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SIMPLICITY HOLDING LIMITED

倩碧控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8367)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The board of directors (the “**Board**”) of Simplicity Holding Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2023 (the “**Annual Results**”). This announcement contains the full text of the annual report of the Group for the year ended 31 March 2023 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM**” and the “**GEM Listing Rules**”, respectively). The Annual Results have been reviewed by the Board and the audit committee of the Board.

By Order of the Board
Simplicity Holding Limited
Choi Pun Lap
Executive Director

Hong Kong, 29 June 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Choi Pun Lap and Mr. Leung Wai Tai; and the independent non-executive Directors of the Company are Mr. Yeung Man Sun, Mr. Lo Cheuk Fei Jeffrey and Mr. Cheung Hiu Fung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange’s website at <http://www.hkexnews.hk> on the “Latest Listed Company Information” page for at least seven days from the date of its publication and posting and will be published and remains on the website of the Company at <http://www.simplicityholding.com>.

* For identification purpose only

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Wong Suet Hing (*Chairlady*)
(resigned with effect from 14 October 2022)
Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)
Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)
Mr. Choi Pun Lap (appointed with effect from 26 April 2022)
Mr. Leung Wai Tai (appointed with effect from 23 December 2022)

Independent non-executive Directors

Mr. Lo Cheuk Fei Jeffrey
Mr. Yeung Man Sun
Mr. Chan Wai Pun (resigned with effect from 31 August 2022)
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and
resigned with effect from 31 March 2023)
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

Compliance Officer

Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)
Mr. Choi Pun Lap (appointed with effect from 30 June 2022)

Authorised Representatives

Mr. Choi Pun Lap
Mr. Leung Wai Tai

Company Secretary

Mr. Choi Pun Lap

Audit Committee

Mr. Yeung Man Sun (*Chairman*)
Mr. Lo Cheuk Fei Jeffrey
Mr. Chan Wai Pun (resigned with effect from 31 August 2022)
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and
resigned with effect from 31 March 2023)
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

Remuneration Committee

Mr. Chan Wai Pun (*Chairman*) (resigned with effect from 31 August 2022)
Mr. Lo Cheuk Fei Jeffrey (*Chairman*)
(Re-designated with effect from 31 August 2022)
Mr. Yeung Man Sun
Ms. Wong Suet Hing (resigned with effect from 14 October 2022)
Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)
Mr. Choi Pun Lap (appointed with effect from 26 April 2022)
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and
resigned with effect from 31 March 2023)
Mr. Leung Wai Tai (appointed with effect from 23 December 2022)
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

Nomination Committee

Mr. Yeung Man Sun (*Chairman*)
Mr. Lo Cheuk Fei Jeffrey
Mr. Chan Wai Pun (resigned with effect from 31 August 2022)
Ms. Wong Suet Hing (resigned with effect from 14 October 2022)
Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)
Mr. Choi Pun Lap (appointed with effect from 26 April 2022)
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and
resigned with effect from 31 March 2023)
Mr. Leung Wai Tai (appointed with effect from 23 December 2022)
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

CORPORATE INFORMATION

Auditor	Fan, Chan & Co. Limited Certified Public Accountants Room 1007-1012, 10/F, K.Wah Centre, 191 Java Road, North Point Hong Kong
Principal Bankers	Shanghai Commercial Bank Limited Shanghai Commercial Bank Tower 12 Queen's Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar and Transfer Office	Tricor Investor Services Limited 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Company Website	www.simplicityholding.com
GEM Stock Code	08367

FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

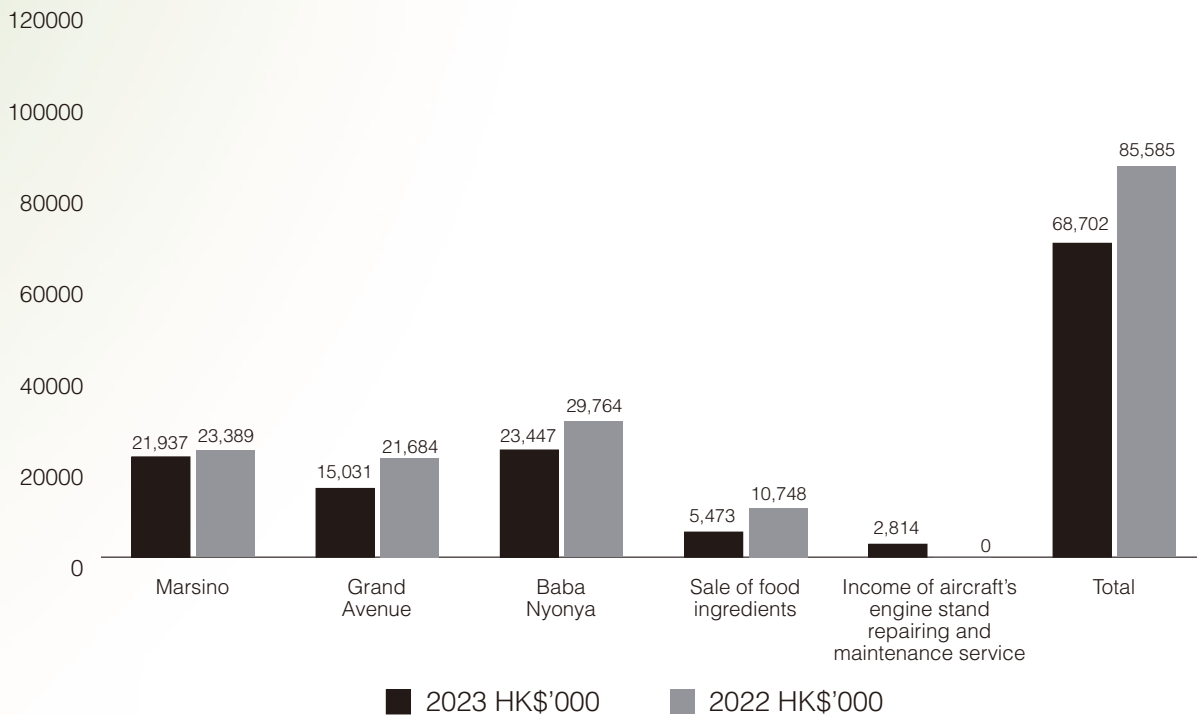
	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	68,702	85,585
(Loss)/profit before tax	(36,732)	3,929
(Loss)/profit and total comprehensive income for the year attributable to owners of the Company	(36,515)	4,031

ASSETS AND LIABILITIES

	2023 HK\$'000	2022 <i>HK\$'000</i>
Assets		
Non-current assets	53,066	31,042
Current assets	32,161	65,745
Total assets	85,227	96,787
Liabilities		
Non-current liabilities	15,595	14,490
Current liabilities	54,206	39,506
Total liabilities	69,801	53,996
Total equity	15,426	42,791
Total equity and liabilities	85,227	96,787
Net current (liabilities)/assets	(22,045)	26,239
Total assets less current liabilities	31,021	57,281

FINANCIAL HIGHLIGHTS

Total Revenue



Brand of business of restaurant



FINANCIAL HIGHLIGHTS

OUR RESTAURANT LEASES

Brand	# of Stores	Existing Location	Mall Operator	Lease Expiry Date	Option to Renew (Yrs)	Seats	FEHD Licensed Area (Sq M)
Marsino	3	Amoy Plaza, Ngau Tau Kok	Hang Lung	December 2023	None	50	90.2
		Fortune Kingswood, Tin Shui Wai	Fortune REIT	July 2025	3	66	108.6
		Wan Tsui Shopping Centre, Chai Wan	Link REIT	September 2024	None	67	152.7
Grand Avenue	1	MOS Town, Ma On Shan	Henderson	August 2023	None	108	182.9
Baba Nyonya	3	MOS Town, Ma On Shan	Henderson	March 2024	None	52	104.9
		Amoy Plaza, Ngau Tau Kok	Hang Lung	September 2024	None	63	118.5
		T Town, Tin Shui Wai	Link REIT	April 2026	3	72	134.0

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

For the business of catering

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 5 May 2023, the value of total receipts of the restaurants sector in the first quarter of 2023 was provisionally estimated at HK\$27.6 billion, representing an increase of approximately 81.7% over a year earlier. Over the same period, the provisional estimate of the value of total purchases by restaurants increased by approximately 73.8% to approximately HK\$9.0 billion.

Analysed by type of restaurant and comparing the first quarter of 2023 with the first quarter of 2022, total receipts of Chinese restaurants increased by 126.9% in value and 117.4% in volume. Total receipts of non-Chinese restaurants increased by 85.8% in value and 77.8% in volume. Total receipts of fast-food shops increased by 38.6% in value and 32.6% in volume. Total receipts of bars increased by 712.5% in value and 670.7% in volume. As for miscellaneous eating and drinking places, total receipts increased by 36.7% in value and 31.4% in volume.

A Government spokesman said that business of restaurants improved visibly in the first quarter of 2023 as domestic activities returned to normal and visitor arrivals rebounded. The value of total restaurant receipts surged by 81.7% over the low base of comparison a year ago.

Looking ahead, business of restaurants will continue to benefit from the recovery of private consumption and inbound tourism. The disbursement of a new round of consumption vouchers will also help.

Although the industry of catering business is getting better, the Group will continue to monitor the developments closely and will be cautious in running our business.

For the business of engineering:

According to the data released by the Census and statistics Department of the Government of Hong Kong on 12 June 2023, the total gross value of construction works (GVCW) performed by main contractors in the first quarter of 2023 increased by 7.4% in nominal terms over a year earlier to \$62.6 billion. After discounting the effect of price changes, the provisional results showed that the total GVCW performed by main contractors increased by 8.7% in real terms over the same period. Analysed by type of construction works, the GVCW performed at private sector sites totalled \$17.0 billion in the first quarter of 2023, up by 18.2% in nominal terms over a year earlier. In real terms, it increased by 17.9%.

Although the industry of construction is getting better, the Group will continue to monitor the development of new business closely and will be cautious in running our business.

BUSINESS OVERVIEW

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

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

“Marsino” had recorded revenue of approximately HK\$21.9 million during the year ended 31 March 2023, which is equivalent to 31.9% of our total revenue. As compared to the last corresponding period, “Marsino” has experienced a decrease in revenue by 6.4% mainly due to the negative impacts brought by the COVID-19 in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

“Grand Avenue” had recorded revenue of approximately HK\$15.0 million during the year ended 31 March 2023, which is equivalent to 21.9% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced a decrease in revenue by 30.9% due to the negative impacts brought by the COVID-19 in 2022.

“Baba Nyonya” had recorded revenue of approximately HK\$23.5 million during the year ended 31 March 2023, which is equivalent to 34.1% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced a decrease in revenue by 21.5% due to the negative impacts brought by the COVID-19 in 2022.

In addition to the above restaurants, our Group also operates a central kitchen which supplies raw materials and consumables to our restaurants. We established our central kitchen as early as in 2007, and then we moved to the existing premises due to expansion. Our management believes that our central kitchen can continuously improve the efficiency of our operation.

The segment of “Sale of food ingredients” had recorded revenue of approximately HK\$5.5 million during the year ended 31 March 2023, which is equivalent to 8.0% of our total revenue. As compared to the last corresponding period, the segment of “Sale of food ingredients” has experienced a decrease in revenue by 48.6% due to the negative impacts brought by the COVID-19 in 2022.

The segment of income of aircraft engine stand repair and maintenance services had recorded revenue of approximately HK\$2.8 million during the year ended 31 March 2023, which is equivalent 4.1% of our total revenue.

For disposal of Lucky State Investment Holdings Limited:

On 18 November 2022, the Group disposed of its entire equity interest in Lucky State Investment Holdings Limited, at of HK\$3,375,000 by way of set off against the promissory note at completion date. The disposal of Lucky State Investment Holdings Limited was completed on 18 November 2022 and upon the completion of disposal, Lucky State Investment Holdings Limited ceased to be a wholly-owned subsidiary of the Group. Details are set out in note 35 to the annual report of the Company for the year ended 31 March 2023 and set out in the Company’s announcement date 18 November 2022.

For acquisition of High Smart Engineering Limited:

During the year ended 31 March 2023, the Group entered into an agreement with an independent party for the acquisition of 100% equity interest of High Smart Engineering Limited, a company incorporated in Hong Kong. The total considerations were HK\$9 million in cash and HK\$25 million by procuring the allotment and issue of the consideration shares by the Company to the vendor upon completion, subject to the lock up and share repurchase arrangement issued by the Company. Details are set out in the Company’s announcement date 21 December 2022, 13 January 2023, 19 January 2023, 8 February 2023, 1 March 2023 and 6 March 2023.

To cope with the impact of tough conditions in 2022, the Group has expanded new business in Hong Kong in 2023. In order to enhance and diversify the Group’s business prospect, the Group has completed the acquisition of business of engineering company that the Group is able to provide aircraft engine stand repair and maintenance services in Hong Kong. Its major customers include airlines, aircraft engine manufacturers and aircraft engineering companies. For the new business, the Group expect the jobs of aircraft engine stand repair will be stable and continue to be increased due to (i) the industry of construction is getting better, (ii) the multiple rounds of relaxation of quarantine arrangement for inbound travellers during 2022 implemented by Hong Kong’s government that expecting air passenger trips increased visibly and (iii) the estimated number of aircraft landings and take-offs will be increased in Hong Kong in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

For the business of catering, the outbreak of the COVID-19 pandemic posed substantial drags to the food and beverage services in recent years. The decline in business receipts for food and beverage services in 2022 was mainly due to the local epidemic situation causing disruptions to the business of restaurants during certain periods in 2022. Analysed by type of restaurants and comparing 2022 with 2021, total receipts of Chinese restaurants decreased by 10.0% in value and 12.9% in volume. Total receipts of non-Chinese restaurants decreased by 6.2% in value and 9.6% in volume. However, the multiple rounds of relaxation of quarantine arrangement for inbound travellers during 2022 were implemented by Hong Kong's Government that the catering business in Hong Kong will be getting better in the coming future. The Group expect that after the COVID-19 has been under control, the revenue generated by the Group will be improved.

For the business of engineering, the Group expect the jobs of aircraft engine stand repair will be stable and continue to be increased as mention below.

The Group is committed to strengthen our core capabilities to keep on improving its business performance and operating results so as to cope with these challenges and to present satisfactory results and bring favourable returns to our shareholders. In view of the challenges faced by the Group, we will adopt a conservative and cautious approach to operate our businesses. Actions we have taken or are likely to take are:

- 1) Minimising our staff costs by reducing the usage of staff in our restaurants;
- 2) Negotiating with our landlords for rent concession;
- 3) Negotiating with our suppliers for purchase discounts and longer payment terms;
- 4) Expanding the take-away product line such as food pack and ready-to-eat products and increasing marketing efforts and sales stimulating measures;
- 5) Cooperating with food delivery companies to deliver our food to the customers;
- 6) Participating in food fairs to promote our take-away product lines;
- 7) Supplying food materials to a chain of restaurants in Hong Kong;
- 8) Opening new restaurants at lower costs; and
- 9) Refining business strategies to cope with the continuing challenges.

To cope with the impact of tough conditions in 2022, the Group has expanded new business in Hong Kong in 2023. In order to enhance and diversify the Group's business prospect, the Group has completed the acquisition of business of engineering company that the Group is able to provide aircraft engine stand repair and maintenance services in Hong Kong. Its major customers include airlines, aircraft engine manufacturers and aircraft engineering companies. For the new business, the Group expect the jobs of aircraft engine stand repair will be stable and continue to be increased due to (i) the industry of construction is getting better, (ii) the multiple rounds of relaxation of quarantine arrangement for inbound travellers during 2022 implemented by Hong Kong's government that expecting air passenger trips increased visibly and (iii) the estimated number of aircraft landings and take-offs will be increased in Hong Kong in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

In the long run, the Group aims at extending its food and beverage business in Hong Kong as well as the business of engineering — aircraft engine stand repair and maintenance services in Hong Kong to enhance values to our shareholders. The Board considers that these strategic initiatives will enable the Group to broaden its income streams and asset base, thus contributing to future development and growth of the Group.

Details are set out in the Company's announcement date 21 December 2022, 13 January 2023, 19 January 2023, 8 February 2023, 1 March 2023 and 6 March 2023.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2023, the Group recorded revenue of approximately HK\$68.7 million (year ended 31 March 2022: approximately HK\$85.6 million), representing a decrease of 19.7% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to the severe economic downturn as caused by the COVID-19 in 2022.

Raw materials and consumables used

The raw materials and consumables used mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants and central kitchen. The major food ingredients purchased by the Group include, but are not limited to, meat, seafood, frozen food, vegetables and beverages. Raw materials and consumables used is one of the major components of the Group's operating expenses which amounted to approximately HK\$28.8 million and HK\$31.7 million for each of the year ended 31 March 2023 and 2022, respectively, representing approximately 41.9% and 37.0% of the Group's total revenue for the corresponding periods. Such decrease was mainly contributed by the decrease in revenue as well as higher food costs.

Other gains and losses, net

For the year ended 31 March 2023, the Group recorded net losses of approximately HK\$6.8 million (year ended 31 March 2022: net gains of approximately HK\$19.5 million), representing a net decreased by approximately HK\$26.3 million. Such decrease was due to the loss on provision for impairment of right-of-use assets.

Staff costs

Staff costs was approximately HK\$38.5 million for the year ended 31 March 2023, representing an increase of approximately 18.1% as compared to approximately HK\$32.6 million for the year ended 31 March 2022. Such increase was mainly due to the expense of equity-settled share-based payment.

Depreciation

Depreciation expenses were approximately HK\$12.3 million and HK\$15.0 million for the year ended 31 March 2023 and 2022 respectively.

Rental and related expenses

The rental expenses for the year ended 31 March 2023 amounted to approximately HK\$2.4 million, representing a decrease of approximately 44.2% as compared with that of the year ended 31 March 2022 which amounted to approximately HK\$4.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the year ended 31 March 2023 and 2022, the total utility expenses amounted to approximately HK\$3.2 million and HK\$3.8 million, respectively and was mainly due to the tightened cost control.

