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WELIFE TECHNOLOGY LIMITED

維力生活科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1703)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$421.3 million for the year ended 31 March 2024 (2023: approximately HK\$304.4 million), representing an increase of approximately 38.4%.
- Profit for the year ended 31 March 2024 was approximately HK\$28.8 million, as compared to loss for the year ended 31 March 2023 of approximately HK\$6.9 million.
- Basic earnings per share was approximately HK2.5 cents for the year ended 31 March 2024, as compared to basic loss per share for the year ended 31 March 2023 of approximately HK0.6 cents.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2024.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Welif Technology Limited (the “**Company**”, together with its subsidiaries collectively, the “**Group**”), hereby announces the consolidated results of the Group for the year ended 31 March 2024, together with comparative figures for the year ended 31 March 2023 as set out below. The audit committee of the Company (the “**Audit Committee**”) has reviewed the consolidated annual results of the Group for the year ended 31 March 2024, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March	
		2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Revenue	4	421,309	304,356
Other income	4	5,191	16,157
Other gains or losses, net	5	7,789	2,361
Cost of inventories consumed		(102,207)	(77,331)
Staff costs	8	(146,614)	(113,418)
Property rentals and related expenses		(22,423)	(20,741)
Utilities expenses		(21,502)	(18,639)
Depreciation of property, plant and equipment		(7,808)	(8,902)
Depreciation of right-of-use assets		(45,137)	(47,915)
Other expenses		(52,676)	(35,365)
Finance costs	6	(6,777)	(7,503)
Profit/(loss) before tax		29,145	(6,940)
Income tax expenses	7	(300)	–
Profit/(loss) for the year attributable to owners of the Company	8	28,845	(6,940)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		131	40
Profit/(loss) and total comprehensive income/(expense) for the year		<u>28,976</u>	<u>(6,900)</u>
Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company		<u>28,976</u>	<u>(6,900)</u>
Earnings/(loss) per share			
– Basic and diluted (<i>HK cents</i>)	10	<u>2.5</u>	<u>(0.6)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	11	9,589	16,053
Right-of-use assets	11	36,567	84,581
Deposit placed for a life insurance policy		16,414	16,178
Rental deposits		17,133	25,473
		<u>79,703</u>	<u>142,285</u>
Current assets			
Inventories		1,040	1,423
Trade and other receivables	12	24,641	16,153
Tax recoverable		–	140
Time deposit with maturity over three months		2,000	–
Bank balances and cash		76,289	95,797
		<u>103,970</u>	<u>113,513</u>
Current liabilities			
Trade and other payables	13	45,292	30,602
Contract liabilities		18,630	31,460
Bank borrowings	14	14,448	37,382
Lease liabilities		47,623	69,688
Tax payable		300	–
Provision for reinstatement costs		776	985
		<u>127,069</u>	<u>170,117</u>
Net current liabilities		<u>(23,099)</u>	<u>(56,604)</u>
Total assets less current liabilities		<u>56,604</u>	<u>85,681</u>
Non-current liabilities			
Lease liabilities		11,971	68,905
Contract liabilities		133	140
Other payables		878	1,198
Provision for reinstatement costs		2,779	3,571
		<u>15,761</u>	<u>73,814</u>
Net assets		<u>40,843</u>	<u>11,867</u>
Capital and reserves			
Share capital	15	11,500	11,500
Reserves		29,343	367
Equity attributable to owners of the Company		<u>40,843</u>	<u>11,867</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 7 June 2018 as an exempted company with limited liability under the laws of Cayman Islands and its shares (“**Shares**”) have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 February 2019 (the “**Listing Date**”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in Chinese restaurant operations and sale of food in Hong Kong and the People’s Republic of China.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Group.

The consolidated financial statements have been prepared based on the accounting policies which conform with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Companies Ordinance.

As at 31 March 2024, the Group’s current liabilities exceeded its current assets by approximately HK\$23,099,000 (2023: HK\$56,604,000). Notwithstanding the above, these consolidated financial statements have been prepared on a going concern basis.

The management closely monitors the Group’s financial performance and liquidity position. The validity of the going concern basis of preparation of these consolidated financial statements depends upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its financial obligations as and when they fall due, and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

The Directors have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from reporting date. Based on the cash flow projections, the Directors believe that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from reporting date. The management has made key assumptions in the preparation of the projections with regard to the anticipated cash flows from the Group’s operations and capital expenditures.

