website enables shareholders to access the Group's latest business developments, while shareholders can contact the representatives of the Company via posts; and
- (ii) The Chairman/chairlady and the committees of the Board, company secretary and/or other professional advisers would make themselves available at general meetings to respond to any shareholders' enquiries.

INVESTOR RELATIONS

During the Reporting Period, there had been no significant change in the Company's constitutional documents.

LOOKING FORWARD

The Group will keep reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the CG Code.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the seventh Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”) published by StarGlory. The Report is to outline the performances on ESG aspects of the Group in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) under Appendix 20 to the GEM Listing Rules and the provisions of “comply or explain” set out therein.

The Report covers the Group’s overall performance, risks, strategies, measures, and commitment in terms of quality of workplace environment, environmental protection, operating practice, and community involvement for the business operations of the Group during the Reporting Period. The Board is responsible for the truthfulness, accuracy, and completeness of the contents of the Report.

REPORTING SCOPE AND PERIOD

The Report covers the ESG performance of the provision of food and beverage services, including the restaurants, café and cake shops under the Japanese brand of Italian Tomato and the Japanese Tonkatsu under the brand of Ginza Bairin (“**銀座梅林**”) during the period from 1 April 2022 to 31 March 2023 (the “**Reporting Period**”), which are financially significant and operationally influential to the Group. As at 31 March 2023, we had 34 shops in Hong Kong. All information comes from the official documents or statistic reports of the Group.

FEEDBACK

We welcome opinions on the Group’s environmental, social, and governance approaches upon reading the Report. Please share with us in writing and send them to the Company’s head office and principal place of business in Hong Kong (details of which are set out in the section headed “Corporate Information” on page 3 of this Annual Report) to the Board or the secretary of the Company.

REPORTING PRINCIPLES

The Group adheres to the reporting principles outlined in the ESG Reporting Guide:

Principles	Definition
Materiality	The Group understands stakeholders’ opinions through internal materiality assessment and various communication channels, identifies important ESG issues, and regards them as the key disclosure of the Report.
Quantitative	The environmental and social key performance indicators (“ KPIs ”) are calculated and presented in a numeric approach to evaluate the ESG performance of the Group.
Consistency	The Report adopted consistent methodologies to allow for meaningful comparisons of ESG data over time. Any changes in the methodologies and reporting scope are explained in remarks for stakeholders’ reference.

Environmental, Social and Governance Report

ESG GOVERNANCE STRUCTURE

The Group believes that a robust sustainable governance structure is vitally important to governing the effectiveness of the overall business. The Board, as the highest decision-making body of the Group, is responsible for all ESG-related affairs including holding meetings from time to time to discuss, evaluate, and determine the Group's ESG-related risks and ensure that appropriate and effective ESG risk management and internal control systems are in place. The direction, strategy, and reporting of the Group's ESG practices are governed by the Board of the Company, which the Board confirmed that it is its responsibility ensure that ESG disclosure responsibilities are appropriately fulfilled. The Group has established dedicated teams to manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress against goals and targets for managing ESG issues. Dedicated teams with designated staff for managing ESG issues have been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group. During the daily operation, employees have the responsibility to report the risks in operation to their supervisors. Furthermore, an external consultant was appointed by the Company as the consultant to provide ESG advisory services in promoting the Group's sustainable development.

CORPORATE GOVERNANCE

For information about corporate governance structure of the Group and other relevant disclosure, please refer to the section for headed "Corporate Governance Report" on pages 6 to 21 of this annual report.

STAKEHOLDER ENGAGEMENT

The Group's stakeholders are the entities that can reasonably be expected to be significantly affected by the Group's activities, or whose actions can reasonably be expected to affect the ability of the Group to implement its strategies or achieve its objectives.

We understand that stakeholder engagement plays a pivotal role to our continuous effort in improving our ESG standard. Therefore, we have built and maintained various communication channels for our stakeholders to express their views, opinions and expectations which help us to formulate current or future sustainable development strategies and enhance the management ability of the Group.

Stakeholders Groups

Major Communication Channels

Shareholders

- Annual General Meetings
- Company website and publications
- Interim, quarterly and annual reports
- Announcements and circulars
- Meetings with senior management

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT (cont'd)

Stakeholders Groups

Major Communication Channels

Loan and debt holders

- Annual General Meetings
- Company website and publications
- Interim, quarterly and annual reports
- Announcements and circulars
- Meetings with senior management

Customers

- Meetings
- Interim, quarterly and annual reports
- Company website and publications
- Customer satisfaction surveys
- Customer service hotline/email

Employees

- Employee meetings
- Internal communication channels
- Trainings
- Performance appraisals

Suppliers

- On-site inspections
- Annual evaluation and review

Government agencies and regulatory bodies

- On-site inspections
- Meetings
- Annual, quarterly and interim reports

Trade associations

- Business conferences
- Industry events
- Company website and publications

Public media

- Company website and publications
- Interim, quarterly and annual reports

Local communities

- Company website and publications

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

The Group considered the concerns of stakeholders, the development of industry trends, and the ESG Reporting Guide in Appendix 20 of the GEM Listing Rules to formulate the ESG management-related issues library applicable for the Reporting Period. The management of the Group identified and prioritized the ESG material issues based on the above considered factors. The Group has confirmed there were no significant changes in the material ESG issues and their ranking orders during the Reporting Period after the review; therefore, the direction of its ESG governance strategy formulation and focused disclosure on issues with higher importance to the Report would be aligned with the year of 2021/2022.

List of Materiality Issues

Based on the results of the internal materiality assessment conducted by the Group's management, the most important issues identified during the Reporting Period are listed as follows:

Category	Issues
Environmental	<ul style="list-style-type: none">• Water Usage Management• Waste Management• Energy Efficiency
Social	<ul style="list-style-type: none">• Anti-corruption System (including the provision of relevant trainings)• Supply Chain Management• Occupational Health and Safety Management• Product and Service Quality (food quality and safety)• Customer Satisfaction

ENVIRONMENTAL ASPECT

The Group recognizes the influences caused by our business operations towards the environment linked to our living community. We are committed to comply with relevant environmental laws, including but not limited to:

- Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) (《空氣污染管制條例》(香港法例第311章));
- Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (《水污染管制條例》(香港法例第358章));
- Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (《廢物處置條例》(香港法例第354章)); and
- Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (《公眾衛生及市政條例》(香港法例第132章)).

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (cont'd)

During the Reporting Period, there was no incident of non-compliance with local relevant environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes that had a significant impact on the Group.

Raising our employees' environmental awareness and integrate environmental considerations into our daily operations can stimulate our environmental control effectiveness. The Group has formulated a series of environmental policies and measures that align with industry standards, in which we required our employees to strictly comply with these laws and regulations. We will also keep abreast of any changes in relevant laws and make necessary revisions to our internal guidelines.

EMISSIONS

Air and Greenhouse Gases Emissions

The Group's principal business operations do not involve activities that directly emit greenhouse gas ("GHG") or other air pollutants. However, insignificant as it may be, indirect GHG emissions is generated from our daily operations through fuel consumption of vehicles, electricity, Towngas cooking and heat consumption during our business processes to produce and deliver products to customers and in the Group's general administration.

We endeavour to lower energy consumption by keeping monthly records of consumption level for each business entities and closely monitoring emission level. Meanwhile, we are accomplished to implement a series of measures such as to encourage employees to switch off idling lights, kitchen appliances and other electronic appliances in an effort to maintain or reduce the Group's overall energy consumption level effectively. To further reduce our carbon footprints, we also promote the use of telephone and video conference system thereby to reduce the needs of business travel with vehicles.

To prevent excess emission from the exhaust gas caused by machinery malfunction, the Group has constantly repaired and replaced the kitchen appliances and other electronic appliances, as well as the vehicles for transporting the products; we ensure that these appliances usually operate to prevent unnecessary fuel and energy consumption. All the Group's operations comply with the relevant laws and regulations that significantly impact the Group relating to air pollutants and GHG emissions.

Waste Management

Handling processes for all wastes generated from production and daily operations are in strict compliance with internal guidelines. Papers, packaging material, food waste and other non-hazardous wastes are the major wastes from our food and beverage services and the Group's general administration. In general, recycling and reuse of waste are encouraged under feasible circumstances, while food waste is collected and handled by professional service providers. Apart from food waste, the Group's restaurants generate waste cooking oils during the cooking process. We have already appointed professional providers and followed the guidelines to dispose the waste cooking oils properly.

Environmental, Social and Governance Report

EMISSIONS (cont'd)

Waste Management (cont'd)

Internal guidelines are in place to promote efficiency in consuming resources and reducing waste. We incorporate the “3R” (Reduce, Re-use, and Recycle) initiatives within our internal guidelines to promote the reduction of the use of plastic products, disposable utensils and cutlery, foamed polystyrene containers, aluminium foil containers, paper tray liners, cups, and lids; and our employees are encouraged to recycle and reuse paper, as well as to adopt double-sided printing. Due to the business nature, the Group does not generate or discharge any hazardous wastes.

USE OF RESOURCES

The Company and its various subsidiaries strictly comply with the relevant local laws and regulations on environmental protection, set internal guidelines and measures for this purpose, and work in line with the rules of the office buildings to achieve energy-saving and consumption reduction, minimizing the negative environmental impact of our business operation. Considering the location of our business operations, we do not have any issue in sourcing water that is fit for purpose, as our water resources are sourced from the municipal water supply system.

During the Reporting Period, we have taken various measures to increase energy efficiency and conserve precious water resources, including but not limited to:

Energy saving measures:

- Using natural sunlight, adjusting the indoor lighting and switching off all idling lights, kitchen appliances and other electronic devices;
- Using LED lighting system to reduce power consumption; and
- Maintaining a suitable indoor air temperature.

Water conservation measure:

- Install sensor faucets at offices and restaurants.

In order to monitor and improve the Group’s resource efficiency continuously, we are actively planning to set the targets including but not limited to air emissions, waste generation, water and energy usage in the coming future so as to review whether our current environmental-related measures are effective or not.

Environmental, Social and Governance Report

THE ENVIRONMENT AND NATURAL RESOURCES

Natural resources are considered renewable if they are replenished by the environment over relatively short periods of time or are almost of unlimited supply. Examples include solar, wind, forests, biomass and most plants and animals. Natural resources are considered as non-renewable resources if they cannot be easily replenished by the environment or are of limited supply. Examples include most minerals, metal ores, fossil fuels, natural gas and groundwater.

Despite the fact that the Group's major operations have no significant impact on the environment and natural resources, we, as a responsible corporate, are committed to minimizing such negative impact, and assessing environmental risks induced by our operations, in order to formulate relevant measures.

1. Raising Environmental Awareness

The Group understands that reinforcing our internal environmental measures requires the employees' environmental protection consciousness to facilitate execution of policy including issuing the internal guideline from time to time and sharing green office initiatives to attain the green office management comprehensively.

2. Protecting Biodiversity

We understand the significance of protecting the biodiversity as it boosts ecosystem productivity where each species, no matter how small, plays an important role. Procuring sustainable food ingredients is our goal to works towards sustainable developments, for instance, certain seafood from the Group's restaurants is purchased from a sustainable fishery labelled by the Marine Stewardship Council ("**MSC**"), which implies the seafood from the fishery has been certified by the set of requirements for sustainable fishing.

CLIMATE CHANGE

As human living consumption patterns exacerbate global warming, climate change continues to pose significant physical and transition risks to the world. The Group recognizes that enterprises are contributing to global warming, especially the food and beverage industry; the Board has identified "Climate Change" as one of the ESG risks that affected the business of the Group. Extreme weather such as typhoons and heavy rainstorms may trigger other flooding and landslide hazards, which may affect the safety of our employees during traveling to the workplace or work. For that reason, the Group strictly follows the relevant governmental guideline including but not limited to the "Code of Practice in Times of Typhoons and Rainstorms" to list out the appropriate working arrangements in our internal procedure based on the condition of extreme weather. Contingency Plans have also been prepared to respond to the climatic risks. Besides, the Group is striving to reduce its carbon footprint proactively by implementing various measures to reduce the energy consumption.

Environmental, Social and Governance Report

ENVIRONMENTAL KEY PERFORMANCE INDICATORS (“KPIs”)¹

Key Performance Indicators	Unit	2023
A1 Emissions		
Air Emissions		
Nitrogen oxides (NO _x)	kg	382.90
Sulphur oxides (SO _x)	kg	0.51
Particulate Matter (PM)	kg	17.73
Greenhouse Gas Emissions		
Scope 1 – Direct emissions	Tonnes of CO ₂ e	106.83
Scope 2 – Energy indirect emissions	Tonnes of CO ₂ e	797.14
Total	Tonnes of CO ₂ e	903.97
Intensity	Tonnes of CO ₂ e/ HK\$'000 revenue	0.01
Non-hazardous Waste		
Total	Tonnes	7.92
Intensity	kg/HK\$'000 revenue	0.05
A2 Use of Resources		
Direct energy – Unleaded petrol	kWh	315,973.04
Indirect energy – Purchased electricity and gas	kWh	1,962,466.1
Total	kWh	2,278,439
Intensity	kWh/HK\$'000 revenue	14.04
Packaging Materials		
Total	Tonnes	78.76
Intensity	kg/HK\$'000 revenue	0.49
Water Consumption		
Total water consumption	m ³	14,977.50
Intensity	m ³ /HK\$'000 revenue	0.10

¹ The environmental KPIs covers the food & beverage business operates under the Japanese brand of Italian Tomato and Ginza Bairin.

Environmental, Social and Governance Report

SOCIAL ASPECT

Employment and Labour Practices

Employment

Employees are one of the essential elements to holding our Group's competitiveness. We strive to provide them with a work environment where they are respected with satisfaction. They are entitled to learn, grow, and succeed at work. Such ideology has been included in our human resources policies.

Employment contracts set out all the conditions of work including compensation, working time, rest periods, holidays, disciplinary and dismissal practices, maternity and paternity protection, equal opportunity, diversity, antidiscrimination, the workplace environment, occupational health and safety and other benefits and welfare etc, with a view to mitigate the Group's exposure to labour issues and protect employees' rights.

We regularly review the remuneration level of our staff and improve their welfare to address the increasing turnover rate of employees deriving from amplified market competition. Such increasing turnover rate has also contributed to a higher proportion of part-time employees in our workforce.

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (《僱傭條例》(香港法例第57章)) of Hong Kong and other relevant laws and regulations should be upheld. During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that pose a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

1. Equal Opportunities and Diversity

Employees are one of the key stakeholders of the Group and we believe that creating diversity and equal opportunities can enhance our competitiveness, and we have incorporated this element into the Group's personnel management system. We do not enforce any restrictive guidelines on a particular gender of staff employment.

Our employment practices support the building of an inclusive work environment free from discrimination such as gender, age, nationality, sexual orientation, family status, race or religion. Each employee has an equal job opportunity.

2. Employee Communication

The Group values and appreciates the opinions of our employees. We ensure that discontent and grievances from work are heard and handled in a fair and appropriate manner. Employees are also encouraged to share their views and aspirations concerning their career and the Group's development.

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Employment and Labour Practices (cont'd)

Employment (cont'd)

3. Dismissal

For circumstances in which an employee has violated the Group's regulations or performed consistently below an acceptable level, the Group has established related guidelines to terminate that employee's employment contract; detailed terms and conditions for dismissal are outlined in the employment contract.

Health and Safety

Providing a working environment free of health and safety hazards for employees is a globally recognized human right. Various laws and regulations administered by government agencies and voluntary standards advocated by non-government organizations are in place to protect employees' health and safety. Employees' health and safety issues can be resulted from the use of unsafe equipment, machinery, processes, and practices. They can also be resulted from the improper use of dangerous substances, such as chemical, physical and biological agents.

To prevent employees' health and safety impacts, it is the Group's policy to require staff at all levels (i) to always be alert to health and safety concerns in the workplace; (ii) to report and communicate all health and safety concerns in the workplace on a timely basis; and (iii) to adhere to all applicable safety laws, regulations and standards.

1. Work Safety

It is a priority that we ensure the health and safety of customers and employees at our restaurants. The Group fully complies with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (《職業安全及健康條例》(香港法例第509章)). Along with internal policies and procedures, the Group has implemented various measures to ensure employees' safety at work. These measures include regular inspections of restaurant and kitchen areas, and reviewing of internal safety control systems to identify any risks.

To enhance employees' awareness of occupational health and safety, the Group provides internal and external trainings and safety meetings for employees. We also participate in fire drills held by different departments or organizations regularly.

Throughout our operations, we encourage our employees, through constant communication, to alert us to any risks promptly so that they can be addressed as they arise.

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Employment and Labour Practices (cont'd)

Health and Safety (cont'd)

2. Employee Care

Achieving a work-life balance is what we always encourage and promote among our employees. We aspire that our employees are able to value physical and mental health as we strive to create a harmonious working environment to help relieve their stress. Meanwhile, we provide our employees with information about health and safety to improve their health consciousness.

During the Reporting Period, the Group did not have any non-compliance with laws and regulations in respect of employees' health and safety that have a significant impact on the Group.

3. Response to COVID-19

In light of the outbreak of COVID-19, the Group strives to prevent the further spread of the pandemic in workplaces including offices and restaurants by and taking effective and appropriate preventive measures to reduce the risk of infection. Some precaution measures include:

- Provide masks and sanitising products to employees;
- Request all employees to undergo body temperature check before entering offices and restaurants;
- Request all employees to do rapid antigen test ("**RAT**") before coming back to work;
- Record body temperature for employees regularly;
- Strengthen the cleaning and disinfection of offices and all restaurants, e.g. dining tables and chairs, floors, toilets, door handles etc.;
- Employees in the production department (e.g. cake factory, kitchen) must wear hairnets/paper caps and mask at work;
- All restaurants are equipped with a variety of disinfection equipments, e.g., ultraviolet disinfection equipment, intelligent temperature detection equipment, etc.;

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Employment and Labour Practices (cont'd)

Health and Safety (cont'd)

3. Response to COVID-19 (cont'd)

- Ensure that customers record their information through the QR code of “Leave Home Safe” or other registration methods before entering the restaurant;
- Limit the number of customers per table and the number of customers in the restaurant;
- Limit the distance between tables or being separated with partition;
- Rejecting to serve any people undergoing compulsory quarantine (identified by wearing quarantine tracker wristbands); and
- The diners are required to present the “Vaccination Record/Medical Exemption QR Code” for scanning upon entry.

Development and Training

The Group considers the growth of our employees as the key to sustainable business growth. We provide employees with a nurturing environment and career development opportunities, including skills development and job training. To promote employees’ satisfaction, it is the Group’s policy to provide employees with sufficient in-house training courses; whilst encouraging staff members to attend relevant external training programs to support career development.