Other expenses

The Group's other expenses increased by approximately 19.2% from approximately HK\$14.6 million for the year ended 31 March 2022 to approximately HK\$17.4 million for the year ended 31 March 2023 mainly due to the increase in share-based payment expenses to the consultants.

Finance costs

The Group's finance costs represented interest on bank and other borrowings and interest on lease liabilities after the HKFRS 16 coming into effect in 2019. For the year ended 31 March 2023 and 2022, finance costs were approximately HK\$0.8 million and HK\$1.1 million, respectively.

(Loss)/profit attributable to owners of the Company

For the year ended 31 March 2023, the Group recorded a loss attributable to owners of the Company of approximately HK\$36.7 million, as compared to the profit of approximately HK\$4.0 million for the year ended 31 March 2022. The decrease in profit was mainly due to increase in staff costs during the year and the COVID-19 pandemic in 2022 brought serious disruptions to business of catering and decrease in revenue.

Dividend

The Board does not recommend any payment of dividend for the year ended 31 March 2023 (2022: Nil).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong with significant transactions are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any outstanding capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any material contingent liabilities.

CHARGE ON GROUP ASSETS

At 31 March 2023, the Group did not have any charge of assets.

EVENT AFTER THE REPORTING DATE

Detail is set out in the note 44 to the consolidated financial statements.

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

In respect of the acquisition of subsidiary for the year ended 31 March 2023, details are set out in note 34 of acquisition of subsidiary and set out in the Company's announcement date 21 December 2022, 13 January 2023, 19 January 2023, 8 February 2023, 1 March 2023 and 6 March 2023.

In respect of the disposal of subsidiary for the year ended 31 March 2023, details are set out in note 35 and set out in the Company's announcement date 18 November 2022.

Except for the above, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 March 2023. There is no other plan for material investments or capital assets as at 31 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

- 1) As we lease all of the properties for our restaurant operations, any attractive location will likely be subject to high demand from, among others, other food and beverage operators that compete directly with our Group for the same location. As such, there is no assurance that our Group would be able to find suitable premises that are commercially attractive for its restaurants with reasonable commercial terms in the event there is a need for relocation or our Group intends to open new restaurants. In addition, it is uncertain that all our leases can be renewed at all when they expire or on terms acceptable to us. Even if our Group is able to renew or extend its leases, the rental expenses may increase significantly, which could adversely affect our profitability.
- 2) We rely on our central kitchen to supply some of our semi-processed or processed food ingredients used in our restaurants and any disruption of operation at our central kitchen could adversely affect our business and operations.
- 3) If our suppliers fail to deliver food with an acceptable quality or in a timely manner, we may experience supply shortages and increased food costs.
- 4) We require various approvals and licences to operate our catering business, and the loss of, or failure to, obtain or renew any or all of these approvals and licences, could materially and adversely affect our business.
- 5) Labour shortages or increases in labour costs will increase our Group's operating costs and reduce our profitability.
- 6) Risks related to the spread of coronavirus and other possible infectious disease which may adversely affect the business of the food and beverage sector.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Choi Pun Lap (蔡本立) (“Mr. PL Choi”), aged 45, was appointed as our executive Director on 26 April 2022. He has knowledge in corporate finance transactions in Hong Kong. He is an executive director of Aurum Pacific (China) Group Limited (stock code: 8148) and Zhejiang United Investment Holdings Group Limited (stock code: 8366), both are listed on the GEM. He is an independent non-executive director of Sunway International Holdings Limited (stock code: 58) which the issued shares are listed on the Main Board of the Stock Exchange and he is also an independent non-executive director of Zhao Xian Business Ecology International Holdings Limited (stock code: 8245), which is listed on the GEM. In the past, Mr. Choi was a financial controller of a company which is listed in GEM in 2019 and he was a senior audit manager in the audit department of HLB Hodgson Impey Cheng Limited (“**HLB**”) in Hong Kong. He has worked in HLB for more than ten years from February 2007 to December 2017.

Mr. Choi is a valuation practitioner of International Association of Certified Valuation Specialists since 2019. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a member of Certified Practising Accountants Australia and a member of Chartered Global Management Accountant. Mr. Choi graduated from Hong Kong Metropolitan University with a Master of Law (Chinese Business Law) in Hong Kong in 2017. He obtained a Bachelor of Business (Accounting) from Central Queensland University in Australia in 2003 and further studied Postgraduate Diploma of Accounting in Monash University in Australia in 2005.

Mr. Leung Wai Tai (梁焯泰) (“Mr. WT Leung”), aged 41, was appointed as our executive Director on 23 December 2022. He is also an executive director of Goldway Education Group Limited (stock code: 8160), a company listed on the GEM of the Stock Exchange and is an independent non-executive director of International Entertainment Corporation (stock code: 1009) which the issued shares are listed on the Main Board of the Stock Exchange.

Mr. WT Leung obtained a bachelor of arts degree in Accountancy in the Hong Kong Polytechnic University in 2003, and obtained his postgraduate degree in Accounting from the School of Accounting & Finance of the Hong Kong Polytechnic University in 2006. Mr. Leung is a Fellow Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Blossoming Certified Public Accountants Limited. He has over 20 years experience in the accountancy profession.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Cheuk Fei Jeffrey (“Mr. Lo”), aged 30, was appointed as our independent non-executive director on 27 July, 2021. Mr. Lo obtained his Master’s degree with Honours in Accounting and Finance from The University of Edinburgh. Mr. Lo currently serves as the finance controller of a medical group incorporated in Hong Kong. Mr. Lo is also the company secretary of Zhao Xian Business Ecology International Holdings Limited (HKSE: 8245). Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered and Certified Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Yeung Man Sun (楊万鋹) (“Mr. Yeung”), aged 43, was appointed as our independent non-executive Director on 19 August 2021. Mr. Yeung has more than eighteen (18) years of experience in the accounting and financial industries gained from different business entities, including PricewaterhouseCoopers from September 2003 to June 2007, with his last position as a senior associate. He served as a company secretary of Evershine Group Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8022) from April 2020 to January 2021. Presently, he is the executive director of RTC Capital Limited.

Mr. Yeung also served as an executive director of My Heart Bodibra Group Limited (a company listed on GEM of the Stock Exchange, stock code: 8297) from February 2018 to December 2018.

Mr. Yeung obtained a Bachelor of Business Administration in Accountancy degree from City University of Hong Kong in November 2003 and a Master of Corporate Governance degree from Polytechnic University of Hong Kong in September 2015. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants, associate member of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

Mr. Cheung Hiu Fung (張曉峯) (“Mr. HF Cheung”), aged 29, was appointed as our independent non-executive director on 31 March 2023. He is an independent non-executive director of Hao Bai International (Cayman) Limited (Stock Code: 8431), a company listed on the GEM of the Stock Exchange. He was an executive director of Goldway Education Group Limited (Stock Code: 8160), a company listed on the GEM of the Stock Exchange, between April 2021 and September 2022 while he was also its chairman of the Board between January 2022 and September 2022.

Mr. HF Cheung obtained his Master of Business Administration Degree from The University of Chichester, United Kingdom. Mr. Cheung started his career in writing financial analysis and holding financial seminar as a finance columnist on various social media and newspaper in Hong Kong since January 2015, and founded Bofung Company Limited in July 2017. His financial investment course had over thousand of students. He is also a writer and published his own financial analysis book “財技 x 盤路倍升股全攻略” in Hong Kong and Taiwan, with more than 2,000 copies sold.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Wong Sau Ting Peony (王秀婷) (“Ms. ST Wong”), aged 48, is responsible for and oversee our Group’s catering business, strategic direction and business development. Ms. ST Wong graduated from the Chinese University of Hong Kong with a degree in bachelor of social science in May 1997 and a degree in master of business administration from University of South Australia in September 2005.

Mr. Li Kwun Ho Clarence (李觀豪) (“Mr. Clarence Li”), aged 58 was appointed as our Manager (Engineering Department) from 01 April 2022 to present. He is a Manager of Engineering and he is primary responsible for and oversee our Company’s aviation business, strategy planning, business development and execution, Mr. Clarence Li graduated from the Ryerson Polytechnic Institute in Toronto Canada with an Aerospace degree in Bachelor of Engineering in May 1992. Mr. Li has over 28 years of experience in airport GSE and aviation maintenance organizations.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 March 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code throughout the year. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees including the Audit and Risk Management Committee, the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) (together, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this annual report, the Board comprised four executive Directors and three independent non-executive Directors:

Executive Directors:

Ms. Wong Suet Hing (*Chairlady*) (resigned with effect from 14 October 2022)

Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)

Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)

Mr. Choi Pun Lap (appointed with effect from 26 April 2022)

Mr. Leung Wai Tai (appointed with effect from 23 December 2022)

Independent Non-Executive Directors:

Mr. Lo Cheuk Fei Jeffrey

Mr. Yeung Man Sun

Mr. Chan Wai Pun (resigned with effect from 31 August 2022)

Mr. Wong Hoyen Pegasus

(appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)

Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

The biographies of the Directors are set out under the section headed “Directors and Senior Management” in this annual report.

CORPORATE GOVERNANCE REPORT

During the year, the Board has met at all times the requirements under Rules 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 5.05A of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

CHAIRMAN AND CHIEF EXECUTIVE

According to A.2.1 of the Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year, Ms. SH Wong was the chairlady of the Company, was responsible for overseeing the overall operations and procurement of the Group. While our chief executive officer, Ms. ST Wong had a clear distinction of responsibilities and she worked together with the other executive Directors and senior management to be responsible for day-to-day operations of the Group and different aspects of the business.

Ms. SH Wong has resigned as an executive director of the Company with effect from 14 October 2022.

Ms. ST Wong has resigned as an executive director of the Company with effect from 30 December 2022.

No Chairman or Chairlady since Ms. Wong Suet Hing has resigned with effect from 14 October 2022.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

The Board has adopted a board diversity policy on 31 December 2018 which sets out the approach to achieve diversity on the Board.

Selection of candidates will be based on a range of factors, including diversity in gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and independence.

The final decision will be based on merit and contribution that the selected candidates will bring to the Board. For further details, please refer to the board diversity policy published on the Company's website.

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board and confirmed that the Company has maintained a balanced composition with a strong independent element on the Board. The Directors collectively possess diversified experience in management and broad industrial experience. Three independent non-executive Directors possess professional knowledge in accounting and finance, and business management, respectively. Further details of the Directors are set out in the section headed "Directors and Senior Management" in this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDS")

The INEDs serve a critical function of advising the management on strategy 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.

The INEDs are all experienced with expertise in different areas of finance, accounting, industry knowledge and expertise. With their professional knowledge and experience, the INEDs advise the Company on its operation and management; provide independent advice; and participate in the Company's different committees including Audit Committee, Nomination Committee and Remuneration Committee. Each of the independent non-executive Directors has made annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

All of the Directors including both the executive Directors and the INEDs are appointed for a specific term. Each of the INEDs has entered into a letter of appointment with the Company for a period of one year subject to the rotation requirement and shall continue thereafter unless terminated by either party giving at least one month notice in writing. In accordance with the Company's Articles of Association and, at each Annual General Meeting ("AGM") of the Company, one-third of the Directors will retire from office by rotation but will be eligible for re-election.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings. Having made specific enquiries to all the Directors and all the Directors had confirmed they have complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 March 2023.

CORPORATE GOVERNANCE REPORT

NON-COMPETITION UNDERTAKINGS

Pursuant to the deed of non-competition dated 29 January 2018 (“**Deed of Non-Competition**”) entered into by Marvel Jumbo Limited (“**MJL**”), Ms. SH Wong, Ms. ST Wong, Ms. Chow Lai Fan (“**Ms. LF Chow**”), Ms. SC Wong and Mr. SH Ma (collectively, the “**Parties**”), each of Parties has jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the continuation of the Deed of Non-Competition he/she/it shall not, and shall procure that his/her/its close associates (other than any member of our Group) not to, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business, or be interested or involved or engaged in or acquire or hold any right or interest, or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business, which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the operation of restaurants in Hong Kong and any other country or jurisdiction).

The Company has received an annual declaration from each of the Parties confirming that they complied with the undertakings for the year ended 31 March 2023. The Parties also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 March 2023.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-Competition for the year ended 31 March 2023:

- (i) the Parties had procured the INEDs to review, on an annual basis, the compliance with the non-competition undertakings by the Parties under the Deed of Non-Competition;
- (ii) the Parties had promptly provided all information requested by the Company which is necessary for the annual review by the INEDs and the enforcement of the Deed of Non-Competition;
- (iii) the Parties had provided to the Company a written confirmation relating to the compliance of the Deed of Non-Competition and declared that they had complied with the Deed of Non-Competition for the year ended 31 March 2023; and
- (iv) the INEDs, having reviewed the relevant information and the written confirmation provided by the Parties, decided that the undertakings in respect of the Deed of Non-Competition had been duly enforced and complied with by the Parties for the year ended 31 March 2023.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 March 2023, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DELEGATION BY THE BOARD

The Board reserves its decisions on all major matters of the Company, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management. The delegated work tasks are reviewed periodically. Approval has to be obtained from the Board prior to any significant transactions occurred. The INEDs bring a wide range of business and expertise, independent judgement and experiences to the Board.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing corporate governance duties and has adopted written terms of reference on its corporate governance functions.

The duties of the Board in respect of the corporate governance functions include:

- (i) Developing and reviewing the Company's policies and practices on corporate governance;
- (ii) Reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (v) Reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report;
- (vi) Developing, reviewing and monitoring the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company; and
- (vii) Reviewing and monitoring the Company's compliance with the Company's whistleblowing policy.

During the year, the above corporate governance duties have been duly performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

CORPORATE GOVERNANCE REPORT

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to the Directors. Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials.

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 March 2023 is as follows:

Name of Directors	Continuous professional development programmes
<i>Executive Directors</i>	
Ms. Wong Suet Hing (<i>Chairlady</i>) (resigned with effect from 14 October 2022)	Yes
Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)	Yes
Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)	Yes
Mr. Choi Pun Lap (appointed with effect from 26 April 2022)	Yes
Mr. Leung Wai Tai (appointed with effect from 23 December 2022)	Yes
<i>Independent non-executive Directors</i>	
Mr. Lo Cheuk Fei Jeffrey	Yes
Mr. Yeung Man Sun	Yes
Mr. Chan Wai Pun (resigned with effect from 31 August 2022)	Yes
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)	Yes
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)	Yes

The nature of continuous professional development programmes are reading seminar materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board meets regularly, and at least four times a year, in person or by telephone or by means of electronic communication. The Chairlady also meets with the INEDs at least once a year without the presence of the executive Directors. No Chairman or Chairlady since Ms. Wong Suet Hing has resigned with effect from 14 October 2022. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board and committee meetings, reasonable notice is generally given. All notices, agendas, schedules and the relevant information of each Board and committee meeting are generally made available to Directors or committee members in advance. The Board and each Director also have separate and independent access to the management whenever necessary.

The company secretary of the Company or the secretary to the board committees is responsible for taking and/or keeping minutes of all Board meetings and various committees' meetings in sufficient detail. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting is held, and the final version of the minutes is opened for Director's inspection.

During the year ended 31 March 2023, the Board convened a total of thirty-one meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings is set out below:

Name of Directors	General Meeting Attended/Held	Board Meeting Attended/Held
<i>Executive Directors</i>		
Ms. Wong Suet Hing (<i>Chairlady</i>) (resigned with effect from 14 October 2022)	0/1	13/13
Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)	1/1	22/22
Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)	0/0	1/1
Mr. Choi Pun Lap (appointed with effect from 26 April 2022)	1/1	29/29
Mr. Leung Wai Tai (appointed with effect from 23 December 2022)	0/0	9/9
<i>Independent non-executive Directors</i>		
Mr. Lo Cheuk Fei Jeffrey	1/1	31/31
Mr. Yeung Man Sun	1/1	31/31
Mr. Chan Wai Pun (resigned with effect from 31 August 2022)	0/1	11/11
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)	1/1	18/18
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)	0/0	0/0

INDEPENDENT BOARD COMMITTEE

Where there are matters involving connected or continuing connected transactions, so far as required under the GEM Listing Rules, an Independent Board Committee, comprising wholly the INEDs, will be established.

BOARD COMMITTEES

The Board has established three committees, including the Remuneration Committee, the Nomination Committee and the Audit Committee with delegated powers for overseeing particular aspects of the Company's affair. Each of the committees of the Company has been established with written terms of reference.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 29 January 2018 in compliance with Appendix 15 of the GEM Listing Rules. On 21 December 2022, the Company adopted a set of revised terms of reference of the remuneration committee in line with the GEM Listing Rules requirement. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the website of the Stock Exchange and the Company's website.

The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and the senior management and determining the remuneration packages of all executive Directors and senior management. The Remuneration Committee is also responsible to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee will hold at least one meeting during the year. The members will review the remuneration package of Directors and the senior management of the Company.

The Remuneration Committee comprises five members namely:

Mr. Chan Wai Pun (*Chairman*) (resigned with effect from 31 August 2022)
Mr. Lo Cheuk Fei Jeffrey (*Chairman*) (re-designated with effect from 31 August 2022)
Mr. Yeung Man Sun
Ms. Wong Suet Hing (resigned with effect from 14 October 2022)
Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)
Mr. Choi Pun Lap (appointed with effect from 26 April 2022)
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)
Mr. Leung Wai Tai (appointed with effect from 23 December 2022)
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

Majority of the members are independent non-executive Directors.

During the year ended 31 March 2023, the Remuneration Committee convened four committee meeting.

Attendance of each Remuneration Committee member is set out below:

Name of Directors	Remuneration Committee Meeting Attended/Held
<i>Independent non-executive Directors</i>	
Mr. Lo Cheuk Fei Jeffrey (<i>Chairman</i>)	4/4
Mr. Yeung Man Sun	4/4
Mr. Chan Wai Pun (resigned with effect from 31 August 2022)	2/2
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)	1/1
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)	0/0
<i>Executive Directors</i>	
Ms. Wong Suet Hing (resigned with effect from 14 October 2022)	2/2
Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)	3/3
Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)	0/0
Mr. Choi Pun Lap (appointed with effect from 26 April 2022)	3/3
Mr. Leung Wai Tai (appointed with effect from 23 December 2022)	1/1

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 29 January 2018 for making recommendations to the Board on appointment of Directors and succession planning for the Directors. On 31 December 2018, the Company adopted a set of revised terms of reference of the Nomination Committee in line with the GEM Listing Rules requirement. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the website of the Stock Exchange and the Company's website.