In view of the above, the Directors are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the Directors have prepared these consolidated financial statements on a going concern basis.

On 17 May 2024, Mr. Tam Kar Wai and Mr. Hu Zhi Xiong (“**Previous Directors**”) resigned as Executive Director and Non-executive Director, respectively.

Following the resignation of the Previous Directors, the executive directors of the Company (the “**Existing Directors**”) were unable to locate certain books, records, and corresponding supporting documents of certain subsidiaries, namely, Eternal Grand Developments Limited, Eternal Grand (Hong Kong) Limited, Wui Fung Limited, 珠海橫琴好味度餐飲管理有限公司, 廣州市度小月餐飲管理有限公司, 廣州市度小月餐飲管理有限公司深圳機場分店 (collectively referred to as the “**Eternal Grand Group**”), Global Gourmet Catering Services Management Limited, and Global Gourmet Catering Services Management (H.K.) Limited (collectively referred to as the “**Global Gourmet Group**”) (the “**Lost Records**”), and certain supporting documents of the books of account of the Company (the “**Lost Supporting**”).

The Eternal Grand Group and Global Gourmet Group’s financial position as at 31 March 2023 are used for preparing the Group’s consolidated financial statements for the year ended 31 March 2024.

The Existing Directors gathered all relevant information by their best effort to prepare the financial statements for the year ended 31 March 2024.

The Existing Directors attempted to contact the Previous Directors, who were responsible for maintaining proper books and records for the Group. As of the approval date of these consolidated financial statements, they were unable to contact any of the Previous Directors to locate the Lost Records and Lost Supporting.

2. APPLICATION OF AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the current period for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules

Except as described below, the application of the amendments to HKFRS 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.

New Guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, the Government of the Hong Kong Special Administrative Region gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“**Amendment Ordinance**”), which will come into effect from 1 May 2025 (“**Transition Date**”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“**MPF**”) scheme to reduce the long service payment (“**LSP**”) in respect of an employee’s service from the Transition Date (the abolition of the “**offsetting mechanism**”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

New and amendments to HKFRSs issued 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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ²
Amendments to HKAS 21	Lack of Exchangeability ³
Hong Kong Interpretations 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause ²
Amendments to HKFRS Accounting Standards	Annual improvements to HKFRS Accounting Standards – Volume 11 ⁴
Amendments to HKFRS 18	Presentation and Disclosure in Financial Statements ⁵

¹ Effective for annual periods beginning on or after a date to be determined.

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

³ Effective for annual periods beginning on or after 1 January 2025.

⁴ Effective for annual periods beginning on or after 1 January 2026.

⁵ Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company (“**Directors**”) anticipate that the application of all New HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

The Group's revenue represents amounts received and receivable from the provision of catering services and sales of goods, net of discount. Information reported to the executive directors of the Group, being the chief operating decision makers, for the purpose of resources allocation and assessment of performance focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

All of the Group's operations are located in Hong Kong and the PRC. The Group's revenue from external customers and all of its non-current assets are located in Hong Kong based on geographical location of assets.

The following is an analysis of the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided. The Group's non-current assets included property, plant and equipment and right-of-use assets.

The geographical location of property, plant and equipment and right-of-use assets are based on the physical location of the assets.

	Revenue from external customers		Specific non-current assets	
	At 31 March			
	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	421,309	302,136	46,156	100,634
PRC	—	2,220	—	—
	<u>421,309</u>	<u>304,356</u>	<u>46,156</u>	<u>100,634</u>

No revenue from individual external customers contributed over 10% of the total revenue of the Group for both years.

4. REVENUE AND OTHER INCOME

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Revenue		
Chinese restaurant operations (<i>Note (a)</i>)	419,730	302,872
Sales of food (<i>Note (a)</i>)	1,579	1,484
	<u>421,309</u>	<u>304,356</u>
	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Other income		
Government grants (<i>Note (b)</i>)	454	8,051
Forfeiture of deposits received (<i>Note (a)</i>)	741	4,909
Sponsorship income received from utility companies	1,097	1,136
Exchange gain	1	42
Advertising income	164	–
Sundry income	370	506
Imputed interest income on rental deposits	253	369
Interest income from deposit placed for a life insurance policy	533	529
Bank interest income	1,578	615
	<u>5,191</u>	<u>16,157</u>

Notes:

- (a) Revenue derived from Chinese restaurant operations, sales of food and forfeiture of deposits received are from contracts with customers and recognised at a point in time.
- (b) During the year ended 31 March 2024, the Group recognised the subsidies of approximately HK\$454,000 (2023: HK\$282,000), HK\$Nil (2023: HK\$5,519,000) and HK\$Nil (2023: HK\$2,250,000) related to SME Export Marketing Fund, Employment Support Scheme and Catering Business Subsidy Scheme, respectively, provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2024 and 2023 and expected timing of recognising revenue are as follows:

	Chinese restaurant operations	
	2024	2023
	HK\$'000	HK\$'000
Within one year	73,842	114,660
More than one year but not exceeding two years	1,289	691
	<u>75,131</u>	<u>115,351</u>

All sales of food are for period of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. OTHER GAINS OR LOSSES, NET

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Impairment loss on right-of-use assets	–	(772)
Impairment loss on property, plant and equipment	(320)	–
Impairment loss on goodwill	–	(14,561)
Loss on written off of property, plant and equipment	(560)	–
Gain on lease remeasurement	8,669	–
Gain on termination of lease	–	4,606
Gain on disposal of subsidiaries	–	13,088
	<u>7,789</u>	<u>2,361</u>

6. FINANCE COSTS

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Interest on lease liabilities	5,436	6,203
Interest on bank borrowings	1,297	1,274
Unwinding of discounting on provision for reinstatement costs	44	26
	<u>6,777</u>	<u>7,503</u>

7. INCOME TAX EXPENSES

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Current income tax – Hong Kong		
Current year provision	<u>300</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. For the year of assessment 2022/23 and 2023/24, a two-tiered profits tax rates was introduced of which one subsidiary of the Group can elect 8.25% tax rate for its first assessable profits of HK\$2,000,000.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

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 is 25%.

No provision for Hong Kong profits tax has been made for the year ended 31 March 2023 as the Group has sufficient tax losses brought forward available to offset the current year’s estimated assessable profits.

8. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging/(crediting):

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Directors' remuneration	<u>1,048</u>	<u>4,057</u>
Other staff cost (excluding Directors' remuneration):		
Salaries, allowances and other benefits	142,348	105,595
(Reversal of provision of)/provision of long service payment	(23)	5
Provision of unutilised annual leave	119	935
Retirement benefit scheme contributions	<u>3,122</u>	<u>2,826</u>
	<u>145,566</u>	<u>109,361</u>
Total staff costs	<u>146,614</u>	<u>113,418</u>
Covid-19 related rent concessions	–	(4,620)
Depreciation of right-of-use-assets	45,137	47,915
Depreciation of property, plant and equipment	7,808	8,902
Cost of inventories consumed	102,207	77,331
Donations	468	1,160
Auditors' remuneration	1,220	1,400
Premium and handling charges on a life insurance policy	<u>298</u>	<u>282</u>

9. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 March 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS/(LOSS) PER SHARE

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

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Profit/(loss) for the year attributable to owners of the Company	<u>28,845</u>	<u>(6,940)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>1,150,000</u>	<u>1,150,000</u>

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during both years.

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the year ended 31 March 2024, the Group acquired items of property, plant and equipment amounting to approximately HK\$2,224,000 (2023: HK\$3,603,000).

During the year ended 31 March 2024, additions/modifications to the right-of-use assets including capitalised lease payments, present value adjustment of refundable rental deposit, acquisition of subsidiaries and provision for reinstatement costs amounted to approximately HK\$5,072,000 (2023: HK\$3,979,000), due to new/renewal of leases of restaurants, warehouse and office premises.

Due to the poor financial performance of certain restaurants, the management concluded there was indication for impairment and conducted impairment assessment. An impairment loss of approximately HK\$772,000 for certain right-of-use assets were recognised during the year ended 31 March 2023, which was estimated based on the recoverable amount of each individual restaurant's cash generating unit.

The management reviewed the recoverable amount of the restaurants with reference to the valuation performed by an independent qualified professional valuer not connected to the Group. The recoverable amounts of each restaurant cash generating units are determined based on the value in-use calculation which uses cash flow projections based upon continued use of the assets approved by the Directors.

For a restaurant with poor financial performance, the Group determined recoverable amount based on fair value less disposal cost and recognised an impairment loss of HK\$320,000 on property, plant and equipment for the year ended 31 March 2024.