Training on obligations, duties and responsibilities of directors and senior management of publicly listed companies are also in place. This training is in line with the SFO and the GEM Listing Rules.

We encourage promotion within the Group. All employees enjoy equal opportunities of promotion as their work performance are appraised regularly.

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Employment and Labour Practices (cont'd)

Labour Standard

The Group's internal rules and labour system are made in strict adherence to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (《僱傭條例》(香港法例第57章)) and other applicable laws and regulations. All recruitment processes and promotion activities are closely monitored under the Group's human resources management scheme. To prevent the employment of child labour, applicants are required to submit their identification documents during the interview section to ensure that their ages meet the minimum regulatory requirement of employees. Also, our employment contract clearly sets out working hours in order to avoid forced labour. The Group will conduct investigations and take disciplinary action against or dismiss the relevant employees immediately when any non-compliance is discovered. If necessary, the Group will further improve the labour mechanism against illegal behaviours.

During the Reporting Period, there was no child or forced labour in the Group's operations.

Operating Practices

Supply Chain Management

The suppliers of the Group mainly supplied us with food ingredients, such as meat, seafood, dried food and vegetables. We did not witness any significant change in geographical locations of suppliers. During the Reporting Period, our suppliers are mainly from Hong Kong and Japan.

The Group might be indirectly involved with environmental or social impacts as a result of its business relationships with its suppliers. To prevent negative environmental and social impacts in the Group's supply chain, it is the Group's policy to select suppliers which have considerations on social and environment protections as well as compliance with the laws, rules and regulations stipulated in the Group's operating regions. For instance, certain seafood is purchased from sustainable fishery labelled by the MSC.

The Group has developed procurement and payables related policies to implement strict standards and procedures in supplier selection. We take several standards into considerations when selecting suppliers including quality and safety of food products and materials, delivery time, stable supply, track record, hygiene of food production facilities, and so on. We also implement measures such as requisition of certificates to monitor and assess the quality of all of our suppliers and subcontractors, including their capability of undertaking works with quality and risk (including environmental and social) management. Under practicable circumstances, we will prioritize selecting the suppliers that provide environmentally-friendly products and services for our business operation to reduce the environmental impacts of the supply chain. During the Reporting Period, all of our suppliers have passed our supplier assessment process before engagement.

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Operating Practices (cont'd)

Supply Chain Management (cont'd)

We promote fair and open competition, aiming to develop long-term relationship based on mutual trust. We keep a close eye on procurement made by our staff and forbid any practices that are against business ethics. Business relationship with suppliers and business partners are handled and monitored carefully in avoidance of transfer of interests or exploitation of suppliers.

Product Responsibility

Maintaining food safety and quality are integral parts of building strong brands and reputation which contribute significantly to the success of the Group's operations. As such, with strengthened internal guidelines to regulate hygiene and sanitary level, our food safety standards focus on illness prevention, restaurant food safety and regulation adherence in day-to-day restaurant operations. We strictly abide by the relevant laws and regulations include, but not limited to the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) 《貨品售賣條例》(香港法例第26章), the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) 《商品說明條例》(香港法例第362章), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) 《個人資料(私隱)條例》(香港法例第486章), the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong) 《預防及控制疾病(規定及指示)(業務及處所)規例》(香港法例第599F章)). During the Reporting Period, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters.

Operating great restaurants that meet the highest food safety standards is the core of our commitment. From food procurement to food preparation and serving our customers, we are dedicated to offering high-quality dining experience to our customers. With the Group's sustainable approach to implement its values through food safety, customer care and supply chain management, the Group believes our brands will have a bright and promising future.

1. Quality Management

To ensure our food and services reach the standard of the Company, we implement different kinds of measures, such as ensuring they are produced according to the recipe from the Research & Development ("R&D") and applying the First In, First Out ("FIFO") mechanism to manage the food ingredients and finished products. We have also formulated a standardized inspection checklist for checking the conditions of kitchen facilities regularly. For permits and certification, our cake factory has obtained the bakery licence with the nomination of the hygiene manager and supervisor daily stay within site. Furthermore, we conduct an internal audit for production quality assurance according to the designated schedule.

During the Reporting Period, we did not have any products sold or shipped subject to recall for safety and health reasons.

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Operating Practices (cont'd)

Product Responsibility (cont'd)

2. Customer Feedback

Customers' feedback on food quality, dining experience and customer service are valuable driving forces to motivate us to work better. Therefore, we set up customer feedback forms in our restaurants which encompass food quality, service standard, hygiene condition and the customers' overall dining experience. To improve customers' satisfaction, it is our policy to respond and handle customer's complaints in a timely manner. After receiving customers' complaints, the relevant department will then follow up and take appropriate measures to improve our services quality.

During the Reporting Period, we did not receive any significant products and service-related complaints.

3. Advertising and Labelling

We carry out marketing and promotional works in an appropriate manner to attract customers. We have been in compliance with all applicable laws and standards enacted by the government and industry associations. All advertising and promotional materials are required to be internally reviewed and approved by the Company before being published to ensure that consumers are provided with sufficient and accurate information on our services to make informed choices.

4. Intellectual Property and Privacy Protection

We deeply understand the importance and significance of protecting intellectual property rights as well as the confidential information of our customers and suppliers. We have purchased and installed genuine antivirus software to protect against the common cyber security risks. Besides, our employment contract clearly states that employees are required to properly safeguard and avoid leakage of confidential information obtained in the course of work.

Anti-corruption

Corruption refers to practices such as bribery, facilitation payments, fraud, extortion, conspiracy, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something dishonest, illegal, or represents a breach of trust. Corruption is broadly linked to adverse environmental and social impacts, such as damage to the environment, abuse of democracy, misallocation of government investments, and undermining of the rule of law.

Environmental, Social and Governance Report

SOCIAL ASPECT (cont'd)

Operating Practices (cont'd)

Anti-corruption (cont'd)

The Group strictly complies with all relevant anti-corruption laws and regulations, such as the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) (《防止賄賂條例》(香港法例第201章)) of Hong Kong. The Group is expected by the marketplace, international norms, and stakeholders to demonstrate its adherence to integrity, governance, and responsible business practices. The Group's resistance to corruption involves using effective strategies to detect and deter corruption and contributes to our ethical business culture. During Reporting Period, there were no concluded legal cases regarding corrupt practices were brought against the Group or any of its employees as far as the Group is aware.

In addition, we have formulated, and strictly implemented our anti-corruption control system. In order to help our directors and management to understand the importance of anti-corruption, we arranged training related to business ethics, "Listing Rules" and "Corporate Governance Code" for them during the Reporting Period. We are planning to arrange anti-corruption trainings for our employees in the future.

Whistle-blowing Policy

The Group encourages its employees, suppliers, customers and other stakeholders to report any misconduct through different channels such as email or in writing. The secretary of the Company who is responsible for forwarding communications relating to matters within the Board and ordinary business matters will then follow up the cases received. We will promptly carry out inspection and take necessary measures to protect the identity of the whistle-blower.

During the Reporting Period, we had not identified any non-compliance in relation to corruption, bribery, extortion, fraud, and money laundering, which had a significant impact on the Group. The Group will regularly review its internal anti-corruption system and improve it when necessary.

Community

Community Investment

Based in Hong Kong, the Group has strived to "reward the community" in different ways. The Group values its corporate social responsibility by dedicating to improve its staff awareness in community care.

The Group proactively seeks to promote the spirit of corporate social responsibility within the Group by organizing or participating in appropriate community activities. Through these events, we encourage our employees to contribute to the community so as to help the persons in need and improve the relationship among staff members, the enterprise and the community. During the Reporting Period, the Group has actively supported local charitable organizations like "Foodlink" and "Foodgrace". They are dedicated to promoting zero-waste, fighting hunger, building self-sufficiency, and fostering nutritional wellness among those in need in Hong Kong. As a responsible corporate that closely connected to the community, we have donated a total of approximately HK\$110,000 safe-to-eat surplus cakes and mooncakes during the Reporting Period to support the cause of minimizing food waste and supporting sustainability.

Environmental, Social and Governance Report

SOCIAL KEY PERFORMANCE INDICATORS (“KPIs”)²

Key Performance Indicators	Unit	2023
B1 Employment		
Number of Employees		
Total	Person	209
By Gender		
Male	Person	37
Female	Person	172
By Employment Category		
Full time	Person	104
Part time/Contract	Person	105
By Employee Category		
Senior management	Person	2
Middle management	Person	7
General staff	Person	200
By Age Group		
20 or below	Person	19
21-30	Person	86
31-40	Person	42
41-50	Person	31
51-60	Person	20
60 above	Person	11
By Work Location		
Hong Kong	Person	209
Employee Turnover Rate³		
By Gender		
Male	Percentage	222
Female	Percentage	140
By Age Group		
20 or below	Percentage	337
21-30	Percentage	165
31-40	Percentage	148
41-50	Percentage	84
51-60	Percentage	90
60 above	Percentage	100

² The social KPIs covers Hong Kong Headquarters Office, and the food & beverage business operates under the Japanese brand of Italian Tomato and Ginza Bairin.

³ The turnover rate may exceed 100% since it is calculated as the number of departing employees in the Reporting period / the total number of employees on the last day of the Reporting Period X 100%.

Environmental, Social and Governance Report

SOCIAL KEY PERFORMANCE INDICATORS (“KPIs”)² (cont’d)

Key Performance Indicators	Unit	2023
By Work Location		
Hong Kong	Percentage	155
B2 Health and Safety		
Work-related deaths (person) ⁴	Person	0
Lost days due to work injury	Day(s)	364
B3 Training and Development		
Number of Employees Trained		
By Gender		
Male	Percentage	43
Female	Percentage	48
By Employee Category		
Senior management	Percentage	100
Middle management	Percentage	57
General staff	Percentage	47
Average Training Hours		
By Gender		
Male	Hour(s)	75
Female	Hour(s)	92
By Employee Category		
Senior management	Hour(s)	19
Middle management	Hour(s)	85
General staff	Hour(s)	90
B5 Supply Chain Management		
Hong Kong	Supplier(s)	28
Japan	Supplier(s)	1
Mainland China	Supplier(s)	1
B6 Product Responsibility		
Percentage of products sold or shipped subject to recalls for safety and health reasons	Case(s)	0
Number of significant products and service-related complaints	Case(s)	0
B7 Anti-corruption		
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period	Case(s)	0

⁴ No work-related fatalities were reported in the past three years (including the Reporting Period)

Management Discussion and Analysis

The Group's audited revenue for the Reporting Period amounted to approximately HK\$162.5 million (2022: approximately HK\$171.9 million), representing a decrease of approximately 5.5% compared with the last financial year. Loss attributable to owners of the Company was approximately HK\$12.4 million (2022: approximately HK\$19.8 million) for the Reporting Period. Such decrease was primarily attributable to the increase in other income as a sum of approximately HK\$5.6 million wage subsidies under the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region (the "**HKSAR Government**") were received for the Group's business activities carried out in Hong Kong during the Reporting Period. In addition, as the HKSAR Government launched a food licence holders subsidy scheme under the Anti-Epidemic Fund to provide financial relief to the food business sector which was directly affected by the social distancing measures, a total one-off subsidy of HK\$400,000 was provided to the Group and recorded as other income for being an eligible licence holder of general restaurants in operation. No such subsidies were recorded for the corresponding period last year.

INDUSTRY OVERVIEW

During the Reporting Period, a series of mutually reinforcing shocks, including persistent inflation, continuing interest rate increases, tightening debt, and Russia's ongoing war against Ukraine – alongside the lingering effects of the pandemic – continued to weigh on the world economy. Data released by the International Monetary Fund (IMF) shows that global economic growth slipped to 3.4% in 2022.

China – amid the impacts of widespread pandemic lockdowns and a historic downturn in its property market – recorded one of its worst economic performances in nearly half a century in 2022, with only 3.0% year-on-year growth, far below its target of 5.5%. The country's dogged pursuit of its strict anti-pandemic strategy gave rise to serious disruption to the domestic logistics sector, and as a result the revenue of the food and beverage industry dropped 6.3% compared to the previous year. Nevertheless, thanks to the government's gradual lifting of pandemic control measures, the Consumer Price Index (CPI) showed signs of recovery, rising 2.0% year on year over the course of 2022, and 5.8% year on year during the first quarter of 2023. The food and beverage industry also achieved promising growth in the first quarter of 2023, with a 13.9% revenue increase.

Amid the ongoing effects of the pandemic, Hong Kong's economy witnessed a sharp deterioration in 2022, with gross domestic product (GDP) shrinking 3.5%. Nonetheless, the relaxation of social distancing measures and the reopening of borders have led to an improvement in consumer sentiment and a return of inbound travel. According to the city's Census and Statistics Department, Hong Kong recorded a slight decline of 0.9% in total retail sales for full-year 2022, but saw a 1.1% year-on-year increase in the final month of the year, followed by a surge of 17.3% during the first two months in 2023 compared with the same period last year.

Hong Kong's food and beverage industry also experienced a wave of opportunities for revival, registering revenue growth of approximately 20.0% in January 2023 compared to the same month in the previous year. The sector's recovery boosted market confidence, with a survey conducted by Deliveroo in January showing that 23.0% of restaurateurs interviewed had plans to expand their businesses, and one-fifth had increased employee pay in the fourth quarter of 2022. The trend was also evident among food delivery services, with growth in the segment bolstered by surging demand for corporate catering as businesses resumed holding festive celebrations.

Management Discussion and Analysis

INDUSTRY OVERVIEW (cont'd)

After the lengthy and difficult experience of the pandemic, healthcare has become a primary public concern. According to a survey by management consulting firm Oliver Wyman, shopping priorities among mainland Chinese consumers aged in their late 20s are health, sports and wellness, and health concerns were expressed particularly as acute during the height of the pandemic. In particular, the global oral care market was worth US\$33.7 billion in 2022, according to a data published by Vantage Market Research. In China, the country's ageing population and technology advances propelled the growth of oral care market to US\$2.8 billion in 2022.

Despite China's growing market for oral care, fierce competition and unprecedented challenges posed by large market players remain key obstacles faced by new entrants. A study carried out by analytics and financial advisory services firm AskCi Consulting indicated that China's oral care industry market was relatively concentrated in 2022, with the industry's five largest companies accounting for a combined market share of 40% by retail sales, constituting a formidable barrier to entry.

In China's e-cigarette market, increasingly stringent regulations have complicated the industry's prospects. During the Reporting Period, both the mainland Chinese and Hong Kong governments continued to impose new regulations on the importation, sale and manufacturing of e-cigarettes, including measures to ban flavored e-cigarettes, impose an ad valorem tax on e-cigarettes, ban the importation and sale of alternative smoking products, and require domestic e-cigarette manufacturers and traders to obtain operating licenses. Given the stringent official supervision that the e-cigarette industry faces, many uncertainties and risks appear to pose challenges to its development.

BUSINESS REVIEW

The food and beverage business of the Group has been facing the deep impacts brought by the social distance and quarantine measures caused by the fifth wave of COVID-19. For the Reporting Period, the revenue of the food and beverage business of the Group on one hand became struggling even all dine-in control, pandemic prevention measures, border closures, lockdowns and isolation orders have been released in March 2023. On the other hand, the cost of food ingredients has been jumping since the third quarter of 2021.

After the tenancy of our only Ginza Bairin restaurant expired, the Group's food and beverage businesses are left with only one Japanese related concept in Hong Kong, which is Italian Tomato.

Italian Tomato is the Group's promising brand of restaurants, café and cake shops. Italian Tomato is undoubtedly one of the well-recognized cake shops in Hong Kong, with both traditional and seasonal products welcomed in the market. However, the result of this Reporting Period fell slightly behind expectations. With the closing of 1 café and opening of 1 cake shop during the Reporting Period, as at 31 March 2023, there are 4 cafés and 30 cake shops in Hong Kong. During the Reporting Period, a series of cost control actions have been taken to mitigate the loss of sales, especially in the fourth quarter of the Reporting Period. The management noted that the benefit from the resources deployed in shop operation is more worthwhile than that in factory operations, therefore the Group has started to outsource manufacturing procedures since the fourth quarter of the Reporting Period in order to achieve stringent cost control while still providing good quality cakes to customers through Italian Tomato.

Management Discussion and Analysis

BUSINESS REVIEW (cont'd)

The pandemic has prompted consumers to accord greater importance to healthcare products and services, and the Group has seized related market opportunities by tapping into the healthcare market since 2020, with a particular focus on the sale and production of oral care products, notably anti-inflammatory toothpaste.

The Group commenced mass production of its anti-inflammatory toothpaste and initiated online and offline promotional plans during the Reporting Period. The Group further deepened its collaborations with prominent e-commerce platforms such as WeChat mini programs, JD.com, Douyin and Kuaishou, and established social media sales channels. By proactively participating in marketing campaigns on these platforms, such as those related to the “Double 11”, “Double 12” and “3.8 Women’s Day” shopping festivals, the Group achieved increased market exposure. The Group regularly reviewed the effectiveness of its marketing campaigns and continued to promote brand awareness through livestreaming, short videos and advertisements on various platforms, enhancing customers’ understanding of its products and their features, with the aim of driving sales and repurchase rates.

In addition to assiduously promoting its oral care products via online sales platforms, the Group expedited the development of online-to-offline sales channels by expanding its network of distribution outlets and establishing new platforms such as Eternal Asia and Miyuan to explore opportunities for collaboration with new product manufacturers. To boost sales volumes, the Group also collaborated with offline sales channels including Pikaso, Mini Fit, Nuspower, Freshippo and VC Sports. Despite concerted efforts to drive the development of its oral care business during the Reporting Period, the segment’s sales contribution fell short of expectations due to fierce market competition and high industry participation thresholds that represented significant barriers to entry.

After thorough and careful consideration, given that the Group’s investment in oral care products was still in its early stages, and that its contribution to revenue was relatively small, the Group will continue to explore new business opportunities to fuel its future growth.

With respect to the e-cigarette business, the Group maintained a cautious approach due to the strict regulations imposed by the mainland Chinese and Hong Kong governments during the Reporting Period. More countries around the world have formulated similar policies to regulate the vaping industry, with some having included e-cigarettes in the scope of bans, pushing e-cigarettes to the cusp of commercial viability. The Group will therefore continue to pursue a “wait and see” approach, tapping into the market where possible and seeking potential business opportunities as they arise.

FUTURE PROSPECTS

The major factors that affected the world economy last year are likely to continue to do so in 2023. Growing geopolitical tensions related to issues such as the war in Ukraine and stubbornly high inflation are particularly likely to weigh on the outlook. The IMF has predicted that global economic growth will slow from 3.4% last year to 2.8% in 2023. On a positive note, a recent decline in energy prices and the earlier-than-expected reopening of China will contribute to a moderate recovery in the world economy.