The principal duties of the Nomination Committee include reviewing the Board structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service); make recommendations on any proposed changes to the Board to implement the Company's corporate strategy; identify and nominate appropriate candidates to fill vacancies of Directors for the Board's approval; assess the independence of the INEDs and review the board diversity policy. The nomination procedures are set out as follows:

1. The secretary of the Nomination Committee shall call a meeting and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.
2. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.
3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
4. In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.
5. A shareholder can serve a notice to the company secretary within the lodgment period of its intention to propose a resolution to elect a certain person as an INED, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.
6. A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary.
7. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
8. As there may be more candidates than the vacancies available, and the "gross-vote" method will be used to determine who shall be elected as an INED, shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

CORPORATE GOVERNANCE REPORT

Currently, the Nomination Committee comprises five members namely:

Independent non-executive Directors

Mr. Yeung Man Sun (*Chairman*)

Mr. Lo Cheuk Fei Jeffrey

Mr. Chan Wai Pun (resigned with effect from 31 August 2022)

Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)

Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

Executive Directors

Ms. Wong Suet Hing (resigned with effect from 14 October 2022)

Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)

Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)

Mr. Choi Pun Lap (appointed with effect from 26 April 2022)

Mr. Leung Wai Tai (appointed with effect from 23 December 2022)

Majority of the members are independent non-executive Directors.

Pursuant to the terms of reference of the Nomination Committee, meeting shall be held at least once a year and additional meetings should be held if the committee shall so request.

During the year ended 31 March 2023, the Nomination Committee convened four committee meetings.

Attendance of each Nomination Committee member is set out below:

Name of Directors	Nomination Committee Meeting Attended/Held
<i>Independent non-executive Directors</i>	
Mr. Yeung Man Sun (<i>Chairman</i>)	4/4
Mr. Lo Cheuk Fei Jeffrey	4/4
Mr. Chan Wai Pun (resigned with effect from 31 August 2022)	2/2
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)	1/1
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)	0/0
<i>Executive Directors</i>	
Ms. Wong Suet Hing (resigned with effect from 14 October 2022)	2/2
Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)	3/3
Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)	1/1
Mr. Choi Pun Lap (appointed with effect from 26 April 2022)	3/3
Mr. Leung Wai Tai (appointed with effect from 23 December 2022)	1/1

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an Audit Committee on 29 January 2018 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. On 31 December 2018, the Company adopted a set of revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the website of the Stock Exchange and the Company's website. The primary duties of the Audit Committee are mainly to:

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

Currently, the Audit Committee comprises three INEDs as follows:

Mr. Yeung Man Sun (*Chairman*)

Mr. Lo Cheuk Fei Jeffrey

Mr. Chan Wai Pun (resigned with effect from 31 August 2022)

Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)

Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

CORPORATE GOVERNANCE REPORT

Pursuant to the terms of reference of the Audit Committee, meetings shall be held not less than four times per year and additional meetings should be held as the work of the Committee demands. During the year ended 31 March 2023, the Audit Committee convened 5 committee meetings. The Audit Committee attended the audit committee planning meeting with the auditors, reviewed the Group's annual results and annual report for the year ended 31 March 2022, first quarterly results for the three months ended 30 June 2022, interim results for the six months ended 30 September 2022, and third quarterly results for the nine months ended 31 December 2022. The Audit Committee also discussed internal controls, risk management, financial reporting and change of auditor matters. Attendance of each Audit Committee member is set out below:

Name of Directors	Audit Committee Meeting Attended/Held
<i>Independent non-executive Directors</i>	
Mr. Yeung Man Sun (<i>Chairman</i>)	5/5
Mr. Lo Cheuk Fei Jeffrey	5/5
Mr. Chan Wai Pun (resigned with effect from 31 August 2022)	2/2
Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)	5/5
Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)	0/0

All the members are independent non-executive Directors (including at least one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors. The Group's consolidated financial statements for the year ended 31 March 2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2023 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, major business developments, corporate governance and other material information), to enable the shareholders and the potential investors to make an informed decision on their investments in the shares and other securities of the Company, and to actively participate in the activities organised by the Company for them.

The Company has established several channels to communicate with the shareholders as follows:

- 1) The Company communicates with the shareholders and the potential investors through various channels, including financial reports (annual, half-yearly and quarterly reports), annual general meetings and extraordinary general meetings, announcements and circulars;
- 2) The Company will monitor and review regularly the process of its general meeting and, where necessary, make appropriate changes to ensure that shareholders' needs are best served;
- 3) Board members, in particular, either the chairmen or deputy chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer the shareholders' questions;
- 4) Information published by the Company pursuant to the GEM Listing Rules will be made available on the website of the Stock Exchange www.hkexnews.hk and the Company's website www.simplicityholding.com (such as its history and developments, products and services, awards and achievements etc) to enable the shareholders and the potential investors to have better understanding of the Company and its latest development;
- 5) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Since 26 February 2018 (being the "**Listing Date**"), there was no change to the Company's Articles of Association.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Company does not have an internal audit department and is currently of the view that there is no immediate need to set up an internal audit department within the Group in light of the size, nature and complexity of the business of the Group. The Board has overall responsibility for formulation and overseeing the implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives, safeguard assets against unauthorised use or misappropriation, ensure maintaining proper accounting records for the provision of reliable financial information for internal use or publication, execution with appropriate authority and to ensure compliance of the relevant laws and regulations. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The Board understands that no one system will preclude all errors and irregularities.

The Board reviews the effectiveness of the Group's material internal controls and considers the Group's internal control system is designed to manage reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties. The Board is of the view that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

The Company maintains a framework for the handling and dissemination of inside information and the disclosure policy of the framework sets out the procedures and internal controls to ensure inside information remains confidential until such information is appropriately disclosed and the announcement of such information is made in a timely manner in compliance with the GEM Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements of the Group for the year ended 31 March 2023, the Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The Group's independent external auditor is Fan, Chan & Co. Limited ("**Fan, Chan**"). The remuneration for the audit and non-audit services provided by Elite Partners to the Group during the year ended 31 March 2023 was approximately as follows:

Type of Services	Amount <i>HK\$'000</i>
Audit	650
Non-audit services	<u>50</u>
Total	<u><u>700</u></u>

COMPANY SECRETARY

Mr. Wong Chi Chiu Henry has resigned as company secretary with effect from 26 April 2022, and Mr. Choi Pun Lap has been appointed since then. The role of the company secretary is to be responsible for ensuring that Board's procedures are followed and facilitating communications among Directors as well as with shareholders and management. Mr. Choi confirmed that they have taken no less than 15 hours of relevant professional training during the year ended 31 March 2023, which met the requirements of Rule 5.15 of the GEM Listing Rules.

DIVIDEND POLICY

The Company has adopted a dividend policy on 31 December 2018 which sets out the principles and measures on how the Company may propose a dividend.

The Board will take into account the following factors when considering the payment of dividends:

- (a) the Company's actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Group;
- (c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- (d) any restrictions on payment of dividends that may be imposed by the Group's contracting parties;
- (e) the Group's expected working capital requirements and future expansion plans;
- (f) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- (g) any other factors that the Board may deem appropriate.

Any declaration and payment of future dividends under the dividend policy will be subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. In addition, the declaration and payment of dividends may be subject to legal restrictions or any applicable laws, rules and regulations and the Articles of Association of the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the website of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

Pursuant to the Articles of Association of the Company which provides the extraordinary general meetings should be convened on the requisition of one or more members 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 the times have the right, by written requisition 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 (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

Shareholders may at any time make a request 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 communication relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the chief executive officer.

Putting forward proposals at a general meeting

Shareholders are welcomed 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. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Procedures for shareholders to convene an extraordinary general meeting" above.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company has not made any significant change to its constitutional documents during the year. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

DIRECTORS' REPORT

The Directors of the Company are pleased to present their report together with the audited financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements. The principal activities of the Group are business of catering and engineering.

BUSINESS REVIEW

The business review of the Group, including a discussion of the principal risks and uncertainties facing by the Group, an indication of likely future developments in the Group's business, and an analysis using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 8 to 14 of this Annual Report. Those discussions form part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2023 and the financial position of the Group as at that date is set out in the consolidated financial statements on pages 53 to 133.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 March 2023.

As at the date of this report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 5 of the Annual Report.

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on the Listing Date. Saved as disclosed in note 34 regarding the issue of the consideration shares for acquisition of subsidiary, there has been no change in the capital structure of the Group since then. The capital of the Group only comprised of ordinary shares.

Financial Resources and Liquidity

As at 31 March 2023, current assets amounted to approximately HK\$32.2 million (as at 31 March 2022: approximately HK\$65.7 million), of which approximately HK\$15.5 million (as at 31 March 2022: approximately HK\$31.9 million) was bank balances and cash, approximately HK\$10.2 million (as at 31 March 2022: approximately HK\$31.7 million) was trade and other receivables, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$54.2 million (as at 31 March 2022: approximately HK\$39.5 million) which primarily consisted of bank and other borrowings, trade and other payables, financial liabilities at FVTPL and lease liabilities. Current ratio (calculated based on the total current assets divided by total current liabilities) and quick ratio (calculated based on the total current assets less inventories divided by total current liabilities) were 0.6 and 0.5 respectively (as at 31 March 2022: 1.7 and 1.6 respectively).

Gearing ratio is calculated based on the borrowings representing the sum of interest-bearing bank borrowings divided by total equity at the end of the year and multiplied by 100%. Gearing ratio was 29.7% (as at 31 March 2022: 0%).

DIRECTORS' REPORT

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this Annual Report, the Group did not have other plans for material investments or capital assets as of 31 March 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 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 32 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 56 and statement of changes in equity on page 131 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company had distributable reserves of approximately HK\$10.0 million (as at 31 March 2022: HK\$33.2 million).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director or a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of the Company's subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" below, share options granted was disclosed in note 36 for the year ended 31 March 2023.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of our shareholders passed on 29 January 2018. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme. In this paragraph "Options" means the options to be granted by our Company pursuant to the terms and conditions of the Share Option Scheme.

(a) Purpose

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined in paragraph (b) below) to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

(b) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite:

- (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of our Group;
- (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group;
- (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group;
- (iv) any provider of goods and/or services to our Group; or
- (v) any other person who the Board considers, in its sole discretion, has contributed to our Group to take up Options (together, the "**Participants**").

(c) Subscription price

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an Option is granted; and (iii) the nominal value of a share on the date of the offer.

(d) Acceptance of an offer of Options

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

DIRECTORS' REPORT

(e) Maximum number of shares available for subscription

- (i) Subject to (iv) below, the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of the shares in issue as at the Listing Date, unless our Company obtains an approval from its shareholders pursuant to (ii) below.
- (ii) Subject to (iv) below, our Company may seek approval from its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the shares in issue as at the date of approval to refresh such limit.
- (iii) Subject to (iv) below, our Company may seek separate approval from our shareholders in general meeting for granting Options beyond the 10% limit provided that the Options granted in excess of such limit are granted only to the Participants are specially approved by the shareholders in general meeting and the Participants are specifically identified by our Company before such approval is sought. In such case, our Company shall send a circular to our shareholders containing the information required under the GEM Listing Rules.
- (iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

(f) Maximum entitlement of shares of each Participant

- (i) Subject to paragraph (ii) below, the total number of shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by our Shareholders in general meeting with such Participant and his or her close associates (or his or her associates if such Participant is a connected person) abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before our Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

DIRECTORS' REPORT

(g) Grant of Options to connected persons

- (i) Any grant of Options to a Participant who is a Director, chief executive or substantial shareholder of our Company or their respective associates must be approved by our independent non-executive Directors (excluding independent non-executive Director who is the Participant).
- (ii) Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, and such Option which if exercised in full, would result in the shares issued and to be issued upon exercise of all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate more than 0.1% of the relevant class of securities of our Company in issue on the date of such grant; and
 - (2) having an aggregate value, based on the closing price of the shares as at the date of such grant, in excess of HK\$5 million, such proposed grant of Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned, his or her associates and all core connected persons of our Company must abstain from voting at such general meeting (except where any core connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(h) Restrictions on the time of grant of Options

Our Company shall not grant any Options after inside information has come to its knowledge until it has announced the information. In particular, it shall not grant any Option during the period commencing one month immediately before the earlier of:

- (i) the date of the board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving our Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to announce its results for any year, half year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement.

Where the grantee is a Director, no Option shall be granted:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

DIRECTORS' REPORT

(i) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(j) Duration of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix V of the Prospectus.

For the year ended 31 March 2023, share options were granted, exercised, expired or lapsed are disclosed in note 36 under the Share Option Scheme.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 March 2023 are set out in note 41 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitute connected transactions that need to be disclosed under the GEM Listing Rules.

DIRECTORS

The Directors during the year and up to the date of this Annual Report are as follows:

Executive Directors

Ms. Wong Suet Hing (*Chairlady*) (resigned with effect from 14 October 2022)

Ms. Wong Sau Ting Peony (resigned with effect from 30 December 2022)

Mr. Wong Chi Chiu Henry (resigned with effect from 30 June 2022)

Mr. Choi Pun Lap (appointed with effect from 26 April 2022)

Mr. Leung Wai Tai (appointed with effect from 23 December 2022)

Independent Non-Executive Directors

Mr. Lo Cheuk Fei Jeffrey

Mr. Yeung Man Sun

Mr. Chan Wai Pun (resigned with effect from 31 August 2022)

Mr. Wong Hoyen Pegasus (appointed with effect from 17 May 2022 and resigned with effect from 31 March 2023)

Mr. Cheung Hiu Fung (appointed with effect from 31 March 2023)

DIRECTORS' REPORT

Pursuant to article 84 of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation and re-election at an annual general meeting of the Company in accordance with the Company's Articles of Association, providing that every Director shall be retired at least once every three years.

Appointment and Re-election of Directors

Each of our executive Directors has entered into a service agreement with the Company for a term of one year and shall continue thereafter unless terminated by not less than one month' notice in writing served by either party.

Each of our independent non-executive Director has entered into a letter of appointment with the Company for a term of one year, which may be terminated by not less than one month' notice in writing served by either party.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

INDEPENDENCE CONFIRMATION

The Company has received confirmation from each of the INEDs regarding his independence in accordance with Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2023 falls within the following band:

Remuneration band	Number of senior management
Up to HK\$1,000,000	2
HK\$1,000,000 to up to HK\$1,500,000	–
Above HK\$1,500,000	–

DIRECTORS' REPORT

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the Senior Management of the Group are set out on pages 15 to 17 of this Annual Report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2023.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

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

As at 31 March 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

As at 31 March 2023, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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

So far as known to the Directors or chief executive of the Company, as at 31 March 2023, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/nature	No. of shares held	Approximate % of shareholding
MJL (<i>Note 1</i>)	Beneficial Interest	205,000,000	17.81%
Smarty Task Limited (<i>note 2</i>)	Beneficial Interest	95,419,848	8.29%
Smarty Gain Limited (<i>note 2</i>)	Beneficial Interest	95,419,847	8.29%
CLC Finance Limited (<i>note 3</i>)	Securities Interest	205,000,000	17.81%

Notes:

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

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

- (2) Smarty Task Limited and Smarty Gain Limited are 100% owned by Wong Sai Cheung.

- (3) CLC Finance Limited is 100% owned by Green Wealth Group Limited, Green Wealth Group Limited is 100% owned by CL Group (BVI) Limited, CL Group (BVI) Limited is 100% owned by CL Group (Holdings) Limited, CL Group (Holdings) Limited is 68.18% owned by Zillion Profit Limited and Zillion Profit Limited is 100% owned by Au Suet Ming Clarea.

Save as disclosed above, as at 31 March 2023, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

DIRECTORS' REPORT

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Director is aware of, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the business of catering:

Due to the nature of our Group's business, majority of our customers consist of walk-in customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group, and the Group did not rely on any single customers.

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 19.6% of our total purchases of raw materials and consumables consumed. During the same year, purchases from our largest supplier accounted for approximately 9.9% of our total purchases of materials and consumables.

For the business of engineering:

The completion of the acquisition of High Smart Engineering Limited was on 6 March 2023, the revenue for the year ended 31 March 2023 was approximately HK\$2.8 million which is approximately 4.1% out of the total revenue. As such, the Directors consider that it is not meaningful to provide the five largest customers and suppliers.

None of the Directors or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

BORROWING

As at 31 March 2023, there was bank and other borrowings outstanding of approximately HK\$4.6 million (31 March 2022: approximately HK\$nil million).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules during the year and up to the date of this Annual Report.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force since 26 February 2018. The Company has taken on and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

EMPLOYEES AND REMUNERATION POLICIES

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

As at 31 March 2023, the Group had 98 full-time and 51 part-time employees (as at 31 March 2022: 95 full-time and 60 part-time employees). Total staff costs (including Directors' emoluments) were approximately HK\$38.5 million for the year ended 31 March 2023 (2022: HK\$32.6 million). Details of the emoluments of the Directors, and five highest paid individuals during the year ended 31 March 2023 are set out in notes 11 and 12 to the consolidated financial statements.

Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. The Group continues to offer competitive remuneration packages and bonus to eligible staff, based on the performance of the Group and the individual employee.

ENVIRONMENTAL, POLICIES AND PERFORMANCE

The Group is committed to providing an environmental friendly culture and atmosphere within the Group. The Group has undertaken environmental protection measures such as (i) reduction of use of papers; (ii) minimisation of electricity consumption outside business hours; and (iii) recycling of waste cooking oil. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 March 2023. A separate environmental, social and governance report is expected to be published on the websites of the Stock Exchange and the Company no later than three months after the end of the financial year.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 1 August 2023 to Monday, 7 August 2023, both days inclusive, during which period no transfer of the shares will be registered. In order to establish entitlements to attend and vote at the forthcoming AGM, shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 31 July 2023.

DIRECTORS' REPORT

DONATIONS

No charitable donation made by the Group during the year ended 31 March 2023 (2022: Nil).