12. TRADE RECEIVABLES

The Group's sales are mainly conducted in cash or by credit cards of which the settlement period is normally within 3 days from the transaction date. The credit period granted by the Group to its corporate customers ranges from 0 to 30 days.

The following is an ageing analysis of the trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Within 30 days	<u>2,602</u>	<u>893</u>

These balances are mainly due from financial institutions in relation to the payment settled by credit cards and corporate customers and there is no recent history of default.

No loss allowance of trade receivables was recognised as at 31 March 2024 and 2023.

13. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Within 30 days	<u>6,666</u>	<u>7,427</u>

Payment terms granted by suppliers are generally within 50 days from date of purchases.

14. BANK BORROWINGS

Carrying amount repayable contain a repayment on demand clause (based on schedule repayment dates set out in the loan agreements) shown under current liabilities:

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Within one year	14,448	21,800
After one year but not exceeding two years	–	7,605
After two years but not exceeding five years	–	7,977
	<u>14,448</u>	<u>37,382</u>

Carrying amounts were carried as follows:

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Interest rate		
– Floating rate	14,448	14,448
– Fixed rate	–	22,934
	<u>14,448</u>	<u>37,382</u>

As at 31 March 2024, the bank borrowing carried floating interest rate of 1 month HIBOR plus 1% per annum (2023: 1 month HIBOR plus 1% per annum) and other bank borrowings carried fixed rate of Nil% (2023: 2.75%). The effective interest rate on the bank borrowings is 5.60% (2023: 3.40%) per annum during the year ended 31 March 2024.

As at 31 March 2024 and 2023, the bank borrowings and credit facilities available to the business cards are secured by the Group's deposit placed for a life insurance policy amounting to approximately HK\$16,414,000 (2023: HK\$16,178,000) and guaranteed by a director of the subsidiaries of the Company.

15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>5,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>1,150,000</u>	<u>11,500</u>

16. LITIGATIONS

The Company received a petition dated 27 October 2023 (the “**Petition**”) from Mr. Wang Lin under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) (“**CWUMPO**”), filed in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) under Companies Winding-up Proceedings No. 478 of 2023. The Petition claimed that the Company may be wound up by the High Court on the grounds that it is unable to pay its debts.

The Petition was filed against the Company for allegedly failing to repay its overdue bond under a bond certificate purportedly issued by the Company in the principal amount of HK\$5,150,000 and accrued interest of approximately HK\$77,000. This amount was allegedly due for payment on 17 August 2023 and owed by the Company to Mr. Wang Lin (“**Claim 1**”).

In April 2024, the Company received a legal letter from Mr. Law Yuen Him, claiming that the Company failed to repay its overdue bond under a bond certificate issued by the Company in the principal amount of HK\$5,205,000 and accrued interest of approximately HK\$469,000 and filed to Court as a supporting creditor of the case. This amount was allegedly due for payment on 30 November 2023 and owed by the Company to Mr. Law Yuen Him (“**Claim 2**”).

In June 2024, the Company received a legal letter from Mrs. Zhao Li, claiming that the Company failed to repay its overdue bond under a bond certificate issued by the Company in the principal amount of HK\$2,360,000 and accrued interest of approximately HK\$31,000 and filed to Court as a supporting creditor of the case. This amount was allegedly due for payment on 27 August 2023 and owed by the Company to Mrs. Zhao Li (“**Claim 3**”).

Claims 1 to 3 are collectively referred to as the “**Bonds**”.

In June 2024, the Company received a legal letter from JAN Financial Press Limited and Ogier and filed to Court as a supporting creditor of the case, claiming that the Company failed to settle their professional fee billed of HK\$280,000 and USD 4,142 respectively.

In order to dismiss the winding-up petition, a settlement has been reached between the Company and the petitioner regarding the Petition, totaling approximately HK\$13,804,000 (the “**Settlement**”), which was accounted as litigation loss in consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024. Following the Settlement, a consent summons for the dismissal of the Petition was executed and filed with the High Court of Hong Kong on 10 July 2024. The High Court of Hong Kong ordered the Petition to be dismissed on 22 July 2024.

Despite that the settlement was made to the counterparties, the Existing Directors are uncertain about the existence of the Bonds. The Company is seeking legal advice and taking procedures to confirm the validity of the Bonds. For more details, please refer to the Company’s announcement dated 8 August 2024.