Management Discussion and Analysis

FUTURE PROSPECTS (cont'd)

Following China's swift reopening in late 2022 subsequent to the height of the COVID-19 crisis, the country's economy is expected to grow more rapidly. According to China's National Bureau of Statistics, national GDP grew 4.5% in the first quarter of 2023, the highest rate of growth since the first quarter of 2022. Economists from Barclays and T. Rowe Price have pointed out that a stronger rebound in retail sales and a smaller contraction in property investment and home sales have led to an improvement in economic activity, boosting the country's economic recovery.

In Hong Kong, economic growth began to return in the first quarter of 2023, mainly due to the recovery in inbound tourism and domestic demand. Alongside the city's normalized COVID-19 situation, it is believed that tourist arrivals and domestic demand will remain the major drivers of growth in 2023. Hong Kong's government is expecting growth in 2023 to be near the higher end of its forecast range of 3.5% to 5.5%. Amid the gradual recovery of Hong Kong's economy, the food and beverage industry will embrace a wave of expanding opportunities, supported by the reopening of the city's border with mainland China, the relaxation of COVID-19 restrictions, as well as the expansion of residential communities and emerging commercial projects.

To further tap into the growing market potential ushered in by Hong Kong's economic recovery, the Group will keep emphasis on its principal food and beverage business in the new financial year and will also make every effort to optimize its business strategies to take advantage of new market trends. It will also improve its in-store operational efficiency and effectiveness and provide more training to staff to enhance the overall dining experience in its outlets.

Given that Japanese produce and products are well-received by Hong Kong diners, the Group will launch more Japanese seasonal specialties by arranging crossovers and collaborations with Japanese enterprises and prefectural authorities, further enhancing its product diversification and customer base. It will also launch more special offers and marketing promotions to drive additional local spending amid the introduction of the government's new round of the Consumption Voucher Scheme.

To capture business opportunities in the takeaway and food delivery platform segments, the Group will continue to strengthen its partnerships with popular local online food delivery platforms, launching exclusive special offers to cater to rising demand for cake delivery and providing the most satisfying experiences for its customers. To accelerate digitalization, the Group will better engage and interact with its customers by upgrading its membership program, providing a more user-friendly platform with exclusive members' delights to bolster its relationship with existing customers. Over the longer term, this will help the Group to better utilize big data analysis and better understand customers' changing dining preferences and behaviors, enhancing customer satisfaction and loyalty, and driving the Group's income and profitability.

The intense competition in the oral care market, coupled with mounting challenges faced by new entrants, have hindered the development of the Group's new oral care products. Given that their contribution to the Group's overall income is relatively small and that the prospects for the segment are uncertain, the Group's management plans to adopt a prudent approach in developing this business segment. However, the Group will continue to seek fresh commercial opportunities to further drive its business growth.

Management Discussion and Analysis

FUTURE PROSPECTS (cont'd)

The outlook for the e-cigarette industry appears uncertain due to the continuous tightening of regulations by governments around the world. The Group will monitor all forthcoming industry developments and evaluate its business strategies cautiously. StarGlory is fully aware of the potential challenges lying ahead. It will continue to navigate with utmost pragmatism, prudence and professionalism, striving to enhance its competence and creating long-term value for its shareholders.

FINANCIAL REVIEW

Consolidated results of operations

For the Reporting Period, the Group recorded a total revenue of approximately HK\$162.5 million (2022: approximately HK\$171.9 million) which were from provision of food and beverage services and sales of healthcare products of approximately HK\$162.3 million and HK\$0.2 million respectively (2022: approximately HK\$170.5 million and HK\$1.4 million respectively), representing a decrease of approximately 4.8% and 86.7% respectively compared to the previous year mainly due to the revival of the fifth wave of pandemic, which led to government's implementation of tightening social distancing measures and evening dine-in ban for almost a month during the period from 1 April 2022 to 20 April 2022. Following the relaxation of social distancing measures towards the second half of the financial year, leading cake and bakery brands in the industry began to expand their businesses and introduce more personalized and unique products along with various promotions to attract more customers. This, coupled with more new entrants to the market, brought unprecedented challenges to the Group. On the other hand, the outflow of consumption resulted from the resumption of outbound travel also prompted challenges to local caterers, which inevitably affected the Group's performance. And, due to fierce market competition, revenue contributed from sales of healthcare products which mainly represented by oral care products fell short of expectations during the Reporting Period.

Loss attributable to owners of the Company was approximately HK\$12.4 million (2022: approximately HK\$19.8 million).

Gross profit

The gross profit margin from the operations of the Group was approximately 54% (2022: approximately 55%). Although competition in the food and beverage industry remained fierce, the Group successfully maintained a relatively stable gross profit margin during the Reporting Period through adjusting cake prices and exercising good cost control.

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Other income

Other income of the Group for the Reporting Period increased by 164.0% to approximately HK\$8.8 million (2022: approximately HK\$3.3 million). The increase was mainly due to the receipt of wages subsidies under the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region recorded as other income in the sum of approximately HK\$5.6 million for the Group's business activities carried in Hong Kong during the Reporting Period. In addition, a total one-off subsidy of HK\$400,000 was provided to the Group and recorded as other income for being an eligible licence holder of general restaurants in operation. No such subsidies were recorded for the corresponding period last year.

Operating expenses

The Group strived to exercise stringent cost control and further enhanced operational efficiency during the Reporting Period. A result, total operating expenses for the operations decreased by approximately 6.0% to approximately HK\$105.6 million (2022: approximately HK\$112.3 million). The decrease in operating expenses as compared to last year was in line with the decrease in revenue and partially offset with the increase in the operating expenses incurred by the Group in developing its healthcare business for the Reporting Period.

A breakdown of the operating expenses are set out below:

	2023 HK\$'000	2022 HK\$'000
Amortization of other intangible assets	764	753
Auditor's remuneration	679	651
Building management fee and rates	3,118	3,435
Cleaning	1,377	1,405
Depreciation of plant and equipment – Note (a)	3,190	3,037
Depreciation of right-of-use assets – Note (b)	21,772	21,140
Directors' remuneration	1,020	1,020
Franchise and royalties	4,283	4,550
Impairment provision on trade debtors	205	–
Insurance	787	834
Legal and professional fee	1,836	2,405
Loss on disposal and written off of plant and equipment	45	–
Marketing	1,934	1,897
Other staff costs – Note (c)	46,456	49,033
Repair and maintenance	1,079	1,548
Short-term lease expenses	5,505	6,013
Loss on leases modification	217	–
Takeaway supplies	2,607	3,027
Utilities	2,769	2,550
Variable lease payment not included in the measurement of lease liabilities	2,726	3,720
Others	3,270	5,321
	105,639	112,339

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Operating expenses (cont'd)

Notes:

- (a) The total depreciation of plant and equipment charged for the year ended 31 March 2023 was approximately HK\$3,406,000 (2022: approximately HK\$3,452,000), of which, approximately HK\$3,190,000 (2022: approximately HK\$3,037,000) and approximately HK\$216,000 (2022: approximately HK\$415,000) were included in operating expenses and cost of sales, respectively.
- (b) The total depreciation of right-of-use assets charged for the year ended 31 March 2023 was approximately HK\$21,976,000 (2022: approximately HK\$22,681,000), of which, approximately HK\$21,772,000 (2022: approximately HK\$21,140,000) and approximately HK\$204,000 (2022: approximately HK\$1,541,000) were included in operating expenses and cost of sales, respectively.
- (c) The total staff costs incurred for the year ended 31 March 2023 was approximately HK\$57,270,000 (2022: approximately HK\$62,899,000), of which, approximately HK\$46,456,000 (2022: approximately HK\$49,033,000) and approximately HK\$10,814,000 (2022: approximately HK\$13,866,000) were included in operating expenses and cost of sales, respectively.

Gain on disposal of a business

The management noted that allocating resources to shop operations is more valuable than factory operations. Therefore, the Group has started to outsource manufacturing procedures since the fourth quarter of the Reporting Period in order to further enhance operating efficiency and achieve stringent cost control. Such streamlined process has enabled the Group to focus on strengthening its core competencies on its physical store operation, dedicated to providing elevated services with superb food quality under the Italian Tomato brand to its customers.

During the Reporting Period, the Group disposed the business of cake manufacturing at an aggregate consideration of HK\$2,159,000. As a result of the disposal, the Group recorded a gain on disposal of a business of approximately HK\$0.4 million.

Loss on disposal of subsidiaries

During the year ended 31 March 2022, as the pandemic severely impacted the cosmetic industry in the PRC, the sales of freckle-removal and skin-whitening products of the Group recorded a weaker-than-expected financial performance. In view of the uncertain prospects of the cosmetic industry, the Group decided to dispose its stake in March 2022 and devote resources into other area such as oral health business to capture opportunities in the market. As a result of the disposal, the Group recorded a loss on disposal of subsidiaries of approximately HK\$1.7 million.

Financial resources and liquidity

During the Reporting Period, the Group generally relied on internal funds, loans from the sole beneficial owner of the convertible bonds issued by the Company, loans from independent third party and fund raised from rights issue to finance its operation.

As at 31 March 2023, the Group's current assets amounted to approximately HK\$49.1 million (2022: approximately HK\$81.4 million) of which approximately HK\$31.4 million (2022: approximately HK\$61.5 million) was cash and bank deposits, approximately HK\$17.4 million (2022: approximately HK\$17.6 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$144.5 million (2022: approximately HK\$172.8 million), including creditors and accruals in the amount of approximately HK\$129.3 million (2022: approximately HK\$151.4 million).

Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Financial resources and liquidity (cont'd)

As at 31 March 2023, convertible bonds issued by the Company amounted to approximately HK\$40 million (2022: approximately HK\$40 million). On 13 August 2021, the Company entered into the third supplemental deed with the bondholder pursuant to which the Company and the bondholder agreed to extend the maturity date of the Convertible Bond (as defined in the announcement of the Company dated 13 August 2021) for 36 months from the date falling on the sixth anniversary of the date of issue of the convertible bonds, being 15 August 2021, to 15 August 2024. As such, the Convertible Bonds (as defined in the announcement of the Company dated 13 August 2021) amounting to approximately HK\$40 million which will not mature within twelve months was classified as non-current liabilities as at 31 March 2023 and 31 March 2022.

The current ratio and quick assets ratio of the Group as at 31 March 2023 were 0.34 and 0.34 respectively (2022: 0.47 and 0.46 respectively). As the Group incurred net liabilities as at 31 March 2023 and 31 March 2022, there is no debt-to-equity ratio, which is expressed as a ratio of total debts less cash and bank balances to total equity, to be calculated. The gearing ratio of the Group, which is calculated by dividing total liabilities (being non-current liabilities and current liabilities) over total assets (being non-current assets and current assets) as at the end of the year and multiplying by 100% was 263% (2022: 193%).

Foreign exchange

During the years ended 31 March 2023 and 31 March 2022, the Group conducted commercial transactions in the PRC denominated in Renminbi. Fluctuations in exchange rates of Renminbi against Hong Kong Dollar could affect the Group's results of operations.

During the Reporting Period, no hedging transactions or other exchange rate arrangements were made (2022: Nil).

Charges on the Group's assets

No Group's assets had been pledged or charged as at 31 March 2023 (2022: Nil).

Acquisition, disposal and significant investment held

The Group did not carry out significant acquisition or disposal of subsidiaries and associates or held any significant investment during the Reporting Period.

Save as disclosed in the section headed "Use of Proceeds From the Rights Issue" on page 49 to 51 of this annual report, the Group did not have any specific future plans for material investments or capital assets as at 31 March 2023.



Management Discussion and Analysis

FINANCIAL REVIEW (cont'd)

Capital commitments

As at 31 March 2023, the Group's outstanding capital commitments were approximately HK\$7,996,000 (2022: approximately HK\$8,505,000).

Contingent liabilities

As at 31 March 2023, the Group did not have material contingent liabilities (2022: Nil).

Employees and remuneration policies

As at 31 March 2023, the Group had 115 full-time employees in Hong Kong and the PRC (2022: 198 full-time employees in Hong Kong and the PRC). The remuneration of employees of the Group is determined by 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 of their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies and pension fund plans are offered to most employees. In prior years, share options were granted at the discretion of the Board under the terms and conditions of the new share option scheme adopted on 20 July 2012 which was expired on 19 July 2022 as well as the previous share option scheme adopted on 26 February 2003 which was expired on 25 February 2013. No share option was granted during the two years ended 31 March 2023 and 31 March 2022 and as at these dates, there was no outstanding share option.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 27 April 2017, the Company announced that it proposed to raise approximately HK\$100 million, before expenses, by allotting and issuing 1,388,725,000 rights shares (the “**Rights Shares**”) by way of rights issue (the “**Rights Issue**”) at the subscription price of HK\$0.072 per Rights Shares, on the basis of one (1) Rights Shares for every two (2) existing shares held on 19 May 2017. Completion of the Rights Issue took place on 14 June 2017.

Among the net proceeds (the “**Net Proceeds**”) of the Rights Issue of approximately HK\$99 million, as at 31 March 2023, approximately HK\$28.7 million, HK\$20.0 million, HK\$2.9 million and HK\$18.5 million have been used as operation and expansion of the existing food and beverage business, the Company’s corporate expenses, investment in e-cigarette business in the PRC and investment in medical and healthcare business respectively. As at 31 March 2023, approximately HK\$28.9 million of the Net Proceeds remained unutilized and this remaining balance was kept in the Group’s bank account. Set out below is the breakdown of the use of the Net Proceeds up to, and the balance thereof as at 31 March 2022 and 31 March 2023:

Summary of use of the Net Proceeds

	Original allocation of the Net Proceeds HK\$ million	Re-allocation of the unutilized amount as disclosed in the Company’s announcement dated 6 November 2018 HK\$ million	Re-allocation of the unutilized amount on/before 31 March 2021 HK\$ million	Re-allocation of the unutilized amount during the year ended 31 March 2022 HK\$ million	Actual amount utilized up to 31 March 2022 HK\$ million	Unutilized balance as at 31 March 2022 HK\$ million	Actual amount utilized up to 31 March 2023 HK\$ million	Unutilized balance as at 31 March 2023 HK\$ million
Operation and expansion of the existing food and beverage business	29.0	-	-	-	(22.0)	7.0	(28.7)	0.3
Company’s corporate expenses	20.0	-	-	-	(20.0)	-	(20.0)	-
Repayment of bank loans	15.0	(15.0)	-	-	-	-	-	-
Potential investment opportunities	35.0	-	(12.0)	-	-	23.0	-	23.0
Investment in, research and development, sales and marketing of e-cigarette in the PRC and overseas countries	-	15.0	(2.8)	(3.7)	(2.9)	5.6	(2.9)	5.6
Investment in medical and healthcare business	-	-	14.8	3.7	(18.5)	-	(18.5)	-
	99.0	-	-	-	(63.4)	35.6	(70.1)	28.9

During the Reporting Period, the Group pursued a prudent yet efficient network expansion strategy and up to 31 March 2023, Net Proceeds amounting to approximately HK\$28.7 million had been utilized for operating and expanding existing food and beverage business and the unutilized balance of approximately HK\$0.3 million allocated for this purpose is expected to be fully utilized by 31 July 2023.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE RIGHTS ISSUE (cont'd)

Summary of use of the Net Proceeds (cont'd)

As at 31 March 2023, approximately HK\$20.0 million has been used as the Company's corporate expenses.

As disclosed in the Company's announcement dated 6 November 2018, the Company has changed the original allocation of the Net Proceeds by reallocating HK\$15.0 million of the Net Proceeds originally planned to be applied for the repayment of bank loans to the intended investment in research and development, sales and marketing of e-cigarette in the PRC and overseas countries. In this connection, the Company plans to conduct research on the use of new ingredients for producing e-cigarette liquid and e-cigarette cartridge, purchase production lines for manufacturing e-cigarette, and market and sell such products through exploring and developing a sales network, building a new e-cigarette brand, participating into trade fairs and seeking cooperation with external parties. Up to 31 March 2023, the Group utilized approximately HK\$2.9 million of the Net Proceeds from the Rights Issue to invest in the e-cigarette business in the PRC, including setting up office and purchasing new equipment. And, approximately HK\$6.5 million was reallocated to investment in the medical and healthcare business as set out above. The Group will remain mindful of the risks and assess the impact of external environment on the e-cigarette business. The remaining unutilized balance of approximately HK\$5.6 million allocated for this purpose is expected to be fully utilized by 31 July 2025.

In recognition of the growing importance of medical and healthcare services and products, the Group strives to grasp the prosperous opportunities in the domestic market, thereby strengthening its core competence through broadening its revenue base. After thorough study and consideration, up to 31 March 2023, approximately HK\$18.5 million in total, which represented by HK\$6.5 million and HK\$12.0 million of the Net Proceeds from the Rights Issue which were originally reserved for the e-cigarette business and potential investment opportunities respectively, was reallocated and utilized to invest in the medical and healthcare business in the domestic market, including brand building, office set-up, expert recruitment and product development.

The Group has been aiming to expand its existing food and beverage business and continued to identify suitable acquisition targets during the Reporting Period. However, taking into account the lingering effects of the COVID-19, the Group adopted a relatively prudent approach in such business expansion. In order to weather the headwinds, the Group endeavored to explore potential acquisition opportunities in different markets but the Group had not entered into any agreements nor memorandum of understanding for such type of acquisitions as at 31 March 2023. The Net Proceeds for potential investment opportunities purpose were still reserved and the unutilized balance of approximately HK\$23.0 million allocated for this purpose is expected to be fully utilized by 31 July 2025. The actual timeline will be subject to the availability of appropriate acquisition targets, market condition and time required for performing due diligence work. As at the date of this report, the Board has not identified any suitable acquisition target.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE RIGHTS ISSUE (cont'd)

Summary of use of the Net Proceeds (cont'd)

The Directors will constantly evaluate the Group's business objectives and may change or modify the plans against the changing market condition to suit the business growth of the Group. Further announcement(s), in respect of redeploying the allocation and use of Net Proceeds, if necessary, will be made in accordance with the requirements of the GEM Listing Rules as and when appropriate to update its shareholders and potential investors.

EVENTS AFTER THE REPORTING PERIOD

Resignation and appointment of executive Director

As disclosed in the Company's announcement dated 1 June 2023, with effect from 1 June 2023, Ms. Huang Li has resigned as an executive Director and Mr. Zhang Tao has been appointed as an executive Director.