SIGNIFICANT LEGAL PROCEEDINGS

During the year, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

EVENTS AFTER THE REPORTING DATE

Detail is set out in note 44 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 18 to 33 of this annual report.

The compliance officer and company secretary of the Company is Mr. Choi Pun Lap. His biographical details are set out on page 15 of this annual report.

AUDITOR

Fan, Chan & Co. Limited ("**Fan, Chan**") was appointed as the auditor of the Company for the year ended 31 March 2023. The accompanying financial statements prepared in accordance with HKFRSs have been audited by Fan, Chan. Fan, Chan shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Fan, Chan and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company at www.simplicityholding.com.

On behalf of the Board

Choi Pun Lap

Executive Director

Hong Kong, 29 June 2023

INDEPENDENT AUDITOR'S REPORT



范陳會計師行有限公司
Fan, Chan & Co. Limited

TO THE SHAREHOLDERS OF SIMPLICITY HOLDING LIMITED

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Simplicity Holding Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 53 to 133, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other 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 consolidated financial position of the Group 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 (the “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 (“HKSA”) 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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of property, plant and equipment and right-of-use assets

At 31 March 2023, the carrying amounts of the Group's property, plant and equipment and right-of-use assets were HK\$3.1 million and HK\$14.6 million respectively, which represented approximately 4% and 17% of the total assets of the Group. They belong to the cash generating units ("CGUs") of the restaurant operations in Hong Kong for impairment assessment purposes.

Management is required to perform impairment assessment on property, plant and equipment and right-of-use assets where indicators of impairment are identified in respect of these assets. For the purpose of assessing impairment, these assets were allocated to the respective CGUs, and management has assessed the recoverable amount of these assets based on higher of value in use and fair value less costs of disposal of the CGUs. In carrying out the impairment assessment, significant management judgement was used to appropriately identify the CGUs which have indicators of impairment and to determine the key assumptions and estimations for adoption in the estimation of the recoverable amounts of the CGUs.

We identified the impairment assessment of property, plant and equipment and right-of-use assets as a key audit matter due to the significance of the balance to the consolidated financial statements and the significant judgements and estimations involved in the impairment assessment.

Our audit procedures in relation to the management's impairment assessment of property, plant and equipment and right-of-use assets included the following:

- We assessed the appropriateness of the management's identification of CGUs which have indicators of impairment based on our understanding of the Group's business;
- We assessed the valuation methodologies applied in the estimation of recoverable amounts of the CGUs;
- We assessed the appropriateness of key assumptions, inputs and estimates used in the valuation such as market comparables, and compared them to market information and based on our industry knowledge;
- We checked the arithmetical accuracy of calculations; and
- We discussed and evaluated management's identification of indicators of impairment.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of intangible assets and goodwill

As at 31 March 2023, the net carrying amounts of customer relationship intangible assets and goodwill before recognition of impairment loss for the year then ended were approximately HK\$10.4 million and HK\$20.7 million respectively. These assets belong to the cash-generating unit (the "CGU") comprising the reportable segment of aircraft's engine stand repairing and maintenance services.

Management has performed impairment test on the intangible assets and goodwill in accordance with the Group's accounting policies. This assessment was based on the value-in-use calculations of the CGUs. We have identified impairment assessment of goodwill and customer relationship intangible asset as a key audit matter because of their significance to the consolidated financial statements and because the value-in-use calculations of the CGU involve significant management judgement and estimates with respect to the underlying cash flows, in particular the projected revenue growth from aircraft's engine stand repairing and maintenance services, number of customers to be served for aircraft's engine stand repairing and maintenance services and revenue from aircraft's engine stand repairing and maintenance services.

Our procedures in relation to management's impairment assessment of intangible assets and goodwill included:

- understanding the management's internal control and assessment process of impairment assessment of the intangible assets and goodwill;
- considering and assessing the historical accuracy of management's budgeting processes;
- evaluating the independent valuer's competence, capabilities and objectivity;
- conducting in-depth discussions with management and the independent valuer about the cash flow projections used in the value-in-use calculations and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the value-in-use calculations;
- benchmarking the growth rates and discount rates used in the value-in-use calculations against independent industry data and comparable companies; and
- evaluating and assessing the appropriateness of the key assumptions used in the value-in-use calculations.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Business combination

During the year ended 31 March 2023, the Group acquired 100% of entire equity in High Smart Engineering Limited ("High Smart"). Upon the completion of acquisition, the Group recognised the fair values of the acquired identifiable net assets, details of which are set out in note 34(a) to the consolidated financial statements.

The Group engaged an independent external valuer to assess the fair values of the acquired identifiable net assets for the acquisition at the acquisition date.

We identified the accounting for the business combination as a key audit matter because of the complexity and significant degree of management judgment involved in the measurement of the fair values of the acquired identifiable net assets at the acquisition date.

Our audit procedures in relation to the business combination included the following:

- We obtained and reviewed the related acquisition agreement to understand the background and the related information;
- We assessed the objectivity, capabilities and competence of the independent external valuer engaged by the Group;
- We checked the arithmetical accuracy of the calculations underlying the purchase price allocation; and
- We discussed with management and independent external valuer engaged by the Group in relation to the methodologies, bases and assumptions used in arriving at the forecasts (e.g. estimated growth rate and discount rate etc.) to determine whether the methodologies, bases and assumptions adopted or used were reasonable and appropriate.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 12 August 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 of the Company 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed term of engagement, 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 HKSA's 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

As part of an audit in accordance with HKSAAs, we exercise professional reference judgment 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 those charged with governance 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.

We also provide those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, 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 regulation precludes 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.

Fan, Chan & Co. Limited

Certified Public Accountants

Leung Kwong Kin

Practising Certificate Number: P03702

29 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	68,702	85,585
Other income	7	4,658	2,007
Other gains and losses, net	7	(6,763)	19,535
Raw materials and consumables used		(28,806)	(31,777)
Staff costs		(38,534)	(32,605)
Depreciation		(12,269)	(15,046)
Rental and related expenses		(2,369)	(4,266)
Utilities expenses		(3,151)	(3,783)
Other expenses		(17,409)	(14,641)
Finance costs	8	(791)	(1,080)
(Loss)/profit before tax	9	(36,732)	3,929
Income tax credit	10	43	91
(Loss)/profit for the year		(36,689)	4,020
(Loss)/profit for the year attributable to:			
– owners of the Company		(36,689)	4,007
– non-controlling interests		—	13
		(36,689)	4,020
(Loss)/profit for the year		(36,689)	4,020
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		174	24
		(36,515)	4,044
Total comprehensive (expense)/income for the year attributable to:			
– owners of the Company		(36,515)	4,031
– non-controlling interests		—	13
		(36,515)	4,044
(Loss)/earnings per share			
Basic (HK cents)	14	(3.82)	0.42
Diluted (HK cents)		(3.82)	0.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	15	3,095	6,482
Right-of-use assets	16	14,571	20,098
Deferred tax assets	33	95	95
Goodwill	17	20,722	–
Intangible asset	18	10,423	–
Interest in an associate	19	–	–
Deposits	21	4,160	4,367
Total non-current assets		53,066	31,042
Current assets			
Inventories	20	3,804	1,811
Trade and other receivables, deposits and prepayments	21	10,232	31,702
Financial assets at FVTPL	22	2,195	–
Tax recoverable		404	329
Bank balances and cash	24	15,526	31,903
Asset held for sale	23	–	–
Total current assets		32,161	65,745
Current liabilities			
Trade and other payables and accruals	25	15,118	7,382
Contract liabilities	26	–	20,952
Provision for reinstatement	27	–	–
Bank and other borrowings	28	2,531	–
Lease liabilities	29	11,154	11,172
Financial liabilities at FVTPL	30	25,403	–
Total current liabilities		54,206	39,506
Net current (liabilities)/assets		(22,045)	26,239
Total assets less current liabilities		31,021	57,281
Non-current liabilities			
Deferred tax liabilities	33	2,345	596
Provision for reinstatement	27	1,575	1,575
Bank and other borrowings	28	2,049	–
Lease liabilities	29	9,626	12,319
Total non-current liabilities		15,595	14,490
Net assets		15,426	42,791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Capital and reserves			
Share capital	32	9,600	9,600
Reserves		5,859	33,224
Equity attributable to owners of the Company		15,459	42,824
Non-controlling interests		(33)	(33)
Total equity		15,426	42,791

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 June 2023 and are signed on its behalf by:

Choi Pun Lap
Director

Leung Wai Tai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Attributable to owner of the Company								
	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Share-based payment reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2021	9,600	88,381	(8,669)	-	-	(50,519)	38,793	(46)	38,747
Profit and total comprehensive income for the year	-	-	-	24	-	4,007	4,031	13	4,044
As at 31 March 2022 and 1 April 2022	9,600	88,381	(8,669)	24	-	(46,512)	42,824	(33)	42,791
Loss and total comprehensive income/ (expense) for the year	-	-	-	174	-	(36,689)	(36,515)	-	(36,515)
	9,600	88,381	(8,669)	198	-	(83,201)	6,309	(33)	6,276
Equity-settled share-based payment	-	-	-	-	9,150	-	9,150	-	9,150
Lapse of share options	-	-	-	-	(4,550)	4,550	-	-	-
Release of reserve on disposal	-	-	-	(198)	-	198	-	-	-
As at 31 March 2023	9,600	88,381	(8,669)	-	4,600	(78,453)	15,459	(33)	15,426

Notes:

- As at 31 March 2023 and 2022, share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares were listed on GEM of the Stock Exchange in previous years.
- As at 31 March 2023 and 2022, other reserves represented the difference between the aggregated capital of subsidiaries arising from the group reorganisation and the shareholders' contribution arising from the acquisition of additional interest in subsidiaries in previous years.
- The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax		(36,732)	3,929
Adjustments for:			
Bank interest income	7	(66)	(8)
Finance costs	8	791	1,080
Amortisation of intangible assets	18	177	–
Depreciation:			
– owned property, plant and equipment	9	3,768	4,262
– leased right-of-use assets	9	8,501	10,784
Rent concession	7	(28)	(560)
Gain on disposal of subsidiaries	35	(1,379)	(3,757)
Gain on disposal of an associate		–	(50)
Gain on disposal of property, plant and equipment		(1,050)	–
Reversal of provision of reinstatement	27	–	(421)
Gain on disposal of asset held for sale	7	–	(13,055)
Loss on written-off of property, plant and equipment	7	–	534
Provision for impairment of property, plant and equipment	7	1,186	1,711
Provision for impairment of right-of-use assets		5,611	–
Provision for impairment of goodwill arising from acquisition of subsidiaries	7	–	92
Fair value gain on financial assets at fair value through profit or loss		(902)	–
Fair value change of contingent consideration	7	3,325	(4,670)
Provision for impairment of trade and other receivables	7	–	1,941
Share-based payment expense		9,150	–
Wavier of other payable	7	–	(1,043)
Operating cash flows before movements in working capital		(7,648)	769
Increase in inventories		(744)	(86)
Decrease/(increase) in trade and other receivables, deposits and prepayments		8,190	(6,751)
Increase in trade and other payables and accruals		6,945	276
(Decrease)/increase in contract liabilities		(2,091)	6,790
Cash generated from operation		4,652	998
Tax refund		–	16
NET CASH GENERATED FROM OPERATING ACTIVITIES		4,652	1,014

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Net cash (outflow)/inflow on disposal of subsidiaries	35	(1)	3,552
Net cash (outflow)/inflow on acquisition of subsidiaries	34	(9,205)	463
Net cash inflow on disposal of associate		–	50
Purchase of assets held for sale		(1,176)	–
Net proceed from disposal of assets held for sales		–	41,592
Purchase of property, plant and equipment		(21)	(47)
Disposal of property, plant and equipment		2,030	–
Interest received	7	66	8
		<u>(8,307)</u>	<u>45,618</u>
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
	40		
Repayment of bank borrowings		(687)	(15,000)
Interest paid		–	(46)
Repayment of principal portion of lease liabilities		(11,252)	(11,487)
Repayment of interest portion of lease liabilities		(759)	(1,034)
		<u>(12,698)</u>	<u>(27,567)</u>
NET CASH USED IN FINANCING ACTIVITIES			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(16,353)	19,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		31,903	12,811
Exchange of foreign exchange rate changes, net		(24)	27
		<u>15,526</u>	<u>31,903</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 27 January 2017 and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 February 2018. The address of the Company’s registered office and the principal place of business is disclosed in the Corporate Information section to the annual report.

Its immediate holding company is Marvel Jumbo Limited (“MJL”), a private limited company incorporated in the British Virgin Islands (“BVI”) with limited liability. MJL is 30.24% owned by Ms. Wong Suet Hing (“Ms. SH Wong”), 30.24% owned by Ms. Chow Lai Fan (“Ms. LF Chow”), sister-in-law of Ms. SH Wong, 18.2% owned by Ms. Wong Sau Ting Peony (“Ms. ST Wong”), daughter of Ms. SH Wong, 15% owned by Ms. Wong Suet Ching (“Ms. SC Wong”), sister of Ms. SH Wong, and 4.2% owned by Mr. Ma Sui Hong (“Mr. SH Ma”), the son of Ms. Wong Shuet Ying (“Ms. SY Wong”), sister of Ms. SH Wong.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations, sales of food ingredients and beverage and aircraft’s engine stand repairing and maintenance service. Details are set out in note 43.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

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

The application of 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. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
HKFRS 17, <i>Insurance Contracts</i> (including the October 2020 and February 2022 Amendments to HKFRS17)	1 January 2023
Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
Amendments to HKFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)</i>	1 January 2024
Amendments to HKAS 1, <i>Non-Current Liabilities with Covenants</i>	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at FVTPL and financial liabilities at FVTPL that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”) which is also the functional currency of the Company. Some of the Company’s subsidiaries are operating in the People’s Republic of China (the “PRC”) with RMB as their functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Fair Value *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or has rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for the Company on the basis of dividend received and receivable.

(d) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment in associates *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment in associates *(Continued)*

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(e) Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, which continue to be measured in accordance with the accounting policies as set out in respective sections.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount at each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The estimated useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvements	Over the lease terms
Furniture and fixtures	Over 3 – 5 years
Kitchen equipment	Over 3 – 5 years
Other equipment	Over 3 – 5 years
Motor vehicles	Over 3 – 5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(h) Intangible assets

- (i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

The amortisation expense is recognised in profit or loss. Amortisation is provided on a straight-line basis over their useful lives as follows.

Customer relationship	5 years
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- (ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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 of HKFRS 16 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, 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 practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases land and buildings 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 recognised as expense on a straight-line basis or another systematic basis over the lease term.

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 other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)

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.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 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 recognises 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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 which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments in below measurement category:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as financial assets at fair value through profit or loss ("FVTPL"), whereby changes in fair value, dividends and interest income are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other instruments, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) **Financial instruments** *(Continued)*

(ii) **Impairment loss on financial assets** *(Continued)*

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.

(iii) **Write-off policy**

The gross carrying amount of financial assets 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 recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iv) **Contract liabilities**

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

For a single contract with a customer, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities arising from unrelated multiple contracts are not presented on a net basis.

(v) **Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and accruals and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(v) Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

(vi) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

(l) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties.

Revenue from restaurant operation is recognised at a point in time when the food or catering service has been served, at which point in time customer payments are made to the Group upon completion of food or catering service.

Revenue from provision of agency services in relation to sales of food ingredients where the Group is considered as acting as agent is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the goods by the customers. The customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Revenue from aircraft's engine stand repairing and maintenance service contracts with its customers is recognised over time based on the completion status of the respective service contract. The service contract period is typically less than one year. The management considers that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligation.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Retirement benefits costs

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed in the MPF Scheme.

Under the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

The employees of the Company's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 March 2023, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Retirement benefits costs *(Continued)*

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) **Income taxes** *(Continued)*

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(p) **Borrowing costs**

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) **Provisions**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

(r) **Contingent liabilities**

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

(s) **Segment reporting**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined the Group's service lines stated in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Segment reporting *(Continued)*

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

(t) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- goodwill;
- intangible asset; and
- investments in subsidiaries and an associate.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 cash generating unit.

(u) Government grants

Government grants are recognised 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 recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. HK\$) of the Group 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency translation reserve).

(w) 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 key management personnel of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions apply:
- (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).
 - (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 the employees of 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 key management personnel of the entity (or of a parent of the entity).
 - (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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimation of useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management of the Group will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants. The management of the Group will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment testing of property, plant and equipment and right-of-use assets

The Group determines whether property, plant and equipment and right-of-use assets are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying values of these assets exceed their recoverable amounts, which is the higher of its fair value less costs of disposal and its value in use. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and determine a suitable discount rate in order to calculate the present value of those cash flows.

In addition, management of the Group assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment and right-of-use assets may not be recoverable. When the recoverable amounts of property, plant and equipment and right-of-use assets differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place. As at 31 March 2023, the carrying amounts of property, plant and equipment and right-of-use assets are approximately HK\$3,095,000 (2022: HK\$6,482,000) and HK\$14,571,000 (2022: HK\$20,098,000) respectively.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates (such as the subsidiary’s stand-alone credit rating).

Principal versus agent consideration (agent)

The Group is considered as an agent for its contracts with customers relating to the sales of food ingredients as the Group did not obtain the control over the food ingredients before passing on to customers. When the Group satisfies the performance obligation, the Group recognises a commission revenue in the amount it expects to be entitled as specified in the contracts, which amounted to 17% of the gross amount of consideration as specified in the contracts. During the year ended 31 March 2023, the Group recognised commission revenue relating to sales of food ingredients amounted to HK\$5,473,000 (2022: HK\$10,748,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received or receivable from the operation of restaurants in Hong Kong during the year.

Revenue

The amounts of each significant category of revenue recognised during the reporting period were disaggregated as follows:

	2023 HK\$'000	2022 HK\$'000
By timing of revenue recognition:		
On a point in time basis:		
Revenue from restaurant operations	60,415	74,837
Sales of food ingredients	5,473	10,748
	65,888	85,585
On over time basis:		
Income of aircraft engine stand repairing and maintenance services	2,814	–
	68,702	85,585

Segment revenue and results

Information reported to the executive directors of the Group, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on styles of cuisine serving by the Group’s restaurants to the customers and the type of services provided by the Group.