17. EVENTS AFTER REPORTING PERIOD

Save as disclosed in elsewhere to the consolidated financial statements, the events after reporting period entered by the Group are as follows:

Disposal of Eternal Grand Group

On 16 September 2024, Eternal Grand Developments Limited and its subsidiaries (collectively referred to as the “**Eternal Grand Group**”), subsidiaries of the Group, were disposed to an independent third party at a cash consideration of approximately HK\$8.

Disposal of Global Gourmet Group

On 28 August 2024, Global Gourmet Catering Services Management Limited and its subsidiaries (collectively referred to as the “**Global Gourmet Group**”), subsidiaries of the Group, were disposed to an independent third party at a cash consideration of approximately HK\$8.

18. CONTINGENT LIABILITIES

On 8 July 2022, the Company has entered into a Business Development Consultancy Agreement (the “**Consultancy Agreement**”) with Jasons Holdings (Shenzhen) Company Limited (杰晟思控股(深圳)有限公司) (“**Jasons**”), pursuant to which Jasons will be remunerated in the manner to be agreed between the Company and Jasons.

On 14 July 2023, in relation to the remuneration for the Consultancy Agreement, the Company entered into a remuneration agreement with Jasons (the “**Remuneration Agreement**”), pursuant to which the consultancy fee (i.e. HK\$9,400,000) (the “**Consultancy Fee**”) to Jasons shall be settled by way of allotment and issue of 45,000,000 shares (“**Consideration Shares**”) at the issue price of HK\$0.227 for each Consideration Share. The application to issue the Consideration Share had subsequently be withdrawn by the Company on 17 November 2023.

The lawyer of Jasons has issued a petition to wind up the Company, the winding up hearing of which shall take place on 16 April 2025. The Company has engaged legal counsel for legal advice.

As per the opinion from the Company’s lawyer, given the factual dispute as to the authenticity of the Remuneration Agreement and the services provided by Jasons, it is unlikely for Jasons to be able to wind up the Company without first clarifying the factual issues. Therefore, the management of the Company considered that the Consultancy Fee should not be recognised in the consolidated financial statements for the year ended 31 March 2024 at this stage.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a full-service restaurant group in Hong Kong and the People's Republic of China (the "PRC") offering Cantonese dining and banquet services including wedding banquet services. During the fiscal year ending on 31 March 2024, Hong Kong's economy experienced significant improvement. This progress was primarily attributed to the rapid rebound of both the Hong Kong and PRC economies from the COVID-19 Pandemic ("COVID-19"), resulting in heightened consumption by local residents of Hong Kong and PRC tourists. The upsurge was further supported by an increase in the utilization of transportation, storage, postal, and courier services. As the recovery from COVID-19 persisted, individuals allocated more time to travel and transportation activities, contributing to this expansion. Following the recovery from COVID-19 and the implementation of COVID-19 recovery measures by the Hong Kong Government since mid-September 2023, our restaurant business gradually regained momentum. For the fiscal year ending on 31 March 2023, turnover surged by approximately HK\$116.9 million, marking a 38.4% increase from around HK\$304.4 million in the previous year to approximately HK\$421.3 million.

The following table sets out the movement of the number of restaurants we operated during the financial years indicated:

	Year ended 31 March	
	2024	2023
Number of restaurants at the beginning of the year	9	9
Number of newly acquired restaurants during the year	–	1
Number of closed restaurants during the year	(3)	(1)
Number of restaurants at the end of the year	6	9

In light of the ongoing recovery of the Hong Kong and PRC economies from the impacts of COVID-19, we foresee a positive trajectory in customer spending at Chinese restaurants. The Group plans to conduct a comprehensive evaluation of its current core business activities across different geographical regions to formulate a sustainable business plan and strategy for future expansion. Our focus will involve exploring potential business opportunities and investments across various industries and locations to strengthen the Group's long-term growth prospects. Additionally, we will explore diverse business models, including partnerships with third-party restaurant operators, to enhance the Group's competitiveness in the full-service restaurant banquet market in both the Hong Kong and PRC regions.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 38.4% from approximately HK\$304.4 million for the year ended 31 March 2023 to approximately HK\$421.3 million for the year ended 31 March 2024. Such increase in revenue was mainly due to rapid rebound of both the Hong Kong and PRC economies from the COVID-19, resulting in higher consumption by local residents of Hong Kong and PRC tourists, which led to an increase in the number of customers and banquet services provided by the Group.