Memorandum of loans

On 14 June 2023, Mr. Tang Sing Ming Sherman ("**Mr. Tang**"), as a lender, who is also the sole beneficial owner of the convertible bonds issued by the Company, signed a memorandum of loans with a subsidiary of the Company, pursuant to which repayment date of a loan from Mr. Tang with an outstanding balance of approximately HK\$98,453,000 as at 14 June 2023 was extended (the "**Extension**") from 22 June 2023 to 22 June 2024 (the "**Extended Loan**"). The Extended Loan bears the same term after the Extension. The rest of the loan from Mr. Tang is interest-free, unsecured and is repayable on demand.

Revocation of agreement

As at the latest practicable date, an indirect wholly owned subsidiary of the Company commenced arbitral proceedings against an independent third party in June 2023 to revoke an acquisition agreement (the "**Agreement**") entered into with the independent third party in June 2022 due to its failure to fulfil certain conditions in the Agreement.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhang Tao

Mr. Zhang Tao, aged 42, joined the Group in June 2023. He has over 10 years of experience in the management of companies in the information technology industry. Mr. Zhang obtained a bachelor degree with major in Media Studies from Massey University in New Zealand in May 2006.

Before joining the Company, Mr. Zhang was appointed as the chief information officer of Fast Key Holdings Limited, a wholly owned subsidiary of Shenzhen Mingwah Aohan High Technology Corporation Limited* (深圳市明華澳漢科技股份有限公司) (previous stock code: 8301) ("**Shenzhen Mingwah**"), whose principal business included (i) the trading of card application systems and the provision of application development services in the People's Republic of China and (ii) the trading of liquor products, the issued shares of which were previously listed on the GEM of the Stock Exchange but delisted in December 2021, from July 2016 to June 2017. Since July 2017, he also served as the chief information officer of Mingwah Aohan Investment Group Limited, another subsidiary of Shenzhen Mingwah.

From April 2017 to May 2021, Mr. Zhang was an executive director of Shenzhen Mingwah. Mr. Zhang was further appointed as the chairman of the board of directors of Shenzhen Mingwah in January 2018 and redesignated from executive director to non-executive director in May 2021. Mr. Zhang resigned as a nonexecutive director and chairman of the board of directors of Shenzhen Mingwah in October 2022 following its delisting from the Stock Exchange.

Ms. Huang Li

Ms. Huang Li, aged 60, joined the Group in October 2022 and resigned in June 2023, obtained a bachelor degree in highway engineering from the department of highway of Chang'an University (長安大學) (formerly known as Xi'an Highway Institute (西安公路學院)) in July 1983. Ms. Huang also completed the EMBA program at Cheung Kong Graduate School of Business in September 2019.

From November 2012 to September 2015, Ms. Huang was a director (re-designated as an executive director in June 2013) of Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (stock code: 1250), the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited, and whose business included the design, printing and sale of cigarette packages in the PRC at the relevant time. Ms. Huang has more than 19 years of experience in the paper packaging industry in the PRC.

As at the date of this annual report, Ms. Huang is interested in 302,167,066 shares of the Company, representing approximately 58.02% of the total issued share capital of the Company.

Directors and Senior Management

EXECUTIVE DIRECTORS (cont'd)

Mr. Wu Xiaowen

Mr. Wu Xiaowen, aged 55, joined the Group in May 2019. He has been the founding partner of Shenzhen Jiafa Equity Investment Fund Management Co. Ltd.* (深圳市加法股權投資基金管理有限公司) since October 2016, which carries on business of equity investment and investment management. Mr. Wu worked for Shenzhen Gaoxintou Group Co. Ltd.* (深圳市高新投集團有限公司), a company which carries on guarantee business in China, from February 2002 until July 2014, and had been appointed as the deputy general manager during the employment period. Mr. Wu had been appointed as a member of Shenzhen Financial Standardization Expert Database* (深圳市金融標準專家庫) and Chief Commissioner of Internet Financial Professional Committee of Guangdong Internet Society* (廣東省互聯網協會互聯網金融專業委員會) in 2015, respectively.

Mr. Wu graduated from East China Chemical Engineering College* (華東化工學院) (now known as East China University of Science and Technology (華東理工大學)) in July 1989 with a bachelor's degree in Chemical Engineering. He was awarded with the diploma in Business and Administration in Finance in May 1999 and obtained a master's degree of Business Studies in Finance in May 2000 from Massey University, New Zealand.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yee Ping Michael

Mr. Chan Yee Ping Michael, aged 46, joined the Group in November 2016. Mr. Michael Chan has more than 20 years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He graduated from The Hong Kong Polytechnic University with an honour bachelor's degree in accountancy. He was admitted as a certified public accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants in October 2003 and July 2017 respectively, and a fellow member of the Association of Chartered Certified Accountants in June 2009. He is currently a director of MCI CPA Limited, a certified public accountant firm in Hong Kong. He is currently serving as independent non-executive directors for three companies whose shares are listed on the Main Board of the Stock Exchange, namely China Sandi Holdings Limited (Stock Code: 910) since July 2014 and Beijing Media Corporation Limited (北青傳媒股份有限公司) (Stock Code: 1000) since June 2020. He also acts as a company secretary of China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司) (stock code: 2002) which is listed on the Main Board of the Stock Exchange since 2013 and Northeast Electric Development Co., Limited (東北電氣發展股份有限公司) (stock code: 42), a joint stock limited company listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, since 2012.

He served as an independent non-executive director of Prosper One International Holdings Company Limited (富一國際控股有限公司) (formerly known as Tic Tac International Holdings Company Limited (滴達國際控股有限公司)) (stock code: 01470) from September 2017 to December 2018, Champion Alliance International Holdings Limited (冠均國際控股有限公司) (formerly known as Mengke Holdings Limited (盟科控股)) (stock code: 01629) from November 2018 to February 2021 and China Wah Yan Healthcare Limited (中國華仁醫療有限公司) (formerly known as China Renji Medical Group Limited (中國仁濟醫療集團)) (Stock Code: 648) from July 2014 to May 2022, whose shares are listed on the Main Board of the Stock Exchange.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (cont'd)

Mr. Yang Haiyu

Mr. Yang Haiyu, aged 61, joined the group in December 2020. Mr. Yang obtained a bachelor's degree in Engineering from China University of Mining and Technology (中國礦業大學) in July 1982, a master's degree in Engineering from the South China University of Technology (華南理工大學) in June 1987 and a doctorate in Economics from Hunan University (湖南大學) in June 2005. He has been teaching at the School of Economics and Management in Changsha University of Science and Technology (長沙理工大學) since April 2005 and has been a professor of Economics in the same university since October 2007. From April 2011 to February 2018, he served as an independent director of LBX Pharmacy Chain Joint Stock Company (stock code: 603883), a company listed on the Shanghai Stock Exchange since April 2015.

Mr. Zeng Shiquan

Mr. Zeng Shiquan, aged 76, joined the Group in March 2018. Mr. Zeng graduated from the department of economics of Wuhan University (武漢大學) in July 1970. He graduated from Sun Yat-sen University (中山大學) as a postgraduate in political economy in December 1981. He was accredited as a senior economist by 深圳市職稱改革領導小組 (Shenzhen City Job Title Reform Leadership Unit*) in February 1993. Mr. Zeng passed the Training Course for Independent Directors of Listed Companies (上市公司獨立董事培訓班) jointly held by The Securities Association of China (中國證券業協會) and the School of Management, Fudan University (復旦大學管理學院) in July 2003.

From November 2013 to July 2017, Mr. Zeng has been appointed as an independent director of Shenzhen Kedali Industry Co., Ltd. (深圳市科達利實業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Shenzhen Exchange stock code: 002850). From June 2013 to May 2015, Mr. Zeng was appointed as an independent non-executive director of Beijing Enterprises Clean Energy Group Limited (北控清潔能源集團有限公司) (formerly known as Jin Cai Holdings Company Limited (金彩控股有限公司)), whose shares are listed on the Main Board of The Stock Exchange (Stock code: 01250). From January 2016 to February 2016, Mr. Zeng was appointed as an independent non-executive director of Aurum Pacific (China) Group Limited (奧栢中國集團有限公司), whose shares are listed on GEM of the Stock Exchange (Stock code: 08148). Mr. Zeng has been appointed as an independent non-executive director of Tourism International Holdings Limited (旅業國際控股有限公司) (formerly known as Jia Yao Holdings Limited (嘉耀控股有限公司)), shares of which are listed on the Main Board of the Stock Exchange (stock code: 01626).

* for identification purposes only

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Lam Kit Yan

Ms. Lam Kit Yan, aged 48, joined the Group in 2016. She is the company secretary and chief financial officer of the Company, responsible for compliance matters of the Company and financial management of the Group. She is a fellow member of the Hong Kong Institute of Certified Public Accountants, a certified tax adviser and is a fellow member of The Taxation Institute of Hong Kong. She obtained a bachelor's degree in business administration from The Chinese University of Hong Kong and has worked for international audit firms and various companies with extensive experience in financial reporting, auditing, mergers and acquisitions, compliance and initial public offerings. She was appointed as an independent non-executive director of Lapco Holdings Limited (立高控股有限公司), shares of which are listed on GEM Board of the Stock Exchange (stock code: 08472) on 18 July 2017. She had been the company secretary, chief financial officer and the authorized representative of Beijing Enterprises Clean Energy Group Limited (北控清潔能源集團有限公司) (formerly known as Jin Cai Holdings Company Limited (金彩控股有限公司)) (stock code: 1250) the issued shares of which are listed on the Main Board of the Stock Exchange from June 2013 to May 2015. From January 2016 to February 2016, Ms. Lam has been appointed as an executive director and company secretary of Aurum Pacific (China) Group Limited (奧栢中國集團有限公司) (Stock code: 08148), whose shares are listed on GEM of the Stock Exchange.

Mr. Lam Yiu Chung Billy

Mr. Lam Yiu Chung Billy, aged 54, joined the Group in 2010. He is responsible for the operation of overseas business and development as well as the operation and development of Japanese food service of the Group. Prior to joining the Group, he has acquired substantial experience in the operation and management of hospitality industry especially in franchise operations and development. Mr. Lam holds a Higher Diploma in Hotel and Catering Management from The Hong Kong Polytechnic.

Directors' Report

The Directors are pleased to present to the shareholders their annual report together with the audited consolidated financial statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company during the year ended 31 March 2023 was investment holding and those of the subsidiaries are set out in note 12 to the consolidated financial statements. The principal activities of the Group are provision of food and beverage services.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business can be found in the section headed "Management Discussion and Analysis" on pages 40 to 51 of this annual report. A description of the Group's corporate governance and the Group's risk management and internal control systems is provided in the section headed "Corporate Governance Report" on pages 6 to 21 of this annual report. A discussion on the Group's environmental policies, relationships with its key stakeholders and the relevant laws and regulations that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report" on pages 22 to 39 of this annual report. This discussion forms part of this Directors' report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2023 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 70 to 150.

The Directors do not recommend the payment of any dividend in respect of the Reporting Period.

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company to allow them to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Group, surplus received from the Company's subsidiaries and any other factors that the Board deems appropriate. The Company's ability to pay dividends is also subject to any restrictions under the Cayman Islands laws, any applicable laws, rules and regulations and the Company's articles of association. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31 March 2023 and the assets and liabilities of the Group as at 31 March 2019, 2020, 2021, 2022 and 2023 are set out on pages 151 to 152. This summary does not form part of the audited financial statements.

PLANT AND EQUIPMENT

The Group purchased and disposed of plant and equipment in the amount of approximately HK\$1,594,000 and approximately HK\$1,365,000, respectively, during the Reporting Period. Detailed movements in plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25(a) to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 74 and note 26 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company's reserves that are available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$Nil (2022: HK\$Nil).

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 March 2023.

Directors' Report

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year ended 31 March 2023.

CONNECTED TRANSACTIONS

During the year ended 31 March 2023, the Company had not entered into any connected transaction or continuing connected transaction which is required to be disclosed under Chapter 20 of the GEM Listing Rules.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Zhang Tao (*Chairman, appointed on 1 June 2023*)

Ms. Huang Li (*Chairlady, appointed on 13 October 2022 and resigned on 1 June 2023*)

Mr. Huang Chao (*Chairman, resigned on 13 October 2022*)

Mr. Wu Xiaowen

Independent non-executive Directors

Mr. Chan Yee Ping Michael

Mr. Zeng Shiquan

Mr. Yang Haiyu

In accordance with the articles of association of the Company, any Director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. And in accordance with the articles and association of the Company and the GEM Listing Rules, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As such, Mr. Zhang Tao, Mr. Wu Xiaowen and Mr. Yang Haiyu shall all be subject to retirement by rotation and, being eligible, shall offer themselves for re-election at the annual general meeting of the Company.

The term of independent non-executive directorships of Mr. Chan Yee Ping Michael, Mr. Zeng Shiquan and Mr. Yang Haiyu in respective of their letter of re-appointment is one year from 8 November 2022 to 7 November 2023, one year from 28 March 2023 to 27 March 2024, and one year from 11 December 2022 to 10 December 2023, respectively unless terminated by either party giving to the other not less than one month's notice in writing.

Directors' Report

The executive Directors, Mr. Zhang Tao had entered into service contracts for one year from 1 June 2023 to 31 May 2024. Ms. Huang Li had entered into service contracts for one year from 13 October 2022 to 12 October 2023. Mr. Wu Xiaowen, had entered into service contract to renew his appointment for another one year commencing from 21 May 2023. The said services contracts are renewable thereafter subject to compliance with relevant laws and regulations including the GEM Listing Rules and may be terminated by either party thereto at any time by giving the other party not less than one month's written notice.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has signed service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31 March 2023 and the Company considers the independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 52 to 55 of this annual report.

SHARE SCHEME

The Company adopted a share option scheme on 26 February 2003 which was expired on 25 February 2013 and a share option scheme on 20 July 2012 which was expired on 19 July 2022 (collectively referred to as "**the Share Option Schemes**").

In order to enable the Company to continue to grant share options to eligible participants as incentives or rewards for their contributions or potential contribution to the success of the Group, the Board will propose a new share option scheme to be adopted at the upcoming annual general meeting.

No share option was granted during the year ended 31 March 2023 and 31 March 2022. And as at 31 March 2022 and 31 March 2023, there was no outstanding share option.

Save for the Share Option Schemes as disclosed above, the Group had no other share scheme (as defined under Chapter 23 of the GEM Listing Rules) in force during the Reporting Period and up to the date of this report.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2023, so far as the Directors were aware, the interests, short positions or long positions of the directors and the chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares of the Company

Name	Capacity in which interests are held	Number of Shares held	Approximate percentage of the Company's issued voting Shares <i>(Note 2)</i>
Ms. Huang Li <i>(Note 1)</i>	Interest of corporation controlled by Ms. Huang Li <i>(Note 1)</i>	296,887,066	57.01
	Beneficial owner	5,280,000	1.01

Notes:

- (1) 296,887,066 shares are held by Oceanic Fortress Holdings Limited, the entire issued shares of which is wholly-owned by Ms. Huang Li, an executive Director and the chairlady of the Board.
- (2) Based on 520,771,875 ordinary Shares of the Company in issue as at 31 March 2023.

Save as disclosed above, as at 31 March 2023, so far as the Directors were aware, none of the Directors and the chief executives of the Company had any interest, short position or long position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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, short positions and long positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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.

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

As at 31 March 2023, according to the register kept by the Company pursuant to section 336 of the SFO, so far as the Directors were aware, the following persons (other than the Directors whose interests are disclosed above) had, or were deemed or taken to have, an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares of the Company

Name of shareholders	Capacity in which interests were held	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares	Approximate percentage of the Company's issued voting shares (Note 4) %
Oceanic Fortress Holdings Limited (Note 1)	Beneficial owner	296,887,066	–	296,887,066	57.01
Ms. Huang Li (Note 1)	Interest of corporation controlled by Ms. Huang Li	296,887,066	–	296,887,066	57.01
	Beneficial owner	5,280,000	–	5,280,000	1.01
Mr. Tang Sing Ming Sherman (Note 2)	Beneficial owner	–	71,428,571	71,428,571	13.72
Ms. Ho Ming Yee (Note 3)	Interest of a substantial shareholder's spouse	–	71,428,571	71,428,571	13.72

Notes:

- (1) 296,887,066 shares are held by Oceanic Fortress Holdings Limited, the entire issued shares of which are owned by Ms. Huang Li.
- (2) Mr. Tang Sing Ming Sherman holds the convertible bonds in respect of the outstanding principal amount of HK\$40,000,000, under which a total of 71,428,571 ordinary shares would be issued upon full exercise of the conversion rights attaching thereto. Upon full conversion of the convertible bonds, Mr. Tang Sing Ming Sherman would hold 71,428,571 ordinary shares, representing approximately 13.72% of the issued share capital of the Company as at 31 March 2023.
- (3) Ms. Ho Ming Yee is the spouse of Mr. Tang Sing Ming Sherman, and is therefore deemed to be interested in the same number of shares held by Mr. Tang Sing Ming Sherman.
- (4) Based on 520,771,875 ordinary shares of the Company in issue as at 31 March 2023.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (cont'd)

Save as disclosed above, as at 31 March 2023, so far as the Directors were aware, the Directors were not aware of any person (other than the Directors whose interests are disclosed above) who had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such capital.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float under the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Article 167(1) of the articles of association of the Company provides that every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. A Directors' Liability Insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

COMPETING INTERESTS

As at 31 March 2023, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interest with the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate amounts of revenue attributable to the Group's five largest customers was less than 30% (2022: less than 30%) of the Group's total revenue. And, the aggregate amounts of purchases attributable to the Group's five largest suppliers accounted for approximately 56% (2022: approximately 54%) and our single largest supplier accounted for approximately 23% (2022: approximately 20%) of the Group's total purchases.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest suppliers or customers during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the Reporting Period are set out in note 38 to the consolidated financial statement and section headed "Management Discussion and Analysis" on pages 40 to 51 of this annual report.

AUDITOR

A resolution to re-appoint the retiring auditor, PKF Hong Kong Limited, is to be proposed at the forthcoming annual general meeting. There has been no change in auditor of the Company in any of the preceding 3 years.

On behalf of the Board

Zhang Tao
Chairman

Hong Kong, 26 June 2023

Independent Auditor's Report

大信梁學濂(香港)會計師事務所有限公司

PKF

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STARGLORY HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of StarGlory Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 70 to 150, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to Note 2(d) to the consolidated financial statements which indicates that as at 31 March 2023, the Group had net current liabilities and net liabilities of HK\$95,350,000 and HK\$118,788,000 respectively. These conditions, along with other matters as set forth in Note 2(d) to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material uncertainties related to going concern" section of our report, we have determined to communicate in our report the following key audit matters for the year ended 31 March 2023.