Specifically, the Group’s reportable segments under HKFRS 8 “Operating Segments” are as follows:

1. Chinese cuisine — Operations of Chinese cuisine restaurants under the brand of “Marsino”.
2. Thai cuisine — Operations of Thai cuisine restaurants under the brand of “Grand Avenue”.
3. Malaysian cuisine — Operations of Malaysian cuisine restaurants under the brand of “Baba Nyonya”.
4. Sales of food ingredients and beverage — Sales of noodles and wines to external third parties.
5. Aircraft’s engine stand repairing and maintenance services — This is a new operating segment of the Group which arose from the acquisition of a subsidiary (High Smart) during the year ended 31 March 2023, Details please refer to note 34.

In the year ended 31 March 2022, the Group had a reportable segment for sales of drug vending machines. As a result of the disposal of the relevant subsidiary during the year ended 31 March 2023 (see note 35(i)), this ceased to be reportable segment of the Group in the financial year end 31 March 2023.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 3. Segment revenues are all revenue generated from external customers and there were no inter-segment revenue. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs, directors’ emoluments, share based payment expenses, bank interest income and finance cost on general working capital borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Year ended 31 March 2023

	Chinese cuisine HK\$'000	Thai cuisine HK\$'000	Malaysian cuisine HK\$'000	Sales of food ingredients and beverage HK\$'000	Aircraft's engine stand repairing and maintenance service HK\$'000	Total HK\$'000
Segment revenue	<u>21,937</u>	<u>15,031</u>	<u>23,447</u>	<u>5,473</u>	<u>2,814</u>	<u>68,702</u>
Segment profit/(loss)	<u>(5,192)</u>	<u>(2,909)</u>	<u>(3,089)</u>	<u>(2,654)</u>	<u>1,397</u>	<u>(12,447)</u>
Unallocated other income and other gains						2,050
Unallocated finance costs						11
Unallocated corporate costs						(25,302)
Fair value gain on financial assets at FVTPL						902
Fair value change on contingent consideration						(3,325)
Gain on disposal of subsidiaries						<u>1,379</u>
Loss before tax						<u>(36,732)</u>

Year ended 31 March 2022

	Chinese cuisine HK\$'000	Thai cuisine HK\$'000	Malaysian cuisine HK\$'000	Sales of food ingredients HK\$'000	Sales of drug vending machines HK\$'000	Total HK\$'000
Segment revenue	<u>23,389</u>	<u>21,684</u>	<u>29,764</u>	<u>10,748</u>	<u>–</u>	<u>85,585</u>
Segment profit/(loss)	<u>(465)</u>	<u>369</u>	<u>991</u>	<u>3,279</u>	<u>(2,532)</u>	<u>1,642</u>
Unallocated other income and other gains						53
Unallocated finance costs						(46)
Unallocated corporate costs						(19,202)
Fair value change on contingent consideration						4,670
Gain on disposal of asset held for sale						13,055
Gain on disposal of subsidiaries						<u>3,757</u>
Profit before tax						<u>3,929</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

At 31 March 2023

	Chinese cuisine HK\$'000	Thai cuisine HK\$'000	Malaysian cuisine HK\$'000	Sales of food ingredients and beverage HK\$'000	Aircraft's engine stand repairing and maintenance service HK\$'000	Consolidated HK\$'000
Segment assets	<u>6,167</u>	<u>2,069</u>	<u>6,051</u>	<u>4,951</u>	<u>48,290</u>	67,528
Deferred tax assets						95
Unallocated deposits, prepayments and other receivables						1,674
Tax recoverable						404
Bank balances and cash						<u>15,526</u>
Consolidated assets						<u>85,227</u>
Segment liabilities	<u>6,567</u>	<u>4,339</u>	<u>11,480</u>	<u>2,125</u>	<u>14,991</u>	39,502
Unallocated trade and other payables and accruals						2,551
Financial liabilities at FVTPL						25,403
Deferred tax liabilities						<u>2,345</u>
Consolidated liabilities						<u>69,801</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 March 2022

	Chinese cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Malaysian cuisine <i>HK\$'000</i>	Sales of food ingredients <i>HK\$'000</i>	Sales of drug vending machines <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>11,251</u>	<u>6,547</u>	<u>12,377</u>	<u>1,926</u>	<u>23,584</u>	55,685
Unallocated property, plant and equipment and right-of-use assets						1,405
Deferred tax assets						95
Unallocated inventories						839
Unallocated deposits, prepayments and other receivables						6,531
Tax recoverable						329
Bank balances and cash						<u>31,903</u>
Consolidated assets						<u>96,787</u>
Segment liabilities	<u>11,018</u>	<u>5,565</u>	<u>11,758</u>	<u>-</u>	<u>21,666</u>	50,007
Unallocated trade and other payables and accruals						3,393
Deferred tax liabilities						<u>596</u>
Consolidated liabilities						<u>53,996</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment for corporate use, deferred tax assets, certain inventories, certain other receivables and prepayments, amount due from an associate, amount due from a related party, tax recoverable and bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than certain trade and other payables and accruals, contingent consideration and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31 March 2023

	Chinese cuisine HK\$'000	Thai cuisine HK\$'000	Malaysian cuisine HK\$'000	Sales of food ingredients HK\$'000	Aircraft's engine stand repairing and maintenance service HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:							
Additions to non-current assets	-	17	-	-	-	4	21
Additions of non-current assets arising on acquisition of a subsidiary	-	-	-	-	42,811	-	42,811
Provision for impairment of property, plant and equipment	636	395	155	-	-	-	1,186
Provision for impairment of right-of-use assets	2,740	1,114	1,757	-	-	-	5,611
Depreciation:							
- owned property, plant and equipment	1,113	830	1,201	74	516	34	3,768
- leased right-of-use assets	1,711	2,720	3,901	-	169	-	8,501
Amortisation of intangible assets	-	-	-	-	177	-	177

Year ended 31 March 2022

	Chinese cuisine HK\$'000	Thai cuisine HK\$'000	Malaysian cuisine HK\$'000	Sales of food ingredients HK\$'000	Sales of drug vending machines HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:							
Additions of property, plant and equipment	-	-	21	-	-	26	47
Gain on disposal of asset held for sale	-	-	-	-	-	(13,055)	(13,055)
Loss on written-off of property, plant and equipment	534	-	-	-	-	-	534
Provision for impairment of property, plant and equipment	-	-	1,711	-	-	-	1,711
Provision for impairment of goodwill arising from acquisition of subsidiaries	-	-	-	-	-	92	92
Provision for impairment of trade and other receivables	-	-	-	-	1,941	-	1,941
Depreciation:							
- owned property, plant and equipment	1,286	1,040	1,643	-	59	234	4,262
- leased right-of-use assets	2,520	3,612	4,581	-	71	-	10,784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

All of the Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets are located in Hong Kong.

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group for both years.

7. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Other income		
Reversal of provision for reinstatement	–	421
Employment support scheme <i>(note (a))</i>	402	–
Promotion income	13	26
Bank interest income	66	8
Subsidies income <i>(note (b))</i>	3,522	1,400
Others	655	152
	4,658	2,007
Other gains and losses, net		
Rent concession <i>(note (c))</i>	28	560
Gain on disposal of a property	1,050	–
Gain on disposal of asset held for sale	–	13,055
Loss of written-off of property, plant and equipment	–	(534)
Fair value change on contingent consideration	(3,325)	4,670
Gain on disposal of associate	–	50
Gain on disposal of subsidiaries	1,379	3,757
Provision for impairment of property, plant and equipment	(1,186)	(1,711)
Provision for impairment of right-of-use assets	(5,611)	–
Provision for impairment on goodwill arising from acquisition of subsidiaries	–	(92)
Provision for impairment for trade and other receivables	–	(1,941)
Wavier of other payables	–	1,043
Fair value change on financial assets at FVTPL	902	–
Others	–	678
	(6,763)	19,535

Notes:

- Employment support scheme were granted from HKSAR Government in relation to the employment during COVID-19 without unfulfilled conditions or other contingencies attaching to the subsidiaries.
- Subsidies income were granted from HKSAR Government in relation to the food license without unfulfilled conditions or other contingencies attaching to the subsidiaries.
- The rent concession had satisfied the practical expedient criteria of HKFRS 16 and the amount recognised in profit or loss to reflect changes in lease payments that arose from COVID-19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interests on bank borrowings	32	46
Interests on lease liabilities	759	1,034
	791	1,080

9. (LOSS)/PROFIT BEFORE TAX

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit before tax has been arrived at after charging/ (crediting):		
Staff costs (including directors' emoluments):		
Salaries and other benefits	29,798	31,128
Contribution to retirement benefit scheme	1,281	1,477
Share based payment expenses	7,455	–
	38,534	32,605
Auditor's remuneration		
– audit service	650	600
– non-audit service	50	–
Depreciation:		
– owned property, plant and equipment	3,768	4,262
– leased right-of-use assets	8,501	10,784
Amortisation of intangible assets	177	–
Provision for impairment of property, plant and equipment	1,186	1,711
Provision for impairment of right-of-use assets	5,611	–
Provision for impairment for goodwill arising from acquisition of subsidiaries	–	92
Fair value change on contingent consideration	3,325	(4,670)
Share based payment expenses	1,695	–
Provision for impairment of trade and other receivables	–	1,941
Short-term lease expenses	2,369	1,752
Variable lease payments not included in the measurement of lease liabilities:		
– contingent rents (<i>note</i>)	–	43

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

10. INCOME TAX CREDIT

	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong Profits Tax	43	–
Deferred tax	–	91
	43	91

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

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of a qualifying corporation are taxed at 8.25%, and assessable profits above HK\$2 million continue to be taxed at 16.5%. For the years ended 31 March 2023 and 2022, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25% in 2022.

The income tax credit for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit before tax	(36,732)	3,929
Tax calculated at the domestic income tax rate of 16.5% (2022: 16.5%)	(6,061)	648
Tax effect of expense not deductible for tax purpose	3,618	3,163
Tax effect of income not subject to tax	(1,194)	(5,869)
Tax effect of tax losses not recognised	4,253	1,952
Utilisation of tax losses previously not recognised	(659)	(209)
Effect of different tax rate of subsidiaries operating in other jurisdiction	–	224
Income tax credit	(43)	(91)

Details of deferred tax are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors, disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, were as follows:

Year ended 31 March 2023

	Ms. SH Wong HK\$'000 (note (h))	Ms. ST Wong HK\$'000 (note (i))	Mr. CC Wong HK\$'000 (note (a))	Mr. PL Choi HK\$'000 (note (j))	Mr. WT Leung HK\$'000 (note (k))	Total HK\$'000
Executive directors:						
Fees	-	-	-	-	-	-
Other emoluments						
Salaries and other benefits	229	321	107	313	66	1,036
Discretionary bonus (note (1))	-	-	-	-	-	-
Retirement benefit scheme contributions	-	13	4	-	-	17
Share based payment expense	-	-	1,460	672	-	2,132
Sub-total	<u>229</u>	<u>334</u>	<u>1,571</u>	<u>985</u>	<u>66</u>	<u>3,185</u>

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

	Mr. Lo Cheuk Fei Jeffrey HK\$'000 (note (e))	Mr. Yeung Man Sun HK\$'000 (note (f))	Mr. Chan Wai Pun HK\$'000 (note (g))	Mr. Wong Hoyen Pegasus HK\$'000 (note (l))	Mr. Cheung Hiu Fung HK\$'000 (note (m))	Total HK\$'000
Independent non-executive directors:						
Fees	120	120	50	105	-	395
Other emoluments						
Salaries and other benefits	-	-	-	-	-	-
Retirement benefit scheme contributions	-	-	-	-	-	-
Sub-total	<u>120</u>	<u>120</u>	<u>50</u>	<u>105</u>	<u>-</u>	<u>395</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total

2023
HK\$'000
3,580

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Notes:

- (a) Mr. CC Wong has resigned as an executive director on 30 June 2022.
- (b) Mrs. Cheung Lau Lai Yin Becky has resigned as an independent non-executive director on 19 January 2022.
- (c) Ms. Ng Yau Kuen Carmen has resigned as an independent non-executive director on 27 July 2021.
- (d) Mr. Yu Ronald Patrick Lup Man has resigned as an independent non-executive director on 19 August 2021.
- (e) Mr. Lo Cheuk Fei Jeffrey was appointed as an independent non-executive director on 27 July 2021.
- (f) Mr. Yeung Man Sun was appointed as an independent non-executive director on 19 August 2021.
- (g) Mr. Chan Wai Pun has appointed as an independent non-executive director on 19 January 2022 and resigned on 31 August 2022.
- (h) Ms. Wong Suet Hing has resigned as an executive director on 14 October 2022.
- (i) Ms. Wong Sau Ting Peony has resigned as an executive director on 30 December 2022.
- (j) Mr. Choi Pun Lap was appointed as an executive director on 26 April 2022.
- (k) Mr. Leung Wai Tai was appointed as an executive director on 23 December 2022.
- (l) Mr. Wong Hoyen Pegasus was appointed as an independent non-executive director on 17 May 2022 and has resigned on 31 March 2023.
- (m) Mr. Cheung Hiu Fung was appointed as an independent non-executive director on 31 March 2023.

Year ended 31 March 2022

	Ms. SH Wong <i>HK\$'000</i>	Ms. ST Wong <i>HK\$'000</i>	Mr. CC Wong <i>HK\$'000</i> <i>(note (a))</i>	Total <i>HK\$'000</i>
Executive directors:				
Fees	–	–	–	–
Other emoluments				
Salaries and other benefits	432	432	376	1,240
Discretionary bonus <i>(note (1))</i>	9	9	7	25
Retirement benefit scheme contributions	–	18	18	36
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	<u>441</u>	<u>459</u>	<u>401</u>	<u>1,301</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

	Mrs. Cheung Lau Lai Yin Becky <i>HK\$'000</i> <i>(note (b))</i>	Ms. Ng Yau Kuen Carmen <i>HK\$'000</i> <i>(note (c))</i>	Mr. Yu Ronald Patrick Lup Man <i>HK\$'000</i> <i>(note (d))</i>	Mr. Lo Cheuk Fei Jeffrey <i>HK\$'000</i> <i>(note (e))</i>	Mr. Yeung Man Sun <i>HK\$'000</i> <i>(note (f))</i>	Mr. Chan Wai Pun <i>HK\$'000</i> <i>(note (g))</i>	Total <i>HK\$'000</i>
Independent non-executive directors:							
Fees	–	–	–	82	74	24	180
Other emoluments							
Salaries and other benefits	126	51	61	–	–	–	238
Retirement benefit scheme contributions	6	2	3	–	–	–	11
Sub-total	<u>132</u>	<u>53</u>	<u>64</u>	<u>82</u>	<u>74</u>	<u>24</u>	<u>429</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

	<i>2022</i> <i>HK\$'000</i>
Total	<u>1,730</u>

The directors' emoluments are for their services in connection to the management of the affairs of the Company and the Group.

Note:

- (1) The discretionary bonus is determined by reference to their duties and responsibilities within the Group and the Group's performance.

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of directors of the Company has waived any remuneration during the years ended 31 March 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2022: three directors), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year ended 31 March 2023 of the remaining three (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	1,144	915
Discretionary bonus	–	–
Retirement benefit scheme contributions	50	35
	1,194	950

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2023 HK\$'000	2022 HK\$'000
Nil to HK\$1,000,000	3	2

13. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of reporting period (2022: nil).

There are no income tax consequences related the payment of dividends by the Company to its shareholders.

14. (LOSS)/EARNINGS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(36,689)	4,007
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	960,000	960,000

For the purpose of basic (loss)/earnings per share, ordinary shares are equity instruments that are subordinate to all other classes of equity instruments of the Company. The Consideration Shares of 190,839,695 shares of the Company that were issued as consideration for the acquisition of High Smart during the year ended 31 March 2023 are not equity instruments and are classified as financial liabilities at fair value through profit or loss, for reasons explained in note 30, and hence are not included in the weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share.

The computation of diluted loss per share for current year did not assume the exercise of the Company's outstanding share option and did not adjust for the effects of the Consideration Share since these potential ordinary shares are anti-dilutive and would result in a decrease in loss per share.

Therefore, the diluted loss per share is the same as the basic loss per share for current year. There was no potential ordinary shares outstanding during the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK\$'000	Leasehold improvement HK\$'000	Furniture and fixture HK\$'000	Kitchen equipment HK\$'000	Other equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
COST							
At 1 April 2021	-	29,023	2,549	4,483	3,110	-	39,165
Additions	-	20	-	-	27	-	47
Acquisition of subsidiaries	-	-	-	-	8	-	8
Written-off	-	(12,593)	(902)	(1,351)	(2,209)	-	(17,055)
Transfer from asset held-for-sale	1,307	-	-	-	-	-	1,307
At 31 March 2022 and 1 April 2022	1,307	16,450	1,647	3,132	936	-	23,472
Additions	-	-	17	-	4	-	21
Disposal	(1,307)	-	-	-	-	-	(1,307)
Acquisition of a subsidiary	-	-	58	-	-	2,474	2,532
Disposal of a subsidiary	-	-	(6)	-	-	-	(6)
Exchange realignment	-	-	-	-	62	-	62
At 31 March 2023	-	16,450	1,716	3,132	1,002	2,474	24,774
DEPRECIATION AND IMPAIRMENT							
At 1 April 2021	-	20,364	1,646	2,877	2,407	-	27,294
Provided for the year	-	3,274	319	584	85	-	4,262
Written-off	-	(12,211)	(963)	(1,351)	(2,057)	-	(16,582)
Transfer from asset held-for-sale	243	-	-	-	-	-	243
Impairment	-	1,711	-	-	-	-	1,711
At 31 March 2022 and 1 April 2022	243	13,138	1,002	2,110	497	-	16,990
Provided for the year	22	2,412	276	484	116	458	3,768
Disposals	(265)	-	-	-	-	-	(265)
Impairment	-	900	84	117	85	-	1,186
At 31 March 2023	-	16,450	1,362	2,711	698	458	21,679
NET CARRYING AMOUNTS							
At 31 March 2023	-	-	354	421	304	2,016	3,095
At 31 March 2022	1,064	3,312	645	1,022	439	-	6,482

For the year ended 31 March 2023, the management identified impairment indicator of certain leasehold improvement, furniture and fixtures, kitchen equipment and other equipment due to decline in performance in some restaurants of the Group. The Group assessed the recoverable amounts of these property, plant and equipment, and the related right-of-use assets allocated to these restaurants, each of which represented a cash generating unit related ("CGU") and as a result the carrying amount of these property, plant and equipment, and the related right-of-use assets were written down to their recoverable amount. Impairment loss of approximately HK\$1,186,000 (2022: HK\$1,711,000) and HK\$5,611,000 (2022: HK\$nil) was recognised in the consolidated statement of profit or loss and other comprehensive income to write down the carrying amounts of property, plant and equipment and right-of-use assets, respectively, of these restaurants to their recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The recoverable amount of the CGU related to each restaurant has been determined based on value in use calculations, which use cash flow projections based on the most recent financial forecasts approved by the directors of the Company covering five-year period.