Impairment assessment of plant and equipment, other intangible assets and right-of-use assets

The Group's impairment assessment of plant and equipment, other intangible assets and right-of-use assets disclosed in Notes 3(e), 3(f), 3(g), 3(j), 3(x)(ii), 11, 14, 15 and 16 to the consolidated financial statements were determined to be key audit matters due to the management's assessment of the value in use of the Group's cash-generating units ("CGUs") involved significant judgements and estimates about the future results and key assumptions.

Our procedures performed to address the matter included, amongst others:

- Obtain an understanding of the Group's procedures and method of estimation, including any control activities applied, significant assumptions made and management's assessment of estimation uncertainty;
- Evaluate the competence, independence and works performed by experts engaged by the management to assess their estimation;
- Evaluate the composition of the Group's future cash flows forecasts in the CGUs;
- Evaluate whether the method of estimation and assumptions made are appropriate;
- Test the data used by the management in the estimation;
- Re-calculate the estimation made by the management;
- Review outcome of estimation made in prior period and management's judgements and decisions for possible management bias;



Independent Auditor's Report

KEY AUDIT MATTERS (cont'd)

Impairment assessment of plant and equipment, other intangible assets and right-of-use assets (cont'd)

- Evaluate the adequacy of the sensitivity calculations over the CGUs;
- Review subsequent events relevant to the estimation; and
- Evaluate the disclosure made by management.

OTHER INFORMATION

The Directors are responsible for the other information which comprises the information included in the Group's annual report for the year ended 31 March 2023, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and are in compliance with the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Leong Ting Kwok David (Practising Certificate Number: P03654).

PKF Hong Kong Limited

Certified Public Accountants

Hong Kong, 26 June 2023

Consolidated Statement of Profit or Loss

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	4	162,508	171,884
Cost of sales		(75,531)	(76,576)
Gross profit		86,977	95,308
Other income	5	8,838	3,348
Loss on disposal of subsidiaries	30	–	(1,699)
Gain on disposal of a business	31	418	–
Operating expenses		(105,639)	(112,339)
Operating loss		(9,406)	(15,382)
Finance costs	6(a)	(5,519)	(5,554)
Loss before income tax	6	(14,925)	(20,936)
Income tax credit	8(a)	900	248
Loss for the year		(14,025)	(20,688)
Loss for the year attributable to:-			
Owners of the Company		(12,391)	(19,810)
Non-controlling interests		(1,634)	(878)
		(14,025)	(20,688)
Loss per share (HK cents)	10		
– Basic		(2.38)	(3.80)
– Diluted		(2.38)	(3.80)

The notes on pages 77 to 150 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
Loss for the year	(14,025)	(20,688)
Other comprehensive income/(loss):-		
Item that may be subsequently reclassified to profit or loss:-		
Exchange gain/(loss) arising from translation of financial statements of foreign operations	1,313	(831)
Release of exchange reserve upon disposal of subsidiaries	-	19
Other comprehensive income/(loss) for the year, net of tax	1,313	(812)
Total comprehensive loss for the year	(12,712)	(21,500)
Total comprehensive loss for the year attributable to:-		
Owners of the Company	(10,451)	(20,613)
Non-controlling interests	(2,261)	(887)
	(12,712)	(21,500)

The notes on pages 77 to 150 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment	11	3,114	5,759
Goodwill	13	–	–
Other intangible assets	14	5,907	6,614
Right-of-use assets	15	14,224	21,281
Deferred tax assets	17	381	–
		23,626	33,654
CURRENT ASSETS			
Inventories	18	369	2,152
Debtors, deposits and prepayments	19	17,354	17,582
Income tax recoverable		–	200
Time deposits	20	–	10,000
Cash and cash equivalents	20	31,390	51,474
		49,113	81,408
DEDUCT:–			
CURRENT LIABILITIES			
Creditors and accruals	21	129,321	151,411
Contract liabilities	22	1,154	1,005
Lease liabilities	23	13,988	20,337
		144,463	172,753
NET CURRENT LIABILITIES		(95,350)	(91,345)

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		(71,724)	(57,691)
NON-CURRENT LIABILITIES			
Creditors and accruals	21	125	257
Lease liabilities	23	6,939	8,002
Deferred tax liabilities	17	–	505
Convertible bonds	24	40,000	40,000
		47,064	48,764
NET LIABILITIES		(118,788)	(106,455)
REPRESENTING:–			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	25	41,662	41,662
Reserves	26	(158,440)	(146,863)
		(116,778)	(105,201)
NON-CONTROLLING INTERESTS		(2,010)	(1,254)
TOTAL EQUITY		(118,788)	(106,455)

The notes on pages 77 to 150 form part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 26 June 2023 and are signed on its behalf by

Zhang Tao
Director

Wu Xiaowen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000		
At 1.4.2021	41,662	(390,475)	258,889	3,801	128	1,390	17	(84,588)	-	(84,588)
Acquisition of subsidiaries – Note 29	-	-	-	-	-	-	-	-	(802)	(802)
Disposal of subsidiaries – Note 30	-	-	-	-	-	-	-	-	435	435
Total comprehensive loss										
Loss for the year	-	(19,810)	-	-	-	-	-	(19,810)	(878)	(20,688)
Other comprehensive loss:-										
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(822)	-	-	(822)	(9)	(831)
Release of exchange reserve upon disposal of subsidiaries – Note 30	-	-	-	-	19	-	-	19	-	19
Total comprehensive loss for the year	-	(19,810)	-	-	(803)	-	-	(20,613)	(887)	(21,500)
At 31.3.2022 and 1.4.2022	41,662	(410,285)	258,889	3,801	(675)	1,390	17	(105,201)	(1,254)	(106,455)
Acquisition of additional equity interest in a subsidiary - Note	-	(1,126)	-	-	-	-	-	(1,126)	1,126	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	379	379
Total comprehensive loss										
Loss for the year	-	(12,391)	-	-	-	-	-	(12,391)	(1,634)	(14,025)
Other comprehensive income:-										
Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	1,940	-	-	1,940	(627)	1,313
Total comprehensive loss for the year	-	(12,391)	-	-	1,940	-	-	(10,451)	(2,261)	(12,712)
At 31.3.2023	41,662	(423,802)	258,889	3,801	1,265	1,390	17	(116,778)	(2,010)	(118,788)

Note: On 15 April 2022, the Group acquired the remaining approximate 30% of the issued share capital of 華胤 (深圳) 生物科技有限公司 held by a non-controlling shareholder for a cash consideration of RMB100 (equivalent to approximately HK\$114). Immediately prior to the purchase, the negative carrying amount of the approximate 30% non-controlling interests in 華胤 (深圳) 生物科技有限公司 was HK\$1,126,000.

The notes on pages 77 to 150 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(14,925)	(20,936)
Adjustments for:–		
Exchange gain, net	(56)	(16)
Loss on disposal of subsidiaries	–	1,699
Gain on disposal of a business	(418)	–
Impairment provision on inventories	340	–
Impairment provision on trade debtors	205	–
Interest income	(578)	(148)
Interest expenses on other loans	1,657	1,359
Waiver of interest expenses on other loans	(375)	–
Interest expense on convertible bonds	800	800
Imputed interest expense on convertible bonds	–	229
Imputed interest expense on reinstatement provision	6	–
Interest expenses on lease liabilities	963	1,043
Depreciation of plant and equipment	3,406	3,452
Depreciation of right-of-use assets	21,976	22,681
Loss/(gain) on disposal and written off of plant and equipment, net	45	(143)
Amortization of other intangible assets	764	753
Loss on leases modification	217	–
Operating profit before working capital changes	14,027	10,773
(Increase)/decrease in inventories	(1,023)	909
(Increase)/decrease in debtors, deposits and prepayments	(791)	1,873
Increase/(decrease) in creditors and accruals	496	(2,656)
Increase in contract liabilities	149	198
Reversal of provision of reinstatement costs	(148)	(164)
Cash generated from operations	12,710	10,933
Income tax refunded/(paid)	214	(610)
Interest received	355	148
NET CASH FROM OPERATING ACTIVITIES	13,279	10,471

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Withdrawal/(placement) of time deposit		10,000	(10,000)
Capital contribution from a non-controlling shareholder		379	–
Sales proceeds from disposal of plant and equipment		30	423
Cash outflow arising from acquisition of additional equity interest in a subsidiary (Note i)		–	–
Net cash inflow arising from acquisition of subsidiaries	29	–	443
Payment for acquisition of right-of-use assets		–	(181)
Net cash outflow arising on disposal of subsidiaries	30	–	(579)
Payment for acquisition of other intangible assets		(57)	(139)
Payment for purchase of plant and equipment		(1,594)	(4,143)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		8,758	(14,176)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of lease liabilities paid		(21,774)	(22,874)
(Decrease)/increase in other loans		(15,450)	7,087
Interest element of lease liabilities paid		(963)	(1,043)
Interests paid on other loans and convertible bonds		(2,538)	(800)
NET CASH USED IN FINANCING ACTIVITIES		(40,725)	(17,630)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(18,688)	(21,335)
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR		51,474	72,369
EFFECT OF EXCHANGE RATES CHANGES		(1,396)	440
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	20	31,390	51,474
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		31,390	36,474
Time deposits with original maturity of less than 3 months		–	15,000
		31,390	51,474

Note i: Cash consideration of RMB100 (equivalent to approximately HK\$114).

The notes on pages 77 to 150 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1. GENERAL INFORMATION

StarGlory Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 November 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal place of its business is 6/F., Southland Building, 48 Connaught Road Central, Central, Hong Kong. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of food and beverage services. The ultimate controlling party of the Group as at 31 March 2023 was Ms. Huang Li (“**Ms. Huang**” or the “**Controlling Shareholder**”).

The Company is listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**HK(IFRIC) – Int**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following amendments to HKFRSs:–

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. BASIS OF PREPARATION (cont'd)

(c) HKFRSs in issue but not yet effective

The following new and amendments to HKFRSs in issue at 31 March 2023 have not been applied in the preparation of these consolidated financial statements since they were not yet effective for the annual period beginning on 1 April 2022:–

Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
HKFRS 17	Insurance Contracts ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(d) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. These consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that as at 31 March 2023, the Group had net current liabilities and net liabilities of HK\$95,350,000 and HK\$118,788,000 respectively as the Directors considered that:–

- (1) Ms. Huang, being the sole beneficial owner and director of the ultimate holding company of the Group, will provide continuing financial support to the Group; and
- (2) On 14 June 2023, Mr. Tang Sing Ming Sherman ("**Mr. Tang**"), as a lender, who is also the sole beneficial owner of the convertible bonds ("**Convertible Bonds**") issued by the Company, signed a memorandum of loans with a subsidiary of the Company, pursuant to which repayment date of a loan from Mr. Tang with an outstanding balance of principal and interest of approximately HK\$98,453,000 as at 14 June 2023 was extended (the "**Extension**") from 22 June 2023 to 22 June 2024 (the "**Extended Loan**"). The Extended Loan bears the same term after the Extension. The rest of the loan from Mr. Tang is unsecured, interest-free and repayable on demand. Details of other loans and the Extension are set out in Notes 21 and 38(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. BASIS OF PREPARATION (cont'd)

(d) Adoption of the going concern basis (cont'd)

After taking into consideration of the above factors and funds expected to be generated internally based on the Directors' estimation on the future cash flows of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis since there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

The consolidated financial statements are prepared under the historical cost basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the owners of the Company.

(c) Business combination and goodwill

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definition of an asset and a liability in the Conceptual Framework for Financial Reporting issued in June 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Business combination and goodwill (cont'd)

At the acquisition date, the identifiable assets acquired and the liabilities assumed, as disclosed in Note 29, are recognized at their fair value.

If the business combination is achieved in stages, fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with HKFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items are lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit ("**CGU**"), or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Revenue recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or service that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service. Revenues of the Group are recognized in profit or loss as follows:–

- Revenue from provision of food and beverage services including services charges is recognized at a point in time when catering services are provided.
- Revenue from the sales of products is recognized when control of the products has transferred, being at the point the products are delivered to the customer’s premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts and returns.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Revenue recognition (cont'd)

- Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (Note 3(i)).
- Service fee income is recognized over time when services have been rendered.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Accounting policy in respect of contract liability is further disclosed in Note 3(m).

(e) Plant and equipment and depreciation

Plant and equipment including the right-of-use assets arising from leases of the underlying plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, are charged to profit or loss in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalized as an additional cost of the asset.

Depreciation is calculated to write down the cost of plant and equipment to their estimated residual values on a straight-line basis over their estimated useful lives at the following annual rates and bases:–

Furniture, fixtures and equipment	10% to 50% or over the lease term whichever is shorter
Leasehold improvement	10% to 33.33% or over the lease term whichever is shorter
Motor vehicles	20% to 33.33%
Right-of-use assets – Leasehold properties	Over the lease term
Right-of-use assets – Motor vehicles	Over the lease term

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Plant and equipment and depreciation (cont'd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss on the date of retirement or disposal.

Construction in progress represents plant and equipment under construction or pending installation, and is stated at cost less impairment losses. The cost of self-constructed items of plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs. Capitalization of these costs ceases and the construction in progress is transferred to plant and equipment when the asset is substantially completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(f) Intangible assets (other than goodwill)

Intangible assets are stated at cost less accumulated amortization and impairment losses.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful life is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Development costs are capitalized only when it can be demonstrated that completing the development is technically and financially feasible, the product under development will generate probable future economic benefits through sale or use, and the development expenditure can be measured reliably. Development costs which do not meet these criteria are expensed when incurred.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets (other than goodwill) (cont'd)

Amortization is calculated to write off the costs of intangible assets over their estimated useful lives on a straight line basis as follows:–

Trademark acquired	5 to 20 years
Franchise rights acquired	5 to 20 years

(g) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception date, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

As a lessee (cont'd)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

As a lessee (cont'd)

Lease liabilities (cont'd)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Interests in subsidiaries

Interests in subsidiaries are stated in the Company's statement of financial position at cost less any identified impairment loss. Income from subsidiaries is recognized in the Company's financial statements on the basis of dividends declared by the subsidiaries.

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Measurement (cont'd)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

Impairment of financial assets

The Group applies the expected credit loss (“**ECL**”) model to financial assets measured at amortized cost, including trade debtors and other debtors, time deposits and cash and cash equivalents. Financial assets measured at fair value are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade debtors and other debtors and time deposits: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:–

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of reporting; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Impairment of financial assets (cont'd)

Loss allowances for trade debtors are always measured at an amount equal to lifetime ECLs. ECLs on trade debtors are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period.

For all other financial instruments (including other debtors, time deposits and cash and cash equivalents), the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:-

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Significant increases in credit risk (cont'd)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Basis of calculation of interest income

Interest income recognized (Note 3(d)) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Credit-impaired financial assets

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:-

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Measurement and recognition of ECLs

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade debtors are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors where the corresponding adjustment is recognized through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of plant and equipment, other intangible assets (other than goodwill) and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, other intangible assets (other than goodwill) and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment, other intangible assets and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (Note 3(d)). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue.

(n) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both liability component and equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognized as the liability component is recognized as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognized in the convertible bonds equity reserve until either the note is converted or redeemed. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to accumulated profit or loss. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

If any bonds are converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible bonds equity reserve is released directly to accumulated profit or loss.

The liability component (or part of the liability component) of the convertible bonds is derecognized when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Convertible bonds that contain an equity component (cont'd)

A significant modification of the terms of the convertible bonds is accounted for as recognition of a new compound instrument and an extinguishment of the original compound instrument before maturity. The difference between the carrying amount of the original liability component extinguished and its fair value at the date of modification is recognized in profit or loss. The difference between the fair value at the date of modification of the original liability component extinguished and the fair value of the newly recognized liability component is recognized in the convertible bonds equity reserve. The carrying amount of the equity component of the original compound instrument extinguished is released from convertible bonds equity reserve to accumulated profit or loss.

(o) Employee benefits

Salaries, annual bonuses and annual leave entitlements are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to defined contribution retirement plans are recognized as an expense in profit or loss as incurred.

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The fair value of share options granted to employees measured at the grant date and is adjusted for the estimated number of shares that will eventually be vested is recognized as an employee cost on a straight-line basis over the vesting period, with a corresponding increase in an employee share-based compensation reserve.

For the purposes of diluted earnings per share, the exercise price of the options is adjusted for the cost of employee services to render in the remaining vesting period.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Borrowing costs (cont'd)

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred. Borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(q) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(r) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes profit or loss items that are never taxable and deductible.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Income tax (cont'd)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Deferred tax is charged or credited to profit or loss, except when it relates to items recognized in other comprehensive income or directly to equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant and subsidy relate to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(u) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:–

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:–

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Related parties (cont'd)

- (b) An entity is related to the Group if any of the following conditions applies:- (cont'd)
- (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar, which is also the Company's functional currency. The functional currency of the Company or its subsidiaries is the currency of the primary economic environment in which the Company or its subsidiaries operate.

Foreign currency transactions of the Company or its subsidiaries are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period and the exchange differences arising are recognized in profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognized in profit or loss, except for the exchange component of a gain or loss that is recognized directly in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Foreign currency translation (cont'd)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognized as a separate component of equity (exchange reserve). Such translation differences are recognized in profit or loss for the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in exchange reserve.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not material individually may be aggregated if they share a majority of these criteria.

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has two business segments for current year (2022: one).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Critical accounting estimate and judgements

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognized in the consolidated financial statements are disclosed below:—

(i) Estimated useful lives of tangible and intangible assets with definite useful lives

The Group estimates the useful lives of tangible and intangible assets based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilization and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of tangible and intangible assets would increase depreciation charges and decrease non-current assets.

(ii) Impairment of plant and equipment, other intangible assets and right-of-use assets

Plant and equipment, intangible assets (other than goodwill) and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including growth rates in turnover, gross margins, operating cost to turnover ratio and an appropriate discount rate. Changing the assumptions and estimates (including the discount rates or the growth rate) in the cash flow projections, could materially affect the recoverable amounts.

Details of the impairment assessment on plant and equipment, other intangible assets and right-of-use assets are disclosed in Note 16.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Critical accounting estimate and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(iii) ECL for trade and other debtors

The ECL for financial assets are based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 35(a) to the consolidated financial statements.

(iv) Going concern

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statements. As disclosed in Note 2(d) to the consolidated financial statements, the validity of the going concern assumptions depends upon (i) the continuing financial support from Ms. Huang, who is the sole beneficial owner and director of the ultimate holding company; and (ii) other loans, of which the repayment date was subsequently extended from 22 June 2023 to 22 June 2024.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.

4. REVENUE

Revenue represents invoiced value recognized in respect of provision of food and beverage services and others and sales of healthcare products, net of discounts and value-added tax, during the year. An analysis of the revenue recorded for the year is set out below:–

	2023 HK\$'000	2022 HK\$'000
Revenue from customers and recognized at a point in time		
– Provision of food and beverage services and others	162,318	170,460
– Sales of healthcare products	190	1,424
	162,508	171,884

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

5. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Government grants – Note 5(a)	6,053	1,100
Interest income – Note 5(b)	578	148
Service fee income	1,475	1,674
Gain on disposal of plant and equipment	–	143
Exchange gain, net	56	16
Waiver of interest expenses on other loans – Note 5(c)	375	–
Miscellaneous items	301	267
	8,838	3,348

Notes:–

- (a) For the year ended 31 March 2023, government grants represent the approved amount of wages subsidies under the Employment Support Scheme launched by the government of the HKSAR and subsidies received from the Anti-epidemic Fund of the government of the HKSAR.

For the year ended 31 March 2022, it represented the subsidies received from Anti-epidemic Fund of the government of the HKSAR.

- (b) Amount included imputed interest income on rental deposits of HK\$223,000 (2021: HK\$Nil).
- (c) During the year ended 31 March 2023, the Group repaid certain other loans earlier than the original maturities, pursuant to which the lender agreed to waive the relevant interest payable in full.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

6. LOSS BEFORE INCOME TAX

	2023 HK\$'000	2022 HK\$'000
Loss before income tax is arrived at after charging/(crediting):-		
(a) Finance costs:-		
Interest expenses on other loans	1,657	1,359
Interest expense on convertible bonds	800	800
Imputed interest expense on convertible bonds – Note 24	–	229
Imputed interest expense on reinstatement provision	6	–
Interest expenses on lease liabilities	963	1,043
Other bank charges	2,093	2,123
	5,519	5,554
(b) Other items:-		
Amortization of other intangible assets	764	753
Depreciation of plant and equipment	3,406	3,452
Depreciation of right-of-use assets	21,976	22,681
Auditor's remuneration for audit services	679	651
Auditor's remuneration for non-audit services	–	8
Exchange gain, net	(56)	(16)
Variable lease payment not included in the measurement of lease liabilities	2,726	3,720
COVID-19 related rent concessions from lessors	(115)	(460)
Short-term lease expenses	5,505	6,013
Loss on leases modification	217	–
Directors' remuneration – Note 7(a)	1,020	1,020
Other staff salaries and benefits	54,866	60,208
Retirement scheme contributions	2,404	2,691
Other staff costs	57,270	62,899
Cost of sales (including other direct expenses and overhead cost of HK\$16,884,000 (2022: HK\$21,763,000))	75,191	76,576
Impairment provision on inventories	340	–
Impairment provision on trade debtors	205	–
Loss/(gain) on disposal and written off of plant and equipment, net	45	(143)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

7. DIRECTORS' REMUNERATIONS AND EMPLOYEES' EMOLUMENTS

- (a) Pursuant to the GEM Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of remunerations paid by the Group to the Directors during the year are as follows:–

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Equity- settled share-based payment expenses HK\$'000	Total HK\$'000
2022					
<i>Executive Directors:–</i>					
Mr. Wu Xiaowen	240	–	–	–	240
Mr. Huang Chao (resigned on 13 October 2022)	240	–	–	–	240
	480	–	–	–	480
<i>Independent non- executive Directors:–</i>					
Mr. Chan Yee Ping Michael	180	–	–	–	180
Mr. Zeng Shiquan	180	–	–	–	180
Mr. Yang Haiyu	180	–	–	–	180
	540	–	–	–	540
	1,020	–	–	–	1,020

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

7. DIRECTORS' REMUNERATIONS AND EMPLOYEES' EMOLUMENTS (cont'd)

- (a) Pursuant to the GEM Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of remunerations paid by the Group to the Directors during the year are as follows:– (cont'd)

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Equity- settled share-based payment expenses HK\$'000	Total HK\$'000
2023					
<i>Executive Directors:–</i>					
Mr. Wu Xiaowen	240	–	–	–	240
Ms. Huang Li (appointed on 13 October 2022 and resigned on 1 June 2023)	112	–	–	–	112
Mr. Huang Chao (resigned on 13 October 2022)	128	–	–	–	128
	480	–	–	–	480
<i>Independent non-executive Directors:–</i>					
Mr. Chan Yee Ping Michael	180	–	–	–	180
Mr. Zeng Shiquan	180	–	–	–	180
Mr. Yang Haiyu	180	–	–	–	180
	540	–	–	–	540
	1,020	–	–	–	1,020

- (i) The executive Directors' remunerations shown above were for their services in connection with the management of the affairs of the Company and the Group.
- (ii) The independent non-executive Directors' remunerations shown above were for their services as directors of the Company.
- (iii) No Directors waived or agreed to waive any remunerations during the years ended 31 March 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

7. DIRECTORS' REMUNERATIONS AND EMPLOYEES' EMOLUMENTS (cont'd)

(b) Five highest paid individuals

The remuneration of employees who were not Directors during the year and who were amongst the five (2022: five) highest paid individuals of the Group are as follows:-

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits in kind	4,511	4,383
Performance related bonuses	218	176
Retirement scheme contributions	90	90
	4,819	4,649

The number of employees whose remuneration fell within the following band is as follow:-

	2023	2022
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	2	2

There was no remuneration paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2023 and 2022.

8. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:-

	2023 HK\$'000	2022 HK\$'000
Current tax: –		
– Over-provision in prior year	(14)	–
Deferred tax credit – Note 17	(886)	(248)
Income tax credit	(900)	(248)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

8. INCOME TAX (cont'd)

- (a) Taxation in the consolidated statement of profit or loss represents:- (cont'd)
- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Company’s subsidiaries incorporated/established in Hong Kong and the People’s Republic of China (“**PRC**”) are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax at the rates of 16.5% and 25% respectively (2022: Hong Kong – 16.5% and PRC – 25% respectively).
- (b) The income tax credit for the year can be reconciled to the loss before income tax per consolidated statement of profit or loss for the year as follows:-

	2023 HK\$'000	2022 HK\$'000
Loss before income tax	(14,925)	(20,936)
Tax effect at the Hong Kong profits tax rate of 16.5% (2022: 16.5%)	(2,463)	(3,454)
Tax rates differential	549	616
Tax effect of income that are not taxable	(1,191)	(1,060)
Tax effect of expenses that are not deductible	1,823	614
Tax effect of unused tax losses not recognized	1,576	3,088
Tax effect of deductible temporary differences not recognized	(137)	–
Tax effect of utilization of tax losses not recognized	(1,043)	(52)
Over-provision in prior year	(14)	–
Income tax credit	(900)	(248)

- (c) The components of unrecognized deductible/taxable temporary differences in certain subsidiaries of the Company were as follows:-
- (i) The Group’s total tax loss from its Hong Kong subsidiaries and PRC subsidiaries are approximately HK\$64,435,000 (2022: HK\$58,892,000) and RMB37,584,000 (2022: RMB41,043,000), respectively. The unrecognized tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK\$57,775,000 (2022: approximately HK\$57,174,000) can be carried forward indefinitely. The unrecognized tax losses accumulated in PRC subsidiaries amounted to approximately RMB37,584,000 (2022: approximately RMB41,043,000) can be carried forward for a maximum of five years. The unrecognized tax losses accumulated in PRC subsidiaries amounted to approximately RMB4,978,000 (2022: RMB9,879,000) were lapsed during the year. Deductible temporary differences have not been recognized owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

8. INCOME TAX (cont'd)

- (c) The components of unrecognized deductible/taxable temporary differences in certain subsidiaries of the Company were as follows:– (cont'd)
- (ii) Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, the gross amount of dividends received by the Company's subsidiaries incorporated in Hong Kong from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5%. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, no deferred tax liability was provided as no profit is expected to be distributed by the PRC subsidiaries in the foreseeable future. The PRC subsidiaries do not have any undistributed profits as at 31 March 2023 and 2022.
- (iii) As at 31 March 2023, the Group's unrecognized deductible temporary differences associated with inventories provision and trade debtors loss allowance are HK\$341,000 (2022: HK\$Nil) and HK\$205,000 (2022: HK\$Nil), respectively. No deferred tax assets have been recognized owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against these deductible temporary differences.

9. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 March 2023 and 2022 nor up to the date of this report.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$12,391,000 (2022: HK\$19,810,000) and the weighted average number of ordinary shares of 520,771,875 (2022: ordinary shares of 520,771,875) in issue during the years ended 31 March 2023 and 2022.

On 11 January 2022, every eight (8) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into one (1) ordinary share of HK\$0.08 each (each a “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”) and resulted in the weighted average number of Consolidated Shares of 520,771,875 in issue during all periods presented. Comparative figures of the weighted average number of ordinary shares for calculating basic loss per share have been adjusted on the assumption that the Share Consolidation has been effective since 1 April 2020.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since the exercise price of those convertible bonds was higher than the average market price for both 2023 and 2022.

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For the year ended 31 March 2023

11. PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:–				
At 1.4.2021	15,768	21,601	196	37,565
Exchange adjustment	8	29	–	37
Acquisition of subsidiaries – Note 29	131	115	–	246
Additions	2,557	1,607	–	4,164
Disposal of subsidiaries – Note 30	(177)	(118)	–	(295)
Disposals and written off	(1,320)	(2,210)	(196)	(3,726)
At 31.3.2022	16,967	21,024	–	37,991
Accumulated depreciation:–				
At 1.4.2021	12,103	16,964	196	29,263
Exchange adjustment	11	8	–	19
Charge for the year	1,137	2,315	–	3,452
Disposal of subsidiaries – Note 30	(58)	(42)	–	(100)
Written back on disposals and written off	(1,049)	(2,201)	(196)	(3,446)
At 31.3.2022	12,144	17,044	–	29,188
Accumulated impairment:–				
At 1.4.2021 and 31.3.2022	2,033	1,011	–	3,044
Net book value:–				
At 31.3.2022	2,790	2,969	–	5,759
Cost:–				
At 1.4.2022	16,967	21,024	–	37,991
Exchange adjustment	–	(47)	–	(47)
Additions	703	891	–	1,594
Disposal of a business – Note 31	(2,220)	(6,728)	(982)	(9,930)
Disposals and written off	(3,435)	(2,668)	–	(6,103)
Transfer (to)/from right-of-use assets	(986)	–	982	(4)
At 31.3.2023	11,029	12,472	–	23,501
Accumulated depreciation:–				
At 1.4.2022	12,144	17,044	–	29,188
Exchange adjustment	–	(20)	–	(20)
Charge for the year	1,521	1,885	–	3,406
Disposal of a business – Note 31	(1,967)	(6,396)	(839)	(9,202)
Written back on disposals and written off	(2,250)	(2,488)	–	(4,738)
Transfer (to)/from right-of-use assets	(840)	–	839	(1)
At 31.3.2023	8,608	10,025	–	18,633
Accumulated impairment:–				
At 1.4.2022	2,033	1,011	–	3,044
Written back on disposal	(1,144)	(146)	–	(1,290)
At 31.3.2023	889	865	–	1,754
Net book value:–				
At 31.3.2023	1,532	1,582	–	3,114

Motor vehicles with net carrying amount of HK\$143,000 transferred from right-of-use assets when the corresponding lease liabilities were fully settled during the year ended 31 March 2023.

Details of impairment assessment are disclosed in note 16 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

12. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries are as follows:-

Name of company	Place of incorporation/ establishment and type of legal entity	Attributable equity interest hold %		Issued or paid up/ registered capital	Principal activities
		Directly	Indirectly		
Marvel Success Limited	BVI, limited liability company	100	-	US\$1	Investment holding in Hong Kong
Epicurean Management (Asia) Limited	Hong Kong, limited liability company	-	100	HK\$1	Provision of management services in Hong Kong
I. T. H. K. Limited ("ITHK")	Hong Kong, limited liability company	-	100	HK\$300,000	Provision of food and beverage services in Hong Kong
Ginza Bairin (Greater China) Holdings Limited	Hong Kong, limited liability company	-	100	HK\$2,000,000	Franchise and investment holding in Hong Kong
Hobby Limited	Hong Kong, limited liability company	-	100	HK\$1	Provision of food and beverage services in Hong Kong
榮暉企業管理(深圳)有限公司	PRC, limited liability company - Note 12(a)	-	100	RMB18,000,000 (registered RMB20,000,000)	Trading of healthcare products in the PRC
海韻彩科技(深圳)有限公司	PRC, limited liability company - Note 12(a)	-	100	RMB2,500,000 (registered RMB5,000,000)	Not yet commenced business in the PRC
華嵐(深圳)生物科技有限公司	PRC, limited liability company - Note 12(a)	-	100	RMB Nil (registered RMB11,000,000)	Investment holding and trading of healthcare products in the PRC
中科華嵐(深圳)生物有限公司	PRC, limited liability company - Note 12(b)	-	51	RMB10,000,000 (registered RMB10,000,000)	Trading of healthcare products in the PRC

Notes:-

- (a) These subsidiaries are established as wholly foreign-owned enterprises under the PRC Law.
- (b) This subsidiary is established as a non-wholly foreign-owned enterprise under the PRC Law.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors of the Company, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would in the opinion of the Directors of the Company, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

13. GOODWILL

	2023 HK\$'000	2022 HK\$'000
Cost:-		
At the beginning of the year	59,388	59,388
Acquisition of subsidiaries – Note 29	–	2,098
Disposal of subsidiaries – Note 30	–	(2,098)
At the end of the year	59,388	59,388
Accumulated impairment:-		
At the beginning and end of the year	59,388	59,388
Carrying amount:-		
At the end of the year	–	–

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:-

	2023 HK\$'000	2022 HK\$'000
Restaurants, cafés and cake shops	56,823	56,823
Logistic and production centre	2,565	2,565
	59,388	59,388

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

14. OTHER INTANGIBLE ASSETS

	Trademark HK\$'000	Franchise rights HK\$'000	Total HK\$'000
Cost:–			
At 1.4.2021	2,347	22,629	24,976
Additions	–	139	139
Disposals	–	(144)	(144)
At 31.3.2022	2,347	22,624	24,971
Accumulated amortization:–			
At 1.4.2021	550	6,069	6,619
Charge for the year	–	753	753
Written back on disposals	–	(144)	(144)
At 31.3.2022	550	6,678	7,228
Accumulated impairment:–			
At 1.4.2021 and 31.3.2022	1,795	9,334	11,129
Net book value:–			
At 31.3.2022	2	6,612	6,614
Cost:–			
At 1.4.2022	2,347	22,624	24,971
Additions	–	57	57
Disposals	–	(150)	(150)
At 31.3.2023	2,347	22,531	24,878
Accumulated amortization:–			
At 1.4.2022	550	6,678	7,228
Charge for the year	–	764	764
Written back on disposals	–	(150)	(150)
At 31.3.2023	550	7,292	7,842
Accumulated impairment:–			
At 1.4.2022 and 31.3.2023	1,795	9,334	11,129
Net book value:–			
At 31.3.2023	2	5,905	5,907

Details of impairment assessment are disclosed in Note 16 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

15. RIGHT-OF-USE ASSETS

	Leasehold properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:–			
At 1.4.2021	52,265	491	52,756
Exchange adjustment	101	–	101
Additions	23,274	491	23,765
Expiry of leases arrangements	(19,731)	–	(19,731)
At 31.3.2022	55,909	982	56,891
Accumulated depreciation:–			
At 1.4.2021	25,890	205	26,095
Exchange adjustment	24	–	24
Charge for the year	22,252	429	22,681
Expiry of leases arrangements	(19,731)	–	(19,731)
At 31.3.2022	28,435	634	29,069
Accumulated impairment:–			
At 1.4.2021 and 31.3.2022	6,541	–	6,541
Net book value:–			
At 31.3.2022	20,933	348	21,281
Cost:–			
At 1.4.2022	55,909	982	56,891
Exchange adjustment	(313)	–	(313)
Additions	7,279	–	7,279
Expiry of leases arrangements	(14,863)	–	(14,863)
Leases modification	4,640	–	4,640
Transfer from/(to) plant and equipment	146	(982)	(836)
At 31.3.2023	52,798	–	52,798
Accumulated depreciation:–			
At 1.4.2022	28,435	634	29,069
Exchange adjustment	(118)	–	(118)
Charge for the year	21,771	205	21,976
Expiry of leases arrangements	(14,863)	–	(14,863)
Leases modification	(3,192)	–	(3,192)
Transfer to plant and equipment	–	(839)	(839)
At 31.3.2023	32,033	–	32,033
Accumulated impairment:–			
At 1.4.2022 and 31.3.2023	6,541	–	6,541
Net book value:–			
At 31.3.2023	14,224	–	14,224

Right-of-use assets with net carrying amount of HK\$146,000 transferred from plant and equipment represents estimated cost of dismantlement and site restoration of leased properties which were previously included under plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

15. RIGHT-OF-USE ASSETS (cont'd)

The Group has entered into lease agreements to obtain the right to use properties as its office premises, restaurants, cafés, cake shops and motor vehicles and as a result recognized corresponding lease liabilities (Note 23). The leases (other than short-term leases) typically run for an initial period of 1 to 6 years. In determining the lease term, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of impairment assessment are disclosed in Note 16 to the consolidated financial statements.

Lease payments

Leases of restaurants, cafés and cake shops are either with only fixed lease payments or contain variable lease payment that are based on 9% to 25% (2022: 9% to 25%) of sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in restaurants, cafés and cake shops in the locations where the Group operates. Leases of office premises, warehouses, staff quarters and motor vehicles are with fixed lease payments only. The amounts of fixed and variable lease payments paid/payable to relevant lessors (including short-term leases and net of COVID-19 related rent concessions) for the years ended 31 March 2023 and 2022 include:

2022

	Number of leases	Fixed payments HK'000	Variable payments HK'000	Total payments HK'000
Office premises, staff quarters and motor vehicles without variable lease payments	10	6,849	–	6,849
Restaurants, cafés and cake shops without variable lease payments	1	684	–	684
Restaurants, cafés and cake shops with variable lease payments	34	22,578	3,260	25,838
Total	45	30,111	3,260	33,371

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For the year ended 31 March 2023

15. RIGHT-OF-USE ASSETS (cont'd)

Lease payments (cont'd)

2023

	Number of leases	Fixed payments HK'000	Variable payments HK'000	Total payments HK'000
Office premises, staff quarters and motor vehicles without variable lease payments	9	4,547	–	4,547
Restaurants, cafés and cake shops without variable lease payments	1	684	–	684
Restaurants, cafés and cake shops with variable lease payments	35	23,011	2,611	25,622
Total	45	28,242	2,611	30,853

The overall financial effect of using variable payment terms is that higher rental costs are incurred by restaurants, cafés and cake shops with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of restaurants, cafés and cake shops sales in future years.