The key assumptions for the cash flow projections are those regarding the discount rate and the annual projected revenue, revenue growth rates, capital expenditures and operating expenses over the five-year projection period. The Group estimated the discount rate using a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the restaurant operations. The annual projected revenue, revenue growth rates, capital expenditures, and operating expenses over the five-year period are based on past performance and expectations of market development.

The key assumptions used for the cash flow projections of the 6 CGUs related to each of the 6 restaurants in 2023 included (i) pre-tax discount rate of 13.50% (2022: 10.38%) and (ii) growth rate to extrapolate cash flows beyond the projection period of 2% (2022: 2%); the recoverable amounts of the 6 CGUs are calculated to be HK\$1,677,000, HK\$76,000, HK\$1,036,000, HK\$1,724,000, HK\$262,000 and HK\$1,753,000, amounting to HK\$6,528,000 in aggregate (2022: HK\$22,914,000 in aggregate).

16. RIGHT-OF-USE ASSETS

	Warehouse <i>HK\$'000</i>	Restaurants <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2022	–	59,943	59,943
Acquisition of a subsidiary	8,957	–	8,957
Disposal of subsidiaries	–	(546)	(546)
	<hr/>	<hr/>	<hr/>
At 30 April 2023	8,957	59,397	683,354
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 April 2022	–	39,845	39,845
Charge for the year	169	8,332	8,501
Disposal of a subsidiary	–	(174)	(174)
Impairment	–	5,611	5,611
	<hr/>	<hr/>	<hr/>
At 30 April 2023	169	53,614	53,783
	<hr/>	<hr/>	<hr/>
Carrying values			
At 30 April 2023	<u>8,788</u>	<u>5,783</u>	<u>14,571</u>
Cost			
At 1 April 2021	–	59,397	59,397
Acquisition of subsidiaries	–	546	546
	<hr/>	<hr/>	<hr/>
At 31 March 2022	–	59,943	59,397
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 April 2021	–	29,061	29,061
Charge for the year	–	10,784	10,784
	<hr/>	<hr/>	<hr/>
At 31 March 2022	–	39,845	39,845
	<hr/>	<hr/>	<hr/>
Carrying values			
At 31 March 2022	<u>–</u>	<u>20,098</u>	<u>20,098</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

16. RIGHT-OF-USE ASSETS (Continued)

	2023 HK\$'000	2022 HK\$'000
Expenses relating to short-term leases	2,369	1,752
Repayment of principal portion of lease liabilities	11,252	11,487
Interest paid on lease liabilities	759	1,034
	<hr/>	<hr/>
Total cash outflows for leases for the year	14,380	14,273

The right-of-use assets are premises rented from private entities. The lease terms of the restaurants and warehouse used by the Group in its restaurant operations and aircraft's engine stand repairing and maintenance services segments respectively range from 3 to 6 years (2022: 3 to 6 years). Leases contain terms requiring payments by the Group of minimum monthly lease payments that are fixed over the lease term and variable lease payments that are based on certain percentages of the monthly gross sales turnover if the variable lease payment exceeds the monthly basic rent. No variable lease payment was paid or payable to the lessors for the year ended 31 March 2023 (2022: HK\$43,000). Depreciation is provided to write off the cost of items of right-of-use assets over their expected useful lives using straight-line method. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, the assets are depreciated over the lease term.

The short-term leases relate to car parks rented from private entities with the lease terms of 12 months or less.

The Group does not have the option to purchase the right-of-use assets for a nominal amount at the end of the lease terms.

Lease liabilities of approximately HK\$20,780,000 (2022: HK\$23,491,000) are recognised with related right-of-use assets of approximately HK\$14,571,000 (2022: HK\$20,098,000) as at 31 March 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

For the year ended 31 March 2023, the Group assessed the recoverable amounts of the right-of-use assets allocated to the respective CGUs for certain restaurants, as disclosed in note 15. As a result, an impairment loss of approximately HK\$5,611,000 (2022: HK\$Nil) was recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amounts of the CGUs related to these restaurants have been determined based on value in use calculations, which use cash flow projections based on the most recent financial forecasts approved by the directors of the Company covering five-year period.

Property, plant and equipment and right-of-use assets are presented as separate line items in the consolidated statement of financial position and disclosed separately in notes 15 and 16 respectively. In the opinion of the directors of the Company, this disaggregation will enable users of the consolidated financial statements to better understand the Group's financial position. The comparative figures presented and disclosed in the consolidated financial statements in respect of the financial year ended or as at 31 March 2022 have been restated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

17. GOODWILL

	<i>HK\$'000</i>
Cost:	
At 1 April 2021	–
Arising from acquisition of subsidiaries	92
	<hr/>
At 31 March 2022 and 1 April 2022	92
Arising from acquisition of subsidiaries	20,722
	<hr/>
At 31 March 2023	20,814
	<hr/>
Accumulated impairment:	
At 1 April 2021	–
Impairment loss recognised	92
	<hr/>
At 31 March 2022 and 1 April 2022	92
Impairment loss recognised	–
	<hr/>
At 31 March 2023	92
	<hr/>
Carrying amounts:	
At 31 March 2023	20,722
	<hr/> <hr/>
At 31 March 2022	–
	<hr/> <hr/>

For the year ended 31 March 2023

Goodwill acquired through business combination has been allocated to a cash generating unit (“CGU”) comprising the aircraft’s engine stand repairing and maintenance service reportable segment of the Group.

For the purpose of impairment testing, goodwill is identified as belonging to the following CGU:

	2023	2022
	HK\$'000	HK\$'000
Aircraft’s engine stand repairing and maintenance service	20,722	–
	<hr/> <hr/>	<hr/> <hr/>

The aircraft’s engine stand repairing and maintenance service reportable segment comprises one CGU. The goodwill is allocated to the aircraft’s engine stand repairing and maintenance service CGU. The Group performed its annual impairment assessment for goodwill by comparing its recoverable amount to its carrying amount as at the end of the reporting periods. The Group forecasted the cash flow projections based on latest available information and business plan. The recoverable amount of the CGU was determined based on value-in-use calculations. These calculations used cash flow projections based on the five-year financial budgets approved by management. Cash flows beyond the five-year period have been extrapolated with an estimated general annual growth rate of 2.7%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

17. GOODWILL (Continued)

Details of the variables and assumptions were as follows:

	2023	2022
Aircraft's engine stand repairing and maintenance service		
Pre-tax discount rate	15%	N/A
Operating margin	17%	N/A
Growth rate of sales revenue within the five-year period	4%	N/A

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on past experience and expected budget and operation plan.

For the year ended 31 March 2022

Goodwill acquired in a business combination was allocated, at acquisition, to the cash generated unit ("CGU") that was expected to benefit from that business combination.

For the year ended 31 March 2022, the management considered that the carrying amount of goodwill should be fully impaired. This impairment loss has been included in other gains and loss in consolidated statement of profit or loss and other comprehensive income.

18. INTANGIBLE ASSET

	Customer relationship <i>HK\$'000</i>
Cost:	
At 1 April 2021, 31 March 2022 and 1 April 2022	–
Arising from acquisition of subsidiary	10,600
	<hr/>
At 31 March 2023	10,600
	<hr/> <hr/>
Accumulated amortisation and impairment:	
At 1 April 2021, 31 March 2022 and 1 April 2022	–
Amortisation for the year	177
Impairment for the year	–
	<hr/>
At 31 March 2023	177
	<hr/> <hr/>
Carrying amounts:	
At 31 March 2023	10,423
	<hr/> <hr/>
At 31 March 2022	–
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

18. INTANGIBLE ASSET *(Continued)*

For impairment assessment purposes, the intangible asset acquired in a business combination is allocated, at acquisition, to the aircraft's engine stand repairing and maintenance service CGU.

The customer relationship will be amortised in 5 years as the expected useful life is estimated 5 years on the date of recognition as an intangible asset.

The impairment assessment of the intangible asset for the year ended 31 March 2023 was performed as part of impairment assessment of the CGU, details of which are disclosed in note 17. As at 31 March 2023, the recoverable amount of the aircraft's engine stand repairing and maintenance service CGU was estimated to be above its carrying amount, hence no impairment was recognised for the year ended 31 March 2023. Details of the variables and assumptions are disclosed in note 17.

19. INTEREST IN AN ASSOCIATE

As at 1 April 2021, the Group had an associate, details of which are as follows:

Name	Place of incorporation, operation and principal activity
Well Strong Holdings Limited	Cold storage in Hong Kong

For the year ended 31 March 2022

On 30 August 2021, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, to sell the 50% equity interests in the associate held by the Group. The completion of the disposal had taken place on 30 August 2021 and the Group ceases to hold any interest in the associate upon the completion.

20. INVENTORIES

	2023	2022
	HK\$'000	HK\$'000
Food and beverage	2,932	1,811
Materials for aircraft engine stand repairing	872	–
	3,804	1,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 HK\$'000	2022 HK\$'000
Trade receivables from sales of food ingredients and beverage	550	1,164
Trade receivables from restaurant operations	840	683
Trade receivables from aircraft engine stand repairing	3,223	–
Rental deposits	4,160	3,653
Other deposits	1,374	1,465
Prepayments and other receivables (<i>note</i>)	4,245	29,104
	<u>14,392</u>	<u>36,069</u>
Total	<u>14,392</u>	<u>36,069</u>
Analysed for reporting purposes as:		
Non-current assets	4,160	4,367
Current assets	10,232	31,702
	<u>14,392</u>	<u>36,069</u>

Note: As at 31 March 2022, the amount mainly represented the prepayments to suppliers for purchasing the drug vending machines. As at 31 March 2023, the amount mainly represented the receivables from non-trade debtors such as credit card refund from banks and insurance.

There was no credit period granted to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash, octopus card and credit card settlement. The settlement terms of octopus card and credit card companies are usually within 7 days after the service rendered date. All trade receivables from restaurant operations are aged within 7 days after the service rendered date. All trade receivables from sales of food ingredients are aged within 30–90 days based on the invoice date at the end of the reporting period.

The Group has a policy of allowing credit periods ranging from 0 to 90 days to its customers in the sales of food ingredients and beverage operations. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables of sales of food ingredients and beverage operations, net of ECL, presented based on the invoice date, which approximated the revenue recognition date for income of food ingredients and beverage operations, as appropriate:

	2023 HK\$'000	2022 HK\$'000
0–90 days	<u>550</u>	<u>1,164</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers in the engine stand repairing operations. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables of engine stand repairing, net of ECL, presented based on the invoice date, which approximated the revenue recognition date for income of engine's standing repairing, as appropriate:

	2023 HK\$'000	2022 HK\$'000
0–90 days	2,905	–
91–180 days	293	–
Over 180 days	25	–
	<hr/> 3,223 <hr/>	<hr/> – <hr/>

The expected credit loss for the trade receivables of engine's repairing is HK\$nil.

Details of the impairment assessment of other receivables are set out in note 39.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

	2023 HK\$'000	2022 HK\$'000
Listed securities classified as held for trading investments: — Equity securities listed in Hong Kong	2,195	–
	<hr/> 2,195 <hr/>	<hr/> – <hr/>

At the end of the reporting period, financial assets at FVTPL are stated at fair value. Fair values of listed securities classified as held for trading investments are determined with reference to quoted market closing price.

23. ASSETS HELD FOR SALE

For the year ended 31 March 2022

- (a) On 11 December 2020, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of a wholly owned subsidiary, Access Gear Investment Limited (“AGI”) and its subsidiaries (“AGI Group”) for a consideration of HK\$21,500,000. The major asset held by the AGI group is an industrial unit. The completion of the transaction is scheduled to take place on 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

23. ASSETS HELD FOR SALE (Continued)

For the year ended 31 March 2022 (Continued)

- (b) On 25 February 2021, the Group entered into a preliminary sale and purchase agreement with an independent third party to dispose of a property for a consideration of HK\$22,000,000. The property is an industrial unit held by an indirect wholly-owned subsidiary. The transaction was completed on 24 May 2021.

Accordingly, the following assets and liabilities were presented as a disposal group/assets held for sale at 1 April 2021.

	AGI Group HK\$'000	Industrial unit HK\$'000	Total HK\$'000
Assets held for sale			
Leasehold land and buildings	19,802	10,006	29,808
Other assets	52	–	52
	<u>19,854</u>	<u>10,006</u>	<u>29,860</u>
Liabilities directly associated with the assets held for sale			
Other payables, accrual and deposits received	(260)	–	(260)
	<u>(260)</u>	<u>–</u>	<u>(260)</u>

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% (2022: 0.01%) per annum.

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 HK\$'000	2022 HK\$'000
Trade payables	1,299	1,394
Salaries payables	2,607	2,716
Accruals and other payables (note)	11,212	3,272
	<u>15,118</u>	<u>7,382</u>

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. All trade payables are aged within 60 days based on the invoice date at the end of the reporting period.

Note:

Other payables are due mainly to third party vendors in relation to operating expenses of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

26. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Contract liabilities arising from:		
Receipt in advance of delivery of products (<i>note (a)</i>)	–	20,952
	<u>–</u>	<u>20,952</u>
	<u>–</u>	<u>20,952</u>

Notes:

- (a) The amount represents advances from customers which included the non-refundable payment received from customers, for which the Group has obligation to transfer goods or services to customers.

Movements in contract liabilities

	2023 HK\$'000	2022 HK\$'000
At 1 April	20,952	108
Increase in contract liabilities	–	6,898
Acquisition of subsidiaries	–	14,054
Decrease in contract liabilities	(2,091)	(108)
Disposal of subsidiaries	(18,861)	–
	<u>–</u>	<u>20,952</u>
At 31 March	<u>–</u>	<u>20,952</u>

The following table shows the revenue during the year related to contract liabilities carried forward:

	2023 HK\$'000	2022 HK\$'000
Revenue recognised in the year which was included in contract liabilities at beginning of year		
– Cash coupons	–	108
	<u>–</u>	<u>108</u>

The following table shows unsatisfied performance obligations as at the end of the year in relation to sales of drug vending machine.

	2023 HK\$'000	2022 HK\$'000
Expected to be recognised as revenue within one year		
– Sales of drug vending machine	–	20,952
	<u>–</u>	<u>20,952</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

27. PROVISION FOR REINSTATEMENT

	<i>HK\$'000</i>
At 1 April 2021	1,996
Reversal of provision	<u>(421)</u>
At 31 March 2022	1,575
Reversal of provision	<u>—</u>
At 31 March 2023	<u><u>1,575</u></u>
	<i>2022</i>
	<i>HK\$'000</i>
Analysed for reporting purpose as:	
Non-current liabilities	1,575
Current liabilities	<u>—</u>
	<u><u>1,575</u></u>
	<i>2023</i>
	<i>HK\$'000</i>

The provision for reinstatement works related to the estimated cost of reinstating the rented premises to be carried out at the end of respective lease periods. These amounts have not been discounted for the purpose of measuring the provision for reinstatement works as the effect is not significant.

28. BANK AND OTHER BORROWINGS

	<i>2023</i>	<i>2022</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current		
Interest bearing		
Secured		
— Current portion of long-term bank loans (<i>note (i)</i>)	1,893	—
Unsecured		
— Current portion of long-term other loans (<i>note (ii)</i>)	638	—
	<u>2,531</u>	<u>—</u>
Non-current		
Interest bearing		
Secured		
— Long-term bank loans (<i>note (i)</i>)	1,712	—
Unsecured		
— Long-term other loans (<i>note (ii)</i>)	337	—
	<u>2,049</u>	<u>—</u>
	<u><u>4,580</u></u>	<u><u>—</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

28. BANK AND OTHER BORROWINGS *(Continued)*

At end of reporting period, total current and non-current bank and other borrowings were scheduled to repay as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	2,531	–
More than one year, but not exceeding two years	2,049	–
	4,580	–

- (i) The bank borrowings were guaranteed by a director of the subsidiary.
- (ii) Long-term unsecured other loans as at 31 March 2023 represented borrowings granted from two (2022: Nil) independent third parties with total balance of HK\$975,000 (2022: HK\$Nil), carried fixed interest rate of 2.25% per annum and repayable on February 2024 and February 2028 respectively.
- (iii) As at 31 December 2023, the bank borrowings of the Group bear interest at fixed interest rates of 3.4% to 3.5% (2022: Nil).

As at 31 March 2023, banking facilities of approximately HK\$9 million (2022: HK\$Nil) granted to the Group were not utilised by the Group during the year ended 31 March 2023 (2022: HK\$Nil).

29. LEASE LIABILITIES

	HK\$'000
At 1 April 2021	34,983
Acquisition of subsidiaries	541
Interest expenses	1,034
Lease payments	(12,521)
Rent concession	(560)
Exchange realignment	14
At 31 March 2022 and 1 April 2022	23,491
Acquisition of a subsidiary	8,957
Interest expenses	759
Lease payments	(12,011)
Disposal of subsidiaries	(388)
Rent concession	(28)
At 31 March 2023	20,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

29. LEASE LIABILITIES (Continued)

	2023 HK\$'000	2022 HK\$'000
Current liabilities	11,154	11,172
Non-current liabilities	9,626	12,319
	20,780	23,491

Present value of minimum lease payments

	2023 HK\$'000	2022 HK\$'000
Within one year	11,154	11,172
More than one year, but not later than two years	4,798	9,325
More than two years, but not later than five years	4,828	2,994
	20,780	23,491

The weighted average incremental borrowing rate applied to lease liabilities was 4.02% (2022: 3.41%).