Short-term lease expenses

Information regarding short-term lease expenses are disclosed in Notes 6(b) and 32. The Group regularly enters into short-term leases for its cake shops.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used by the Group as security for borrowing purposes.

Rent concessions

During the year ended 31 March 2023, lessors of certain of restaurants, cafés and cake shops provided rent concessions that occurred as a direct consequence of Covid-19 pandemic to the Group.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met all of the conditions in HKFRS 16.46B. The Group applied the practical expedient not to assess whether the changes constitute leases modification. The effects of changes in lease payments due to forgiveness or waiver by the lessors for the relevant lease of HK\$115,000 (2022: HK\$460,000) were recognized as negative variable lease payments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

15. RIGHT-OF-USE ASSETS (cont'd)

Extension option

The Group has extension option in a lease for 1 cake shop (2022: 1 cake shop). This is used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable only by the Group.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. The potential exposures to these future lease payments for extension option in which the Group is not reasonably certain to exercise is summarized below:

	Lease liabilities recognized as at 31 March 2023 HK\$'000	Potential future lease payments not included in lease liabilities (undiscounted) 31 March 2023 HK\$'000	Lease liabilities recognized as at 31 March 2022 HK\$'000	Potential future lease payments not included in lease liabilities (undiscounted) 31 March 2022 HK\$'000
Cake shop – Hong Kong	244	1,620	726	1,620

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee. During the year ended 31 March 2023, there is no such triggering event (2022: Nil).

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For the year ended 31 March 2023

16. IMPAIRMENT ASSESSMENT

The non-financial assets subject to the impairment loss for the years ended 31 March 2023 and 2022 were in relation to Mark Limited (together with its subsidiaries, "**Mark Group**"), which is the principal CGU of the Company and is primarily engaged in the operation of a restaurant, cafés and cake shops in Hong Kong.

During the year ended 31 March 2023, despite all dine-in control, pandemic prevention measures, border closures, lockdowns and isolation orders have been released and the Group has taken a series of cost control actions to mitigate the loss of sales from intense market competition. Based on the management's assessment, the corresponding recoverable amounts of certain plant and equipment, other intangible assets and right-of-use assets associated with Mark Group (collectively referred to as the "**Mark Group CGU**") are higher than the carrying amounts, indicating no impairment is required. No further impairments are recognized to write down the carrying amounts of these items of plant and equipment, other intangible assets and right-of-use assets.

The recoverable amount of the Mark Group CGU has been determined based on a discounted cash flow approach to estimate the value-in-use. For the year ended 31 March 2023, the forecast period is from the year ending 31 March 2024 to the year ending 31 March 2033 (the "**Forecast Period**"), which was based on the financial budgets approved by the senior management of the Company covering a five-year period from the year ending 31 March 2024 to the year ending 31 March 2028 while the cash flow forecast for the remaining of the Forecast Period (i.e. the year ending 31 March 2029 to the year ending 31 March 2033) is extrapolated using a long-term growth rate of 0%.

The key assumptions used in determining the amount of the impairment loss and those adopted in the impairment review for the years ended 31 March 2023 and 2022 are as follows:-

Key assumptions	Impairment review for the year ended 31 March 2023 (the "2023 Forecast")	Impairment review for the year ended 31 March 2022 (the "2022 Forecast")
Average annual growth rates in turnover	Café operation: 3.1% Cake shops operation: -1.6%	Café operation: 1.8% Cake shops operation: 3.2%
Long-term growth rates in turnover	0%	0%
Budgeted gross margin	51%	56%
Budgeted operating costs to turnover ratio	57% – 59%	52% – 56%
Discount rates	19.43%	23.18%

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16. IMPAIRMENT ASSESSMENT (cont'd)

Growth rates in turnover

Growth rates in turnover adopted in the 2023 Forecast are based on the historical growth rate of each of the café and cake shops operated by the Mark Group CGU up to the past five years and includes an appropriate level of selling price adjustments of 2.5% per annum based on the characteristics and trend in the food and beverage industry. Long-term growth rate of 0% is prudently assumed by the management for forecast period beyond 31 March 2028 in light of the market volatility and uncertainties in the forecast period.

Budgeted gross margin

The budgeted gross margin used in the 2022 Forecast was the actual gross margins in the previous year. Having considered the slight decrease in the gross margin of the Mark Group CGU from the year ended 31 March 2022 to the year ended 31 March 2023 and adjusted to reflect the impact subsequent to the disposal of the cake manufacturing business (Note 31), for the sake of prudence, the budgeted gross margin in the 2023 Forecast is assumed to be 51%.

Budgeted operating cost to turnover ratio

Budgeted operating costs of the Mark Group CGU for the 2023 Forecast included operating costs (including lease payments) and management service fee. Mark Group continues to implement tight operating cost control and maintained the operating costs to turnover ratio under 60% during the year ended 31 March 2023 and in the 2023 Forecast. As such, the management of the Company considers that the budgeted operating costs to turnover ratio ranging from 57% to 59% is reasonable and appropriate considering the management's closely monitoring of any under performing cafés and cake shops.

Discount rate

An independent valuer was engaged for the estimation of the appropriate discount rate. The pre-tax discount rates of 19.43% for the 2023 Forecast were adopted respectively with reference to the weighted-average cost of capital arrived by the independent valuer.

The management of the Company believes that any adverse change in the key assumptions used in the calculations of recoverable amounts would result in further impairment losses on plant and equipment, other intangible assets and right-of-use assets associated to the Mark Group CGU.

Based on the result of the assessment, the management of the Company determined that the recoverable amount of the Mark Group CGU is higher than the carrying amount as at 31 March 2023. Based on the value-in-use calculation and the allocation, no impairment loss was recognized against the carrying amounts of plant and equipment, other intangible assets and right-of-use assets for the year ended 31 March 2023 (2022: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17. DEFERRED TAX

The followings were deferred tax (assets)/liabilities recognized by the Group and movements thereon during the year:-

	Tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Total HK\$'000
At 1.4.2021	–	753	753
(Credit)/charge for the year – Note 8(a)	(283)	35	(248)
At 31.3.2022 and 1.4.2022	(283)	788	505
Credit for the year – Note 8(a)	(816)	(70)	(886)
At 31.3.2023	(1,099)	718	(381)

Represented by:-

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	(381)	–
Deferred tax liabilities	–	505
	(381)	505

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18. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	122	1,743
Work in progress	–	24
Finished goods	588	385
	710	2,152
Less: Provision	(341)	–
	369	2,152

Movements of impairment provision on inventories are as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	–	–
Provision for the year	340	–
Exchange adjustment	1	–
At end of the year	341	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

19. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:-

	2023 HK\$'000	2022 HK\$'000
Trade debtors	1,937	2,642
Less: loss allowance	(205)	(478)
	1,732	2,164
Rental and utility deposits	12,647	13,477
Prepayments	829	833
Other debtors	2,146	1,108
	17,354	17,582

(a) Loss allowance

Loss allowance in respect of trade debtors is recorded using loss allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade debtors.

Movements of loss allowance for trade debtors are as follows:-

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	478	478
Provision for the year	205	-
Written off of uncollectible debts	(478)	-
At end of the year	205	478

Details of impairment assessment of trade and other debtors and deposits paid are set out in Note 35(a).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

19. DEBTORS, DEPOSITS AND PREPAYMENTS (cont'd)

(b) Aging analysis

The Group normally allows credit term of 180 days to its customers for trading of healthcare products. The trading terms with the Group's customers for provision of food and beverage services are mainly on cash and non-cash basis settlements, except for well established corporate customers who are granted credit term of 30-60 days. For non-cash basis settlements, the counterparties normally settle the balances within 2-60 days. The following was an aging analysis of trade debtors (net of loss allowance), which included outstanding balances for non-cash basis settlements, based on the invoice date, at the end of the reporting period:-

	2023 HK\$'000	2022 HK\$'000
0-30 days	1,669	1,884
31-60 days	16	23
61-90 days	20	10
91-180 days	27	247
	1,732	2,164

(c) Trade debtors that are not impaired

The aging analysis of trade debtors that are not considered to be impaired was as follow:-

	2023 HK\$'000	2022 HK\$'000
Neither past due nor impaired	1,669	1,884
Past due but not impaired:-		
1-30 days	16	23
31-60 days	20	10
61-90 days	27	247
	63	280
	1,732	2,164

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

19. DEBTORS, DEPOSITS AND PREPAYMENTS (cont'd)

(c) Trade debtors that are not impaired (cont'd)

Trade debtors that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no loss allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade debtors. To measure the ECLs, these debtors have been grouped based on shared credit risk characteristics and the aging from billing. Further information about ECLs provision are set out in Note 35(a).

20. CASH AND CASH EQUIVALENTS/TIME DEPOSITS

	2023 HK\$'000	2022 HK\$'000
Cash and bank balances, including time deposits of HK\$Nil (2022: HK\$15,000,000) with original maturity of less than 3 months	31,390	51,474
Time deposit with original maturity of more than 3 months	–	10,000
	31,390	61,474

As at 31 March 2022, time deposits of HK\$25,000,000 carried fixed interest rate of 1.02% to 1.18% per annum. As at 31 March 2023, the Group does not have any time deposit.

As at 31 March 2023, cash and cash equivalents of the Group which is denominated in RMB amounted to approximately HK\$1,232,000 (2022: approximately HK\$18,206,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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21. CREDITORS AND ACCRUALS

Creditors and accruals comprise:-

	2023 HK\$'000	2022 HK\$'000
Trade creditors	6,379	6,700
Accruals and provisions	10,150	13,688
Other creditors and payables	7,661	9,209
Other loans – Note	105,256	122,071
	129,446	151,668
Less: amounts classified in non-current liabilities	(125)	(257)
Amounts classified in current liabilities	129,321	151,411

Note: Other loan of a lender of approximately HK\$97,864,000 (2022: approximately HK\$102,991,000) as at 31 March 2023 is unsecured, carries interest rate at 0.1% per month and repayable on 22 June 2023. Remaining loans of HK\$2,674,000 (2022: HK\$2,890,000) are interest-free, unsecured and repayable on demand. On 14 June 2023, Mr. Tang Sing Ming Sherman, as a lender, who is also the sole beneficial owner of the Convertible Bonds (Note 24) issued by the Company, signed a memorandum of loans with a subsidiary of the Company, pursuant to which repayment date of a loan from Mr. Tang with an outstanding balance of principal and interest of approximately HK\$98,453,000 as at 14 June 2023 was extended from 22 June 2023 to 22 June 2024. The Extended Loan bears the same term after the Extension. The rest of the loan from Mr. Tang is interest-free, unsecured and repayable on demand.

Interest payable to this lender of approximately HK\$393,000 (2022: approximately HK\$1,723,000) is included in other creditors and payables.

Other loan of approximately HK\$4,718,000 (2022: HK\$16,190,000) as at 31 March 2023 is unsecured and carries interest rate at 4.35% (2022: 4.35%) per annum. Amounts of approximately HK\$3,575,000 and HK\$1,143,000 are repayable on 23 March 2024 and 13 April 2023, respectively.

Interest payable to this lender of approximately HK\$159,000 (2022: HK\$91,000) is included in other creditors and payables.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

21. CREDITORS AND ACCRUALS (cont'd)

The following was an aging analysis, based on invoice date, of trade creditors:-

	2023 HK\$'000	2022 HK\$'000
0-30 days	4,185	6,026
31-60 days	1,385	-
61-90 days	160	19
91-180 days	348	231
Over 180 days	301	424
	6,379	6,700

22. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	1,005	807
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(401)	(352)
Increase as a result of receiving advance payments from customers during the year	550	550
At end of the year	1,154	1,005

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23. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:–

	Present value of minimum lease payments		Minimum lease payments	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Amounts payable:–				
Within one year	13,988	20,337	14,639	20,699
In the second to fifth year	6,939	8,002	7,175	8,312
	20,927	28,339	21,814	29,011
Less: Future finance charges			(887)	(672)
Present value of lease obligation			20,927	28,339

24. CONVERTIBLE BONDS

On 21 August 2012, the Company issued Convertible Bonds in the principal amount of HK\$80,000,000 to the then bondholder for the acquisition of subsidiaries. The Convertible Bonds were interest bearing at 2% per annum with a maturity date on 21 August 2015 which were convertible into shares of the Company at the conversion price of HK\$0.08 per share (subject to the standard adjustment clauses relating to share subdivision, share consolidation, capitalization issues and right issues, etc) at any time after the issue date. Details of the Convertible Bonds were set out in the circular of the Company dated 30 July 2012.

On 8 July 2015, the Company entered into the first supplemental deed with the then bondholder pursuant to which the Company and the then bondholder agreed to extend the maturity date of the Convertible Bonds for 36 months from the date falling on the third anniversary to the sixth anniversary of the date of issue of the Convertible Bonds. Save and except the amendment to the maturity date pursuant to the supplemental first deed, all the terms and conditions of the Convertible Bonds remained unchanged, valid and in full force. The supplemental deed was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 10 August 2015.

On 21 August 2015, the then bondholder transferred all Convertible Bonds to Mr. Tang (the “**Bondholder**”) in consideration of HK\$80,000,000.

On 9 October 2015, Mr. Tang exercised partially the conversion rights attaching to the Convertible Bonds in respect of the principal amount of HK\$40,000,000 of the Convertible Bonds at the conversion price of HK\$0.08 per conversion shares.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

24. CONVERTIBLE BONDS (cont'd)

On 22 May 2017, the conversion price of the outstanding convertible bonds has been adjusted from the initial conversion price of HK\$0.08 per ordinary share to HK\$0.07 per ordinary share in accordance with the terms of convertible bonds as a result of the completion of the rights issue on 14 June 2017. All other terms of the convertible bonds remained unchanged.

On 15 August 2018, the Company entered into the second supplemental deed with Mr. Tang pursuant to which the Company and Mr. Tang agreed to extend the maturity date of the Convertible Bonds for 36 months from the date falling on the sixth anniversary to the ninth anniversary of the date of issue of the Convertible Bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions of the Convertible Bonds remained unchanged, valid and in full force. The second supplemental deed was approved by the Directors of the Company at the board meeting of the Company held on 14 August 2018.

On 13 August 2021, the Company entered into the third supplemental deed with Mr. Tang pursuant to which the Company and Mr. Tang agreed to extend the maturity date of the Convertible Bonds for 36 months from the date falling on the ninth anniversary to the twelfth anniversary of the date of issue of the Convertible Bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions of the Convertible Bonds remain unchanged, valid and in full force. The third supplemental deed was approved by the Directors of the Company at the board meeting of the Company held on 11 August 2021.

The amount represents convertible bonds issued with principal amount of HK\$40,000,000 and the maturity will be on the twelfth anniversary of the date of issue of the Convertible Bonds.

The conversion price of the outstanding Convertible Bonds has been adjusted from the initial conversion price of HK\$0.07 per share to HK\$0.56 per share as a result of the Share Consolidation.

Movement of liability component of convertible bonds for the years ended 31 March 2023 and 2022 was as follow:–

	HK\$'000
At 1.4.2021	39,771
Imputed interest expense – Note 6(a)	229
At 31.3.2022 and 1.4.2022 and 31.3.2023	40,000

Interest payable arising from convertible bonds to Mr. Tang of approximately HK\$4,798,000 (2021: HK\$3,998,000) is included in other creditors and payables. HK\$800,000 of interest expense on convertible bond was accrued during the year (2021: HK\$800,000) and interest payment was HK\$Nil (2022: HK\$800,000).

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For the year ended 31 March 2023

25. CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Share capital

Ordinary shares of HK\$0.08 (2022: HK\$0.08) each

	2023		2022	
	Number of shares	HK\$'000	Number of shares (restated)	HK\$'000
Authorized:-				
At the beginning and end of the year	625,000,000	50,000	625,000,000	50,000
Issued and fully paid:-				
At the beginning and end of the year	520,771,875	41,662	520,771,875	41,662

On 11 January 2022, every eight (8) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into one (1) ordinary share of HK\$0.08 each in the share capital of the Company and the authorized share capital of the Company became HK\$50,000,000 divided into 625,000,000 shares of HK\$0.08 each, of which 520,771,875 consolidated Shares are in issue.

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to owners commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which was unchanged from the previous periods, was to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less cash and cash equivalents/time deposits. Equity capital comprises all components of equity (i.e. share capital, share premium, accumulated losses and reserves).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

26. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year were set out below:–

	Share premium HK\$'000	Accumulated losses HK\$'000	Convertible bonds equity reserve HK\$'000	Total HK\$'000
At 1.4.2021	268,875	(288,399)	1,390	(18,134)
Loss and total comprehensive loss for the year	–	(10,459)	–	(10,459)
At 31.3.2022 and 1.4.2022	268,875	(298,858)	1,390	(28,593)
Loss and total comprehensive loss for the year	–	(30,230)	–	(30,230)
At 31.3.2023	268,875	(329,088)	1,390	(58,823)

Notes:–

- (a) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the entire issued share capital and the value of the underlying net assets of its subsidiaries at the date they were acquired by the Company. Under the Companies Law, Cap. 22 of the (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) As at 31 March 2023 and 2022, in the opinion of the Directors, no reserves are available for distribution to the owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

27. SHARE OPTIONS

The Company adopted two share option schemes on 26 February 2003 (“**Old Share Option Scheme**”) which was expired on 25 February 2013 and 20 July 2012 (“**New Share Option Scheme**”) which was expired on 19 July 2022 (collectively referred to as the “**Share Option Schemes**”).

The committee (the “**Committee**”) which was authorized and charged by the Directors with the administration of the Share Option Schemes, are authorized, at their discretion, to invite employees of the Group, including any executive Director or non-executive Director of the Company or other eligible employees to take up options to subscribe for the shares of the Company.

A sum of HK\$1 is payable by the participant on acceptance of the option offer. As a vesting condition for the Share Option Schemes, the grantees have to be remained as Directors or employees of the Group during the vesting period.

The exercise price of the shares (the “**Exercise Price**”) in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:–

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date an option is offered (the “**Offer Date**”); and
- (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date,

provided that the Exercise Price shall not be lower than the nominal value of the shares.

No share option was granted during the years ended 31 March 2023 and 2022. As at both dates, there was no share options outstanding under the Share Option Schemes.

Notes to the Consolidated Financial Statements

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28. CASH FLOW INFORMATION

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows arising from financing activities.