Total minimum lease payments

	2023 HK\$'000	2022 HK\$'000
Within one year	11,950	11,830
More than one year, but not later than two years	5,229	9,597
More than two years, but not later than five years	5,150	3,056
	22,329	24,483
Less: total future interest expenses	(1,549)	(992)
	20,780	23,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	High Smart <i>HK\$'000</i>
At 1 April 2021, 31 March 2022 and 1 April 2022	–
Issuance of consideration shares (<i>note</i>)	25,453
Fair value change	(50)
	<hr/>
At 31 March 2023	<u>25,403</u>

Note:

During the year ended 31 March 2023, the Group entered into the agreement with an independent party (the "Vendor") for the acquisition of 100% equity interest of High Smart Engineering Limited, a company incorporated in Hong Kong (the "High Smart") (the "Agreement"). The total considerations were HK\$9 million in cash and HK\$25 million by procuring the allotment and issue of the consideration shares by the Company to the Vendor upon completion, subject to the lock up and Share Repurchase Arrangement issued by the Company. Details are set out in the Company's announcement date 21 December 2022, 13 January 2023, 19 January 2023, 8 February 2023, 1 March 2023 and 6 March 2023.

Pursuant to the lock up and Share Repurchase Agreement, if the actual audited net profit before tax of High Smart for the year ending 31 March 2023 or 31 March 2024 (the "Actual Profits") shall be less than the relevant Guaranteed Profits, the Vendor shall pay compensation (the "Compensation") to the Purchaser based on 3.8 times the shortfall in the Actual Profits.

The Compensation (if any) shall be paid by the Vendor to the Purchaser within 7 business days after determination of the Actual Profits in the following manner:

- (a) firstly, the Vendor shall sell and the Company shall purchase a relevant number of Consideration Shares at the Issue Price and the purchase price thereof shall be set off against the Compensation payable by the Vendor to the Purchaser ("Share Repurchase Arrangement"); and
- (b) the balance of any Compensation (if any) shall be paid in cash.

The Consideration Shares upon issuance are deposited into an escrow account approved by the Company.

Pursuant to the Agreement, the profit guarantee for the High Smart profit before tax for the period from 1 April 2022 to 31 March 2023 (the "first relevant period") and the period from 1 April 2023 to 31 March 2024 (the "second relevant period") shall not be less than HK\$4.1 million and HK\$5.2 million respectively.

The contingent consideration arrangement described above give the Company the right to the return of previously transferred consideration if the specified conditions are met. Hence the Consideration Shares issued on acquisition date are classified as financial liabilities at FVTPL as the number of such shares that the Vendor will eventually be entitled to is variable, depending on the eventual outcome under the profit guarantee arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

31. CONTINGENT CONSIDERATION

	Lucky State <i>HK\$'000</i>
At 1 April 2021	–
Acquisition of subsidiaries (<i>note</i>)	4,670
Fair value change	(4,670)
	<hr/>
At 31 March 2022 and 1 April 2022	–
Fair value change	3,375
Disposal of a subsidiary (<i>note</i>)	(3,375)
	<hr/>
At 31 March 2023	<hr/> <hr/>

Note:

During the year ended 31 March 2022, the Group entered into the agreement for the acquisition of 100% equity interest of Lucky State Investment Holdings Limited and its subsidiaries (the "Lucky State Group") (the "Agreement"). The face value of promissory note issued by the Company as consideration was HK\$58,000,000.

Pursuant to the Agreement, the profit guarantee for the Lucky State Group's profit before tax for the period from 1 January 2021 to 31 December 2021 (the "first relevant period") and the period from 1 January 2022 to 31 December 2022 (the "second relevant period") shall not be less than HK\$5,700,000 and HK\$16,150,000 respectively.

If the Actual Profits Before Tax for a Relevant Period is less than 5% or more of the Guaranteed Profits for the Relevant Period, the Vendor shall settle the Purchaser a compensation equivalent to 2.5 times the shortfall (being the difference between the Guaranteed Profit and the Actual Profits Before Tax for the respective Relevant Periods), by way of set off against the outstanding principal amount of the Promissory Note. No upward adjustment will be made on the Consideration even if each of the Actual Profits Before Tax exceeds the respective Guaranteed Profits. For the avoidance of doubt, if the Actual Profits Before Tax shall be negative, it shall be deemed to be zero.

On 25 August 2022, the Company has considered that the Vendor has not fulfilled its obligation under the Guarantee Profits for the First Relevant Period as the actual profit before tax for the First Relevant Period was nil. Therefore, the Company became entitled to a compensation of HK\$14,250,000 (equivalent to 2.5 times the shortfall of HK\$5,700,000) (the "Compensation") which was to be set off against the outstanding principal amount of the Promissory Note.

On 30 September 2022, it was expected that the Lucky State Group would not record any profit for the Second Relevant Period. Therefore, notwithstanding that the Second Relevant Period had not ended, the parties agreed that the Actual Profits Before Tax for the Second Relevant Period should be deemed to be zero. The Vendor then paid the Purchaser a compensation equivalent to HK\$40,375,000 being 2.5 times the shortfall of HK\$16,150,000 by way of set off against the outstanding principal amount of the Promissory Note.

Details concerning the total compensation of HK\$54,625,000 paid by the Purchaser to the Vendor by way of set off against the amount of the said promissory note due to failure to fulfill the relevant profit guarantee levels are set out in the Company's announcements of 26 August 2022 and 30 September 2022. The outstanding principal amount of the Promissory Note after these setoffs and as at 30 September 2022 was HK\$3,375,000.

With the clause of profit guarantee in accordance with the Agreement, the Company has appointed an independent professional valuer to assess the fair value, as a result of profit guarantee for the first relevant period and the second relevant period on 30 August 2021 and 31 March 2022 respectively. The fair value of the contingent consideration was approximately HK\$4,670,000 and HK\$nil on 30 August 2021 and 31 March 2022 respectively and such fair value change of the contingent consideration of approximately HK\$4,670,000 was recognised in profit or loss for the year ended 31 March 2022. The fair value of the contingent consideration was approximately HK\$3,375,000 on 6 March 2023 and the fair value change of the contingent consideration of approximately HK\$3,375,000 was recognised in profit or loss for the year ended 31 March 2023.

The fair value of the contingent consideration was determined by an independent professional valuer not connected with the Group by using the probabilistic approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

32. SHARE CAPITAL

Details of the Company's shares are disclosed as follows:

	Number of shares	Share Capital HK\$'000
Authorised:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	960,000,000	9,600
Issuance of consideration shares (<i>note</i>)	190,839,695	–
At 31 March 2023	1,150,839,695	9,600

Note: During the year ended 31 March 2023, the Group entered into the agreement with an independent party (the "Vendor") for the acquisition of 100% equity interest of High Smart Engineering Limited, a company incorporated in Hong Kong (the "High Smart") (the "Agreement"). The total considerations were HK\$9 million in cash and HK\$25 million by procuring the allotment and issue of the consideration shares by the Company to the Vendor upon completion, subject to the lock up and Share Repurchase Arrangement issued by the Company. Details are set out in the Company's announcement dates 21 December 2022, 13 January 2023, 19 January 2023, 8 February 2023, 1 March 2023 and 6 March 2023.

The issue of consideration shares of 190,839,695 shares are classified as financial liabilities at FVTPL, and valued by independent professional valuer as at the date of issuance of shares and as at 31 March 2023, taking into accounts of contingent consideration arrangement of the acquisition of High Smart receivable by the Company with repurchase arrangement of consideration shares (*note* 30).

33. DEFERRED TAX (ASSETS)/LIABILITIES

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years.

	Acceleration accounting depreciation HK\$'000	Acceleration tax depreciation HK\$'000	Intangible asset identified in business combination HK\$'000	Total HK\$'000
At 1 April 2021	(95)	687	–	592
Charge to profit or loss	–	(91)	–	(91)
At 31 March 2022 and 1 April 2022	(95)	596	–	501
Acquisition of a subsidiary	–	–	1,749	1,749
At 31 March 2023	(95)	596	1,749	2,250

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	(95)	(95)
Deferred tax liabilities	2,345	596
	2,250	501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

33. DEFERRED TAX (ASSETS)/LIABILITIES *(Continued)*

At the end of the reporting period, the Group has unused tax losses of approximately HK\$65,451,000 (31 March 2022: HK\$44,169,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

34. ACQUISITION OF SUBSIDIARY

For the year ended 31 March 2023

- (a) On 13 January 2023, the Group entered into agreement with an independent party for acquisition of entire 100% equity in High Smart Engineering Limited, a company incorporated in Hong Kong (the "High Smart"), which is principally engaged in provision of aircraft engine stand repairing and related services in Hong Kong, for business expansion reason. The acquisition of High Smart was completed on 6 March 2023. The total considerations were HK\$9 million in cash and HK\$25 million by procuring the allotment and issue of the consideration shares by the Company to the Vendor upon completion, subject to the lock up and Share Repurchase Arrangement issued by the Company. Details are set out in the Company's announcement dates 21 December 2022, 13 January 2023, 19 January 2023, 8 February 2023, 1 March 2023 and 6 March 2023.

The fair value of the identifiable assets and liabilities of High Smart as at the date of acquisition are as follow:

	<i>HK\$'000</i>
Property, plant and equipment	2,532
Right-of-use assets	8,957
Intangible asset	10,600
Inventories	1,249
Trade and other receivables, deposits and prepayments	7,181
Financial assets at FVTPL	117
Bank overdraft	(205)
Trade and other payables and accruals	(792)
Tax recoverable	33
Lease liabilities	(8,957)
Bank and other borrowings	(5,235)
Deferred tax liabilities	(1,749)
	<hr/>
Total identifiable net assets	13,731
Goodwill	20,722
	<hr/>
	34,453
Consideration was satisfied by the fair value of:	
Cash paid	(9,000)
Financial liabilities at FVTPL	(25,453)
	<hr/>
	(34,453)
	<hr/> <hr/>
Net cash outflow from acquisition of business:	
Cash paid	(9,000)
Bank overdraft	(205)
	<hr/>
	(9,205)
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

34. ACQUISITION OF SUBSIDIARY *(Continued)*

For the year ended 31 March 2023 *(Continued)*

(a) (Continued)

Notes:

- (a) account and other receivables acquired in this acquisition was the same as the related gross contractual amount and the best estimate at acquisition date of the contractual cash flows expected to be collected.
- (b) The consideration shares issued as contingent consideration for the business combination were classified as financial liabilities at FVTPL and were initially, and subsequently, measured at fair value, with changes in fair values in subsequent accounting periods being recognised in profit or loss.

According to the sale and purchase agreement of the acquisition of High Smart, there was a profit guarantee pursuant to which the vendor guarantees to the Group that the profit before tax of High Smart for the first relevant period and the second relevant period are not less than HK\$4.1 million and HK\$5.2 million respectively (the “Guaranteed Profits”). If the actual audited net profit before tax of the Target for the year ended 31 March 2023 or 31 March 2024 (the “Actual Profits”) shall be less than the relevant Guaranteed Profits, the Vendor shall pay compensation (the “Compensation”) to the Purchaser based on 3.8 times the shortfall in the Actual Profits. For the avoidance of doubt, if the Actual Profits shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation shall be HK\$34.0 million. With the clause of profit guarantee in accordance with the sale and purchase agreement of the acquisition of High Smart, as mentioned in note 30 to the consolidated financial statements, HK\$25,453,000 was recognised by the Company as financial liabilities at FVTPL. Further details of financial liabilities at FVTPL are set out in note 30 to the consolidated financial statements.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

The post acquisition revenue and profit of High Smart for the year ended 31 March 2023 included in the consolidated revenue and gain of the Group are HK\$2,814,000 and HK\$940,000 respectively. Had the acquisition been completed on 1 April 2022 and the business acquired been consolidated on 1 April 2022, the Group’s pro-forma revenue and loss for the year would have been approximately HK\$101,901,000 and HK\$34,738,000 respectively. The directors consider these “pro-forma” numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the “pro-forma” revenue and profit for the year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

34. ACQUISITION OF SUBSIDIARY (Continued)

For the year ended 31 March 2022

(b) On 4 August 2021, the Group entered into agreement for acquisition of entire equity in Lucky State Investment Holdings Limited and its subsidiaries ("Lucky State Group"), which is principally engaged in sales of drug vending machines and related services in PRC, for business expansion reason. The acquisition of Lucky State Group was completed on 30 August 2021. The face value of promissory note as consideration was HK\$58,000,000 was issued by the Company as consideration.

The Company has issued the three (3) years five (5) % interest per annum promissory note with the face value of HK\$58,000,000 to the vendor.

The fair value of the identifiable assets and liabilities of Lucky State Group as the date of acquisition are as follow,

	<i>HK\$'000</i>
Property, plant and equipment	542
Prepayment and other receivables (<i>note (a)</i>)	18,168
Cash and bank balances	463
Contract liabilities	(14,054)
Lease liabilities	(541)
	<hr/>
Total identifiable net assets	4,578
Goodwill	92
	<hr/>
Consideration was satisfied by the fair value of:	
Contingent consideration (<i>note (b)</i>)	4,670
	<hr/> <hr/>
Net cash inflow from acquisition of business	
Cash and bank balances	463
	<hr/> <hr/>

Notes:

- (a) Other receivables acquired in this acquisition was the same as the related gross contractual amount and the best estimate at acquisition date of the contractual cash flows expected to be collected.
- (b) Contingent consideration payable arising from business combination are initially and subsequently measured at fair value, with changes in fair values in subsequent accounting periods being recognised in profit or loss.

According to the sale and purchase agreement of the acquisition of Lucky State Group, there was a profit guarantee pursuant to which the vendor guarantees to the Group that the profit before tax of Lucky State Group for the first relevant period and the second relevant period are not less than HK\$5,700,000 and HK\$16,150,000 respectively ("Guaranteed Profits"). If the actual profit before tax for a relevant period is less than 5% or more of the guaranteed profit for the relevant period, the Vendor shall settle the Purchaser a compensation equivalent to 2.5 times the shortfall, by way of set off against the outstanding principal amount of the Promissory Note. If the actual profit before tax shall be negative, it shall be deemed to be zero. During the reporting period, the actual profit of Lucky State Group has not been met for the first relevant period. With the clause of profit guarantee in accordance with the sale and purchase agreement of the acquisition of Lucky State Group, as mentioned in note 31 to the consolidated financial statements, the fair value of the promissory note was approximately HK\$4,670,000 on 30 August 2021 and was recognised as contingent consideration by the Company. Further details of contingent consideration are set out in note 31 to the consolidated financial statements.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

34. ACQUISITION OF SUBSIDIARY *(Continued)*

For the year ended 31 March 2022 *(Continued)*

The post acquisition revenue and loss of Lucky State Group for the year ended 31 March 2022 were HK\$Nil and HK\$2,138,000 respectively. Had this business been consolidated on 1 April 2021, the Group's pro-forma revenue and profit for the year would have been approximately HK\$85,585,000 and HK\$4,414,000 respectively. The directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the "pro-forma" revenue and loss for the year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

35. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2023

(i) *Lucky State Investment Holdings Limited*

On 18 November 2022, the Group disposed of its entire equity interest in Lucky State Investment Holdings Limited, by way of set off against the outstanding promissory note of principal amount of HK\$3,375,000 at completion date of the disposal. The disposal of Lucky State Investment Holdings Limited was completed on 18 November 2022 and upon the completion of disposal, Lucky State Investment Holdings Limited ceased to be a wholly-owned subsidiary of the Group. The net assets of the disposed subsidiary is as follow:

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Property, plant and equipment	6
Right-of-use assets	372
Prepayments	16,391
Other receivables	4,277
Exchange reserves	198
Bank balances and cash	1
Contract liabilities	(18,754)
Other payables	(107)
Lease liabilities	(388)
	<hr/>
	1,996
	<hr/>
Analysis of gain or loss on disposal:	
Cash consideration received	–
Net assets of subsidiaries being disposed	(1,996)
Fair value of promissory note	3,375
	<hr/>
Gain on disposal of subsidiary	1,379
	<hr/> <hr/>
Analysis of cash and cash equivalents in respect of the disposal:	
Cash consideration received	–
Bank balances and cash being disposed	(1)
	<hr/>
Net cash outflow on disposal of subsidiary	(1)
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2022

(i) **Access Gear Investment Limited**

On 30 June 2021, the Group disposed of its entire equity interest in Access Gear Investment Limited, at an aggregate cash consideration of HK\$21,500,000. The disposal of Access Gear Investment Limited was completed on 30 June 2021 and upon the completion of disposal, Access Gear Investment Limited ceased to be a wholly-owned subsidiary of the Group. The net assets of the Group is as follow:

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Deposits	22
Bank balances and cash	17,948
Other payables	(227)
	<u>17,743</u>

Analysis of gain or loss on disposal:

Cash consideration received	21,500
Net assets of subsidiaries being disposed	(17,743)
	<u>3,757</u>

Analysis of cash and cash equivalents in respect of the disposal:

Cash consideration received	21,500
Bank balances and cash being disposed	(17,948)
	<u>3,552</u>

36. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme") was approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of the shareholders passed on 29 January 2018. The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented Participants (as defined below) to strive for future developments and expansion of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The board of directors (the “Board”) may, at its discretion, invite:

- any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of the Group;
- any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group;
- any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group;
- any provider of goods and/or services to the Group; or
- any other person who the Board considers, in its sole discretion, has contributed to the Group to take up options (together, the “Participants”).

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date on which an option is granted, the average closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date on which an option is granted and the nominal value of a share on the date of the offer.

Offer of an option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

An option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

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

The board of directors of Company announced that on 13 March 2023, the Company had granted a total of 17,600,000 share options to two eligible participants of the Company pursuant to the share option scheme of the Company adopted by the Company on 29 January 2018 to subscribe for an aggregate of 17,600,000 new ordinary shares of HK\$0.01 each Share(s) of the Company. Details are set out in the Company's announcement dated 13 March 2023.