	Lease liabilities HK\$'000	Other loans HK\$'000	Interest payable on other loans HK\$'000	Total HK\$'000
At 1.4.2021	27,551	114,867	454	142,872
Changes from financing cash flows:				
Capital element of lease liabilities paid	(22,874)	–	–	(22,874)
Interest element of lease liabilities paid	(1,043)	–	–	(1,043)
Increase in other loans	–	7,087	–	7,087
	3,634	121,954	454	126,042
Exchange adjustments	78	117	1	196
Other changes:				
New leases entered	23,584	–	–	23,584
Interest expense	1,043	–	1,359	2,402
At 31.3.2022 and 1.4.2022	28,339	122,071	1,814	152,224
Changes from financing cash flows:				
Capital element of lease liabilities paid	(21,774)	–	–	(21,774)
Interest element of lease liabilities paid	(963)	–	–	(963)
Decrease in other loans	–	(15,450)	–	(15,450)
Interest paid	–	–	(2,538)	(2,538)
	5,602	106,621	(724)	111,499
Other changes:				
New leases entered	7,148	–	–	7,148
Leases modification	7,435	–	–	7,435
Interest expense	963	–	1,657	2,620
Waiver of interest expenses on other loans	–	–	(375)	(375)
Exchange adjustments	(221)	(1,365)	(6)	(1,592)
At 31.3.2023	20,927	105,256	552	126,735

Notes to the Consolidated Financial Statements

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28. CASH FLOW INFORMATION (cont'd)

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:–

	2023 HK\$'000	2022 HK\$'000
Within:		
Operating cash flows	8,116	9,273
Investing cash flows	–	181
Financing cash flows	22,737	23,917
	30,853	33,371

These amounts relate to the following:

	2023 HK\$'000	2022 HK\$'000
Lease rentals paid	30,853	33,371

29. ACQUISITION OF SUBSIDIARIES

On 14 May 2021, the Group completed the acquisition of 70% equity interest in 華胤(深圳)生物科技有限公司 and its subsidiaries (collectively referred to as the “**Huayin Group**”) which are engaged in developing biotechnology technology and skincare products, at a total cash consideration of RMB100 (equivalent to approximately HK\$120). The acquisition was accounted for using the acquisition method.

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For the year ended 31 March 2023

29. ACQUISITION OF SUBSIDIARIES (cont'd)

The fair value of the identifiable assets and liabilities of the Huayin Group acquired at the date of acquisition was as follows:

	Notes	HK\$'000
Plant and equipment	11	246
Inventories		3,948
Debtors, deposits and prepayments		1,397
Cash and bank balances		443
Creditors and accruals		(8,614)
Contract liabilities		(320)
Net liabilities acquired		(2,900)
Non-controlling interests		802
Goodwill	13	2,098
Cash consideration and net cash inflow arising from acquisition of subsidiaries		443

The non-controlling interests recognized at the acquisition date were measured with reference to the non-controlling interests' proportionate share of fair value of the net liabilities at that date.

Goodwill arose in the acquisition of Huayin Group because the cost of the combination effectively included amounts in relation to the benefit of expected future revenue growth, future market development and business potential through strategic collaboration with beauty salons, hospitals and pharmacies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Since the acquisition, Huayin Group contributed revenue of HK\$914,000 to the Group and loss for the year of HK\$3,742,000 to the Group for the year ended 31 March 2022.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK\$171,931,000 and HK\$20,815,000, respectively. The pro-forma information was for illustrative purposes only and was 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 was it intended to be a projection of future results.

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30. LOSS ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2022, the Group disposed of its entire issued share capital in 無斑時代國際生物科技(深圳)有限公司 and its subsidiary (collectively referred to as the “無斑時代 Group”) to an independent third party, at an aggregate cash consideration of RMB100 (equivalent to approximately HK\$123).

The net assets of 無斑時代 Group being disposed of were as follows:

	Notes	HK\$'000
Plant and equipment	11	195
Goodwill	13	2,098
Inventories		6,721
Debtors, deposits and prepayments		1,305
Cash and bank balances		579
Creditors and accruals		(9,653)
Net assets disposed of		1,245
Release of exchange reserve		19
		1,264
Non-controlling interests		435
Loss on disposal of subsidiaries		(1,699)
		-
Total consideration satisfied by:-		
Cash consideration		-
Net cash outflow arising:-		
Cash consideration received		-
Cash and bank balances disposed of		(579)
		(579)

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For the year ended 31 March 2023

31. GAIN ON DISPOSAL OF A BUSINESS

During the year ended 31 March 2023, the Group disposed the business of cake manufacturing to Century Limited, which is an independent third party, at an aggregate cash consideration of HK\$2,159,000.

The net assets of the business of cake manufacturing being disposed of were as follows:

	Note	HK\$'000
Plant and equipment	11	728
Inventories		2,464
Accruals and provisions		(1,451)
Net assets disposed of		1,741
Gain on disposal of a business		418
		2,159
Cash consideration arising from disposal of the business of cake manufacturing		2,159
Net cash flow arising from disposal of the business of cake manufacturing (Note)		–

Note: The consideration receivable was settled by offsetting trade payable with Century Limited.

32. COMMITMENTS

Short-term lease commitments

At 31 March 2023, the Group had outstanding short-term lease commitments for properties as follows:–

	2023 HK\$'000	2022 HK\$'000
Within one year	2,359	2,247

The Group regularly enters into short-term leases for certain leasehold properties of office premises, staff quarters, cafés and cake shops.

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32. COMMITMENTS (cont'd)

Capital commitments

At the end of the reporting period, the Group had outstanding capital commitments as follows:–

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for:-		
Capital contribution to subsidiaries	7,996	8,505

33. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had no material transactions with its related parties and connected persons as defined in HKAS 24 and GEM Listing Rules in both years.

The remunerations of Directors (Note 7) and other members of key management personnel during the year ended 31 March 2023 and 2022 were as follows:

Directors and key management personnel remunerations	2023 HK\$'000	2022 HK\$'000
Fees	1,020	1,020
Salaries, allowances and other benefits in kind	3,476	3,309
Performance related bonuses	193	153
Retirement scheme contributions	54	54
	4,743	4,536

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34. RETIREMENT BENEFIT COSTS

The Company's subsidiaries in Hong Kong had participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed and administered fund. Contributions to the MPF Scheme are made by both the employer and employees at 5% on the employees' salaries or HK\$1,500, whichever is lower.

The Company's subsidiaries in the PRC had participated in the state-sponsored retirement plan, contributions are made by the subsidiaries to the plan based on 14% to 20% of the applicable payroll costs. The Group has no other obligation other than the above-mentioned contributions.

No forfeited contributions may be used by the Group to reduce the existing level of contributions.

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group has a credit policy in place and exposure to the credit risk is monitored on an ongoing basis.

The carrying amounts of financial assets as at 31 March 2023, which represented the Group's significant exposure to credit risks, were as follows:–

	2023 HK\$'000	2022 HK\$'000
Debtors and deposits paid	16,525	16,749
Time deposits with original maturity of more than 3 months	–	10,000
Cash and cash equivalents	31,390	51,474
	47,915	78,223

Notes to the Consolidated Financial Statements

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(a) Credit risk (cont'd)

The Group's credit risk is primarily attributable to debtors, deposits, time deposits and cash and cash equivalents. With respect to trade debtors, the Group has adopted credit policies, which include the analysis of the financial position of its customers and a regular review of their credit limits. The Group maintains a ECL allowance accounts and actual losses have been less than management's expectations and the Group has policies in place to ensure that sales are made to clients with an appropriate credit history. Also, the Group's time deposits and cash and cash equivalents are held by major financial institutions located in Hong Kong and the PRC, which the management believes are of high credit quality. Accordingly, the overall credit risk is considered limited.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade debtors. To measure the ECLs, trade debtors have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forward-looking information.

Trade debtors

At 31 March 2023, trade debtors that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

At 31 March 2023, the Group has concentration of credit risk as 26% (2022: 27%) and 87% (2022: 69%) of the total trade debtors were due from the Group's largest customer and five largest customers respectively.

In respect of trade debtors, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The trading terms of the Group's customers for provision of food and beverage services are mainly made on cash, non-cash basis counterparties which entitled credit term of 2-60 days and for customers of healthcare products who normally entitled credit term of 180 days. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade debtors disclosed in the below. Management makes periodic assessment on the recoverability of the trade debtors based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Directors consider the Group's credit risk of these receivables to be low except for the impaired trade debtors disclosed in the below.

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(a) Credit risk (cont'd)

Trade debtors (cont'd)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors at 31 March 2023.

	At 31 March 2023			Net carrying amount HK\$'000
	Lifetime ECL rate HK\$'000	Gross carrying amount HK\$'000	Lifetime ECL HK\$'000	
Trade debtors				
– provision on individual basis	100%	205	205	–
Trade debtors				
– provision on collective basis	0%	1,732	–	1,732
		1,937	205	1,732

	At 31 March 2022			Net carrying amount HK\$'000
	Lifetime ECL rate HK\$'000	Gross carrying amount HK\$'000	Lifetime ECL HK\$'000	
Trade debtors				
– provision on individual basis	100%	478	478	–
Trade debtors				
– provision on collective basis	0%	2,164	–	2,164
		2,642	478	2,164

Other debtors and deposits paid

The credit quality of the other debtors excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The Directors are of the opinion that the credit risk of other debtors is low due to the sound collection history of the receivables due from them. Therefore, ECL rate of other debtors excluding prepayments is assessed to be close to zero and no provision was made at 31 March 2023 and 2022.

Time deposits and cash and cash equivalents

The credit risk on cash and cash equivalents (2022: time deposits and cash and cash equivalents) is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Accordingly, no loss allowance was provided as the ECL in respect of time deposits and cash and cash equivalents as the amount is not material.

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The exposure arising from the current accounts among the Company and its subsidiaries which form part of net investment in foreign operations is excluded.

	2023			2022		
	United States Dollar HK\$'000	Renminbi HK\$'000	Japanese Yen HK\$'000	United States Dollar HK\$'000	Renminbi HK\$'000	Japanese Yen HK\$'000
Cash and bank balances	87	1,232	21	93	18,206	21

The Group's operations are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi and Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Since Hong Kong Dollar is pegged to United States Dollar, material fluctuation in the exchange rates of Hong Kong Dollar against United States Dollar is remote.

It is estimated that a fluctuation of 5% in foreign exchange rates with all other variables held constant would not have a material impact on the Group's profit/loss for the years ended 31 March 2023 and 2022 and accumulated losses as at these dates.

The Group does not use financial derivatives to hedge against the currency risk. However, the currency risk of the Group is closely monitored by the management to ensure that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(d) Interest rate risk

The Group's interest rate risk arises primarily from lease liabilities, liability component of convertible bonds, other loans, time deposits and bank balances. Except for the lease liabilities, liability component of convertible bonds, other loans and time deposits which are held at fixed interest rates, all the bank balances are held at variable rates. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

(i) Effective interest profile

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates per annum at the end of reporting period.

	2023 Effective interest rate %	HK\$'000	2022 Effective interest rate %	HK\$'000
Fixed rate financial liabilities				
– Lease liabilities	2.82-8.28	(20,927)	2.82-4.34	(28,339)
– Convertible bonds				
– liability component	2	(40,000)	2	(40,000)
– Creditors and accruals				
– other loans	1.2-4.35	(105,256)	1.2-4.35	(122,071)
Fixed rate financial assets				
– Time deposits	Nil	–	1.02-1.18	25,000
Variable rate financial assets				
– Bank balances	0.00-0.75	25,045	0.01-0.05	24,679
Net financial liabilities		(141,138)		(140,731)

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For the year ended 31 March 2023

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(d) Interest rate risk (cont'd)

- (ii) It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the year ended 31 March 2023 would decrease by approximately HK\$250,000 (2022: approximately HK\$247,000), and accumulated losses as at that date would decrease by approximately HK\$250,000 (2022: approximately HK\$247,000).

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. As at 31 March 2023 and 2022, the Group did not have any financial instrument which is subject to market price risk.

(f) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their values as at 31 March 2023 and 2022.

36. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Directors, being the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance.

During the year ended 31 March 2022, the Group principally operated in one business unit, and had one reportable and operating segment: food and beverage. Accordingly, the Group did not have any identifiable segment or any discrete information for segment reporting purpose.

During the year ended 31 March 2023, the Group's resources allocation to healthcare business unit increases according to the long-term development plan of this business unit. Accordingly, the CODM reviews and regards that the Group's reportable operating segment comprise (i) food and beverage and (ii) healthcare.

Prior year's segment disclosures have been restated to conform with the current year's presentation.

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36. SEGMENT INFORMATION (cont'd)

(a) Segment revenue and results

For the year ended 31 March 2023

The following is an analysis of the Group's revenue and results by reportable segments.

	Food and beverage		Healthcare		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment revenue (external)	162,318	170,460	190	1,424	162,508	171,884
Segment (loss)/profit	(3,513)	1,500	(6,090)	(4,994)	(9,603)	(3,494)
Interest income					578	148
Exchange gain, net					56	16
Finance costs					(5,519)	(5,554)
Government grants					6,053	1,100
Depreciation of plant and equipment					(1)	(14)
Depreciation of right-of-use assets					(1,854)	(1,781)
Unallocated operating expenses					(4,635)	(11,357)
Loss before income tax					(14,925)	(20,936)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit/(loss) represents the profit earned/loss incurred from each segment without the allocation of certain interest income, exchange gain, net, certain finance costs and central operating expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

36. SEGMENT INFORMATION (cont'd)

(b) Segment assets and liabilities

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

As at 31 March 2023

Segment assets

	Food and beverage		Healthcare		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	37,136	53,651	5,168	24,968	42,304	78,619
Unallocated assets					30,435	36,443
Consolidated total assets					72,739	115,062

Segment liabilities

	Food and beverage		Healthcare		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment liabilities	134,946	152,255	8,984	22,482	143,930	174,737
Unallocated liabilities					47,597	46,780
Consolidated total liabilities					191,527	221,517

For the purpose of monitoring segment performance and allocating resources between segments:

All assets are allocated between operating segments other than certain plant and equipment, certain right-of-use assets, certain deposits and prepayments, certain cash and cash equivalents and unallocated corporate assets of headquarter.

All liabilities are allocated between operating segments other than certain creditors and accruals, certain lease liabilities, convertible bonds and unallocated corporate liabilities of headquarter.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

36. SEGMENT INFORMATION (cont'd)

(c) Segment information

For the year ended 31 March 2023

	Food and beverage		Healthcare		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of plant and equipment	3,274	3,212	131	226	3,405	3,438
Depreciation of right-of-use assets	19,426	19,278	696	1,622	20,122	20,900
Amortization of other intangible assets	764	753	-	-	764	753
Additions to non-current assets	6,042	22,473	32	4,152	6,074	26,625

(d) Geographical information

	PRC		Hong Kong		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	190	1,424	162,318	170,460	162,508	171,884
Service fee income from contract with customers	-	-	1,475	1,674	1,475	1,674
Total revenue and other income from contracts with customers	190	1,424	163,793	172,134	163,983	173,558
Non-current assets	853	3,009	22,773	30,645	23,626	33,654

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on (i) the physical location of the assets, in the case of plant and equipment (ii) the location of the operation to which they are allocated, in the case of intangible assets, right-of-use assets and goodwill, and (iii) the location of operation to which they are incurred, in the case of deposits paid.

(e) Major customers

The Group's customer base is diversified and no revenue from transactions with a single external customer amount to 10% or more of the Group's revenue for the years ended 31 March 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment		–	1
Interests in subsidiaries – Note		–	23,406
Right-of-use assets		2,062	1,650
		2,062	25,057
CURRENT ASSETS			
Debtors, deposits and prepayments		674	683
Time deposits		–	10,000
Cash and cash equivalents		27,698	24,109
		28,372	34,792
DEDUCT:–			
CURRENT LIABILITIES			
Creditors and accruals		5,517	5,103
Lease liabilities		1,306	1,498
		6,823	6,601
NET CURRENT ASSETS		21,549	28,191
TOTAL ASSETS LESS CURRENT LIABILITIES		23,611	53,248
NON-CURRENT LIABILITIES			
Lease liabilities		772	179
Convertible bonds	24	40,000	40,000
		40,772	40,179
NET (LIABILITIES)/ASSETS		(17,161)	13,069
REPRESENTING:–			
Share capital	25(a)	41,662	41,662
Reserves	26	(58,823)	(28,593)
TOTAL EQUITY		(17,161)	13,069

Note: Interests in subsidiaries comprised of investments in subsidiaries (Note 12) of HK\$23 (2022: HK\$23) and amounts due from subsidiaries of HK\$Nil (2022: HK\$23,406,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

38. EVENTS AFTER THE REPORTING PERIOD

- (a) On 14 June 2023, Mr. Tang Sing Ming Sherman, as a lender, who is also the sole beneficial owner of the Convertible Bonds issued by the Company, signed a memorandum of loans with a subsidiary of the Company, pursuant to which repayment date of a loan from Mr. Tang with an outstanding balance of principal and interest of approximately HK\$98,453,000 as at 14 June 2023 was extended from 22 June 2023 to 22 June 2024. The Extended Loan bears the same term after the Extension. The rest of the loan from Mr. Tang is interest-free, unsecured and is repayable on demand.
- (b) As at the date of this annual report, an indirect wholly owned subsidiary of the Company commenced arbitral proceedings against an independent third party in June 2023 to revoke an acquisition agreement (the “**Agreement**”) entered into with the independent third party in June 2022 due to its failure to fulfil certain conditions in the Agreement.

39. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company as at 31 March 2023 to be Oceanic Fortress Holdings Limited, a company incorporated in BVI.

Financial Summary

RESULTS

	For the year ended 31 March				
	2019	2020	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	251,792	188,125	187,875	171,884	162,508
(Loss)/profit before income tax	(75,362)	(22,486)	2,851	(20,936)	(14,925)
Income tax (expense)/credit	(1,363)	(667)	(436)	248	900
Attributable to:-					
Owners of the Company	(75,916)	(22,967)	2,521	(19,810)	(12,391)
Non-controlling interests	(809)	(186)	(106)	(878)	(1,634)
(Loss)/profit for the year	(76,725)	(23,153)	2,415	(20,688)	(14,025)

Financial Summary

ASSETS AND LIABILITIES

	At 31 March				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
NON-CURRENT ASSETS	19,721	47,742	32,627	33,654	23,626
CURRENT ASSETS	149,762	104,527	97,211	81,408	49,113
DEDUCT:-					
CURRENT LIABILITIES	163,296	182,451	202,429	172,753	144,463
NET CURRENT LIABILITIES	(13,534)	(77,924)	(105,218)	(91,345)	(95,350)
TOTAL ASSETS LESS CURRENT LIABILITIES	6,187	(30,182)	(72,591)	(57,691)	(71,724)
NON-CURRENT LIABILITIES	(71,576)	(57,993)	(11,997)	(48,764)	(47,064)
NET LIABILITIES	(65,389)	(88,175)	(84,588)	(106,455)	(118,788)