The share options granted during the year ended 31 March 2023 vested immediately upon grant. The fair value of the services received by the Group as consideration for the share options granted were measured by reference to the fair values of the share options granted, which were determined to be HK\$4,550,000, HK\$3,779,000 and HK\$821,000 for the share options granted on 20 April 2022, 27 September 2022 and 13 March 2023 respectively. The fair values were determined by trinomial model.

The inputs were as follows:

Grant date	20 April 2022	27 September 2022	13 March 2023
Fair value of options on the grant date	Director: HK\$0.15 Employees HK\$0.13	Director: HK\$0.07 Employees and Consultants: HK\$0.06	HK\$0.05
Share prices at grant date	HK\$0.29	HK\$0.11	HK\$0.14
Exercise price	HK\$0.29	HK\$0.11	HK\$0.14
Expected volatility (<i>note</i>)	109%	109%	106%
Expected life	10 years	10 years	10 years
Risk-free rate	2.79%	3.97%	3.48%
Expected dividend yield	0%	0%	0%

Note:

The expected volatility was determined with reference to the historical volatility of share prices of the Company over the previous three months of each grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Movements of the shares options granted to the selected employees and consultants pursuant to the Share Option Scheme for the year ended 31 March 2023 are as follows:

Grantees	Exercisable period of the share options	Exercise price	Number of shares options				Outstanding and exercisable at 31 March 2023	
			Outstanding at 1 April 2022	Granted during the year	Vested during the year	Lapsed during the year		
Granted on 20 April 2022								
<i>(note 10)</i>								
(i)	Executive Director							
	Wong Chi Chiu Henry <i>(note 1)</i>	20 April 2022 to 19 April 2032	HK\$0.29	–	9,600,000	9,600,000	(9,600,000)	–
(ii)	Employees							
	Employee A <i>(note 2)</i>	20 April 2022 to 19 April 2032	HK\$0.29	–	4,800,000	4,800,000	(4,800,000)	–
	Employee B <i>(note 2)</i>	20 April 2022 to 19 April 2032	HK\$0.29	–	9,600,000	9,600,000	(9,600,000)	–
	Employee C <i>(note 2)</i>	20 April 2022 to 19 April 2032	HK\$0.29	–	9,600,000	9,600,000	(9,600,000)	–
Granted on								
<i>27 September 2022 (note 11)</i>								
(i)	Executive Director							
	Choi Pun Lap	27 September 2022 to 26 September 2032	HK\$0.11	–	9,600,000	9,600,000	–	9,600,000
(ii)	Employees							
	Employee D	27 September 2022 to 26 September 2032	HK\$0.11	–	9,600,000	9,600,000	–	9,600,000
	Employee E	27 September 2022 to 26 September 2032	HK\$0.11	–	9,600,000	9,600,000	–	9,600,000
	Employee F	27 September 2022 to 26 September 2032	HK\$0.11	–	4,800,000	4,800,000	–	4,800,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Grantees	Exercisable period of the share options	Exercise price	Number of shares options				Outstanding and exercisable at 31 March 2023
			Outstanding at 1 April 2022	Granted during the year	Vested during the year	Lapsed during the year	
(iii) Consultants							
Consultant G <i>(note 3)</i>	27 September 2022 to 26 September 2032	HK\$0.11	–	9,600,000	9,600,000	–	9,600,000
Consultant H <i>(note 4)</i>	27 September 2022 to 26 September 2032	HK\$0.11	–	9,600,000	9,600,000	–	9,600,000
Consultant I <i>(note 5)</i>	27 September 2022 to 26 September 2032	HK\$0.11	–	9,600,000	9,600,000	–	9,600,000
Granted on							
<u>13 March 2023 (note 12)</u>							
(i) Employees							
Employee J	13 March 2023 to 12 March 2033	HK\$0.14	–	9,600,000	9,600,000	–	9,600,000
Employee K	13 March 2023 to 12 March 2033	HK\$0.14	–	8,000,000	8,000,000	–	8,000,000
Total			–	<u>113,600,000</u>	<u>113,600,000</u>	<u>(33,600,000)</u>	<u>80,000,000</u>
Weighted average exercise price (HK\$)			–	<u>HK\$0.17</u>	<u>HK\$0.17</u>	<u>HK\$0.29</u>	<u>HK\$0.12</u>

Notes:

1. Wong Chi Chiu Henry resigned as executive director on 30 June 2022.
2. The employees resigned during the period from grant date to year ended 31 March 2023.
3. Consultant G is a business developer and was providing business development services to the Company for the year ended 31 March 2023. In order to have a better service and be part of the Group, the Company retained and motivated consultant G to strive for future development and expansion of the Group by way of granting options to Consultant G.
4. Consultant H has experience and knowledge in catering business and was providing catering development services for the potential market in Oversea and China to the Company for the year ended 31 March 2023. In order to have a better service and be part of the Group, the Company retained and motivated consultant H to strive for future development and expansion of the Group by way of granting options to Consultant H.
5. Consultant I is good at human resource and was providing human resource services to the Company for the year ended 31 March 2023. In order to have a better service and be part of the Group. Therefore, the Company retained and motivated Consultant I to strive for future development and expansion of the Group by way of granting options to Consultant I.
6. Upon acceptance of the share options, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The Company has received such consideration from the respective grantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Notes: (Continued)

7. The weighted average remaining contractual life for share options outstanding at the end of the reporting period is 9.60 years.
8. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$0.12.
9. The total number of securities available for issue under the share option scheme as at 31 March 2023 in respect of outstanding share options granted but not yet exercised was 80,000,000 shares which represented 6.95% of the issued share capital of the Company as at 31 March 2023.
10. Details are set out in the Company's announcement date 20 April 2022.
11. Details are set out in the Company's announcement date 27 September 2022.
12. Details are set out in the Company's announcement date 13 March 2023.

During the year ended 31 March 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

37. RETIREMENT BENEFITS SCHEMES

The Group participate in a Mandatory Provident Fund Schemes (the "MPF Scheme") registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are both required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount was HK\$1,500 per employee per month.

The employees of the Company's subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute defined percentages, ranging from 12% to 25%, of payroll costs to the retirement benefit scheme to fund the benefits in compliance with the applicable regulations of the PRC.

The retirement benefits contributions arising from the relevant schemes charged to the consolidated statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings and contingent consideration as disclosed in respective note, and equity attributable to owners of the Company, comprising issued share capital, other reserves and accumulated profits.

The directors of the Company reviews the capital structure regularly. As part of this review, the directors of the Company considers the cost of capital and the risk associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares and the raising of borrowings or the repayment of the existing borrowings.

The net debt-to-adjusted equity ratio at 31 March 2023 and 2022 was as follows:

	2023 HK\$'000	2022 HK\$'000
Total debts — Bank and other borrowings	4,580	–
Financial liabilities at FVTPL	25,403	–
Less: Cash and bank balances	15,526	31,903
Net debt	14,457	N/A
Total equity	15,426	42,791
Net debt-to-adjusted equity ratio	0.94	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets measured at amortised cost		
– Trade and other receivables and deposits	14,147	16,597
– Bank balances and cash	15,526	31,903
	29,673	48,500
Financial assets at FVTPL	2,195	–
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	5,473	7,352
– Lease liabilities	20,780	23,491
– Bank borrowings	4,580	–
	30,833	30,873
Financial liabilities at FVTPL	25,403	–

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables and deposits, bank balances and cash, trade and other payables and accruals, bank borrowings and contingent consideration. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank and other borrowings (note 28). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

39. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables and deposits and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

The credit risk for bank balances is considered as not material as such amounts are placed in banks with good reputations.

The Group has concentration of credit risk on bank. Details of bank balances is disclosed in note 24. The management of the Group considers the counterparties with good credit worthiness based on their past repayment history and subsequent settlement.

The credit risk on other financial assets including trade receivables and deposits are limited because the counterparties are of good creditworthiness and have a strong capacity to meet its contractual cash flow obligations in the near term.

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL ("12m ECL"). For the years ended 31 March 2023 and 2022, the Group assessed the ECL for other receivables. An allowance of credit loss of other receivables amounting to approximately HK\$Nil (2022: HK\$1,941,000) was provided during the year ended 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

39. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	
				2023 HK\$'000	2022 HK\$'000
Financial assets at amortised cost:					
Trade receivables	N/A	Low risk	Lifetime ECL	4,613	1,847
Other receivables	N/A	Low risk	12-month ECL	5,966	6,972
Deposits	N/A	Low risk	12-month ECL	5,534	5,118
Cash at banks	AA1-AA3	Low risk	12-month ECL	15,526	31,903
				31,639	45,840

Note:

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

39. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

2023

	Past due HK\$'000	Not past due/ No fixed repayment terms HK\$'000	Total HK\$'000
Other receivables	–	4,000	4,000

2022

	Past due HK\$'000	Not past due/ No fixed repayment terms HK\$'000	Total HK\$'000
Other receivables	–	5,006	5,006

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

Other receivables

	12m ECL HK\$'000
As at 1 April 2021	–
Impairment losses recognised	1,941
Exchange adjustments	25
As at 31 March 2022	1,966
Impairment losses recognised	–
As at 31 March 2023	1,966

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

39. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity tables

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2023							
Non-derivative financial liabilities							
Trade and other payables	-	-	5,473	-	-	5,473	5,473
Lease liabilities	4.02	-	11,950	10,379	-	22,329	20,780
Bank and other borrowings	3.18	-	2,643	2,164	-	4,807	4,580
		-	20,066	12,543	-	32,609	30,833

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2022							
Non-derivative financial liabilities							
Trade and other payables	-	-	7,382	-	-	7,382	7,382
Lease liabilities	3.41	-	11,830	12,651	-	24,481	23,491
Contingent consideration payable		58,000	-	-	-	58,000	-
		58,000	19,212	12,651	-	89,863	30,873

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

(c) Fair value and fair value hierarchy

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value and fair value hierarchy (Continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy as at 31 March 2022

Recurring fair value measurement	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 March 2023				
– Financial liabilities at FVTPL	–	–	25,403	25,403
As at 31 March 2022				
– Financial liabilities at FVTPL	–	–	–	–
– Contingent consideration payable	–	–	–	–

Information about Level 3 fair value measurement

Financial liabilities	Fair value as at 31 March 2023	Fair value as at 31 March 2022	Valuation technique	Significant unobservable input	Relation of significant unobservable inputs to fair value
Financial liabilities at FVTPL	HK\$25,403,000	–	– Probability approach on the profit adjusted for difference of share price at issue date and share spot price	Discount rate of 14.89% Probability-adjusted profit with a range from HK\$4,172,000 to HK\$5,345,000	Note
Contingent Consideration Payable	N/A	Nil	– Discounted cash flow method was used to capture the present value of the expected future economic benefit that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate	Discount rate of 16.91% Probability adjusted revenues and profit with a range from HK\$nil to HK\$276,000	Note

Note:

An increase in the probability-adjusted profits used in isolation would result in an increase in the fair value measurement of the financial liabilities at FVTPL/contingent consideration payable and vice versa. A 5% increase/decrease in the probability-adjusted profits holding all other variables constant would increase/decrease the carrying amount of the financial liabilities at FVTPL by HK\$238,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

39. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value and fair value hierarchy *(Continued)*

Reconciliation of Level 3 fair value measurements

	Contingent consideration <i>HK\$'000</i>
At 1 April 2021	–
Acquisition of subsidiaries	(4,670)
Total income in profit and loss	<u>4,670</u>
At 31 March 2022	–
Disposal of subsidiaries	(3,375)
Total income in profit and loss	<u>3,375</u>
As at 31 March 2023	<u><u>–</u></u>
	Financial liabilities at FVTPL
At 1 April 2022	–
Acquisition of a subsidiary	25,453
Total income in profit and loss	<u>(50)</u>
As at 31 March 2023	<u><u>25,403</u></u>

40. 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 those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings <i>HK\$'000</i>	Lease Liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2021	15,000	34,983	49,983
Repayment of bank borrowings	(15,000)	–	(15,000)
Acquisition of subsidiaries	–	541	541
Finance costs	46	1,034	1,080
Rent concession	–	(560)	(560)
Financing cash flow	(46)	(12,521)	(12,567)
Exchange realignment	–	14	14
	<u>–</u>	<u>23,491</u>	<u>23,491</u>
At 31 March 2022 and 1 April 2022	<u><u>–</u></u>	<u><u>23,491</u></u>	<u><u>23,491</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Bank borrowings <i>HK\$'000</i>	Lease Liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2022 and 1 April 2022	–	23,491	23,491
Acquisition of a subsidiary	5,235	8,957	14,192
Finance costs	32	759	791
Rent Concession	–	(28)	(28)
Disposal of a subsidiary	–	(388)	(388)
Repayment of bank borrowings	(687)	–	(687)
Repayment of lease liabilities	–	(12,011)	(12,011)
	<hr/>	<hr/>	<hr/>
At 31 March 2023	<u>4,580</u>	<u>20,780</u>	<u>25,360</u>

Note: The financing cash flows represented the net amount of new bank borrowings raised, interest payment of bank borrowings, and repayment of lease liabilities including both principal and interest portions.

41. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors, who comprise the members of key management of the Group, during the years ended 31 March 2023 and 2022 were as follows:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Short-term benefits	3,580	1,683
Post-employment benefits	–	47
	<hr/>	<hr/>
	<u>3,580</u>	<u>1,730</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current asset			
Investment in a subsidiary		3,944	11,125
Current assets			
Prepayments and other receivables		–	774
Amounts due from subsidiaries		12,358	103
Bank balances		253	27,630
		12,611	28,507
Current liabilities			
Accruals		195	500
Amount due to a fellow subsidiary		–	18,898
Amount due to a subsidiary		2,883	–
		3,078	19,398
Net current assets		9,533	9,109
Net assets		13,477	20,234
Capital and reserves			
Share capital	32	9,600	9,600
Reserves		3,877	10,634
		13,477	20,234

Movement in the Company's reserves

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2021	88,381	(74,641)	13,740
Loss and total comprehensive expense for the year	–	(3,106)	(3,106)
At 31 March 2022 and 1 April 2022	88,381	(77,747)	10,634
Loss and total comprehensive expense for the year	–	(6,757)	(6,757)
At 31 March 2023	88,381	(84,504)	3,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

43. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid share capital	Proportion ownership interest and voting right held by the Company		Principal activities
				2023	2022	
Access Gear Investment Limited	BVI	Hong Kong	United States Dollar ("USD") 10,000	100%	100%	Investment holding
Access Smart Corporation Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	Restaurant operations
All Happiness Limited	Hong Kong	Hong Kong	HK\$10,000	90%	90%	Restaurant operations
Foodies Branding Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Investment holding
Foodies Group Limited	BVI	Hong Kong	USD1,000	100%	100%	Investment holding
Foodies Management Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Provision of management services to group companies
Gold Pavilion Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Restaurant operations
Grace Wealth Holdings Limited	Hong Kong	Hong Kong	HK\$100	100%	100%	Property investment in Hong Kong
Happy King Corporation Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Inactive
Jumbo Spirit Group Limited	BVI	Hong Kong	USD1,000	100%	100%	Investment holding
Pacific Best Enterprises Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Restaurant operations
Pacific Rise Hong Kong Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	Restaurant operations
Rainbow Power Holdings Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Restaurant operations
Sweetie Deli Garden Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	Restaurant operations
Top Wealth International (HK) Limited	Hong Kong	Hong Kong	HK\$10	100%	100%	Restaurant operations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

43. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid share capital	Proportion ownership interest and voting right held by the Company		Principal activities
				2023	2022	
Union Choice Limited	Hong Kong	Hong Kong	HK\$101	100%	100%	Provision of food processing services to group companies
Vast Dragon Asia Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	Investment holding
Wealthy Development (HK) Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	Property investment in Hong Kong
Wealth Step Enterprise Limited	Hong Kong	Hong Kong	HK\$10	100%	100%	Restaurant operations
Wealth Treasure Capital Investment Limited	Hong Kong	Hong Kong	HK\$100	100%	100%	Restaurant operations
Lucky State Investment Holdings Limited	BVI	Hong Kong	USD50,000	N/A	100%	Investment holding
Ivan International Biology Limited	Hong Kong	Hong Kong	HK\$10,000	N/A	100%	Investment holding
開封伊萬金生物科技有限公司	People's Republic of China ("PRC")	PRC	–	N/A	100%	Investment holding
河南正修福來醫藥科技管理有限公司	PRC	PRC	–	N/A	100%	Inactive
開封正修福來醫藥科技有限公司	PRC	PRC	RMB5,000,000	N/A	100%	Drug vending machines operation
High Smart Engineering Limited	Hong Kong	Hong Kong	HK\$1,000	100%	N/A	aircraft's engine stand repairing and maintenance

44. EVENT AFTER THE REPORTING DATE

There was no significant events after the reporting period for the year ended 31 March 2023.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group pursuant to Rule 18.33 of the GEM Listing Rules, as extracted from the published audited consolidated financial statements or the Prospectus, is set out as follows:

	Year ended 31 March				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
Revenue	142,407	116,425	97,421	85,585	68,702
(Loss)/profit before taxation	(15,032)	(44,710)	8,735	3,929	(37,732)
Income tax credit	(1,300)	95	16	91	43
(Loss)/profit for the year	(16,332)	(44,615)	8,751	4,020	(36,689)
Attributable to:					
Owners of the Company	(16,087)	(44,459)	8,585	4,007	(36,689)
Non-controlling interests	(245)	(156)	166	13	–
	(16,332)	(44,615)	8,751	4,020	(36,689)
	As at 31 March				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
Assets and liabilities					
Total assets	97,693	122,177	100,157	96,787	85,227
Total liabilities	(30,804)	(100,279)	(61,410)	(53,996)	(69,801)
	66,889	21,898	38,747	42,791	15,426
Equity attributable to:					
Owners of the Company	66,348	21,889	38,793	42,824	15,459
Non-controlling interests	541	9	(46)	(33)	(33)
	66,889	21,898	38,747	42,791	15,426