Cost of food and beverages

The Group's cost of food and beverages increased by approximately 32.2%, from approximately HK\$77.3 million for the year ended 31 March 2023 to approximately HK\$102.2 million for the year ended 31 March 2024. The increase was in line with the increase in revenue during the year ended 31 March 2024. The cost of food and beverages as a percentage of revenue decreased from 25.4% for the year ended 31 March 2023 to approximately 24.3% for the year ended 31 March 2024 as the food and beverages costs increased in accordance with the inflation during the year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 40.6% from approximately HK\$227.0 million for the year ended 31 March 2023 to approximately HK\$319.1 million for the year ended 31 March 2024. The increase was in line with the increase in revenue during the year ended 31 March 2024. The gross profit margin increased from 74.6% for the year ended 31 March 2023 to 75.7% for the year ended 31 March 2024 mainly due to the increase in food and beverage costs as a result of inflation.

Other gains and losses, net

The Group's net other gains and losses increased by approximately 225.0% from approximately HK\$2.4 million for the year ended 31 March 2023 to HK\$7.8 million for the year ended 31 March 2024. The increase was mainly due to the gain on lease remeasurement of approximately HK\$8.7 million and the decrease of the impairment loss on goodwill. On 29 July 2022, the Group completed the acquisition of subsidiaries, a goodwill of approximately HK\$14,561,000 was recognised. In fact, during the year ended 31 March 2023, an entry of impairment loss of HK\$14,561,000 was made. As a result, there is no impairment loss on goodwill for the year ended 31 March 2024.

Staff costs

The Group's staff costs increased by approximately 29.3%, from approximately HK\$113.4 million for the year ended 31 March 2023 to approximately HK\$146.6 million for the year ended 31 March 2024. Such increase was mainly due to increase in headcount and employing more part-time employee for restaurants operations and banquet services as a result of the relaxation of the Measures. The staff costs as a percentage of revenue decreased from approximately 37.3% for the year ended 31 March 2023 to approximately 34.8% for the year ended 31 March 2024 mainly due to increase in revenue.

Property rentals and related expenses

The Group's property rentals and related expenses increased by approximately 8.2%, from approximately HK\$20.7 million for the year ended 31 March 2023 to approximately HK\$22.4 million for the year ended 31 March 2024 mainly attributable to the increase in demand for property rental upon the recovery of COVID-19 during the year ended 31 March 2024 when compared to last year.

Depreciation

The Group's depreciation of property, plant and equipment decreased to approximately HK\$7.8 million for the year ended 31 March 2024 as compared to HK\$8.9 million for the year ended 31 March 2023 mainly due to the decrease in the total number of restaurants in operation during the year ended 31 March 2024 when compared to last year.

The Group's depreciation of right-of-use assets decreased to approximately HK\$45.1 million for the year ended 31 March 2024 from HK\$47.9 million for the year ended 31 March 2023 mainly due to the decrease in the total number of restaurants in operation during the year ended 31 March 2023 when compared to last year.

Finance costs

Finance costs decreased to HK\$6.8 million for the year ended 31 March 2024 as compared to HK\$7.5 million for the year ended 31 March 2023 due to (a) the decrease in lease liabilities during the year; and (b) the decrease in the total number of restaurants in operation during the year ended 31 March 2024 when compared to last year.

Profit/(loss) for the year

The profit for the year increased by approximately HK\$35.9 million, from loss of HK\$6.9 million for the year ended 31 March 2023 to a profit for the year of approximately HK\$29.0 million for the year ended 31 March 2024 mainly due to the combined effect of the factors discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern.

The capital structure of the Group consists of net debts, which includes bank borrowings, net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves.

The Directors review the capital structure of the Group periodically and may take different measures, including the payment of dividends, the issue of new shares and raising of new debt or the redemption of existing debt.

The Group's liquidity requirements primarily relate to the working capital needs (mainly for procurement of food and beverages from suppliers, staff costs, property rents and various operating expenses), providing catering and banquet services and working capital needs for loss making period, and the principal source of funds is mainly from working capital generated internally from the Group's operation, bank borrowings and the net proceeds received from the Listing.

As at 31 March 2024, the Group's cash and cash equivalents (including time deposits with maturity over three months) were approximately HK\$76.3 million (2023: HK\$95.8 million). As at 31 March 2024, the Group's total current assets and current liabilities were approximately HK\$104.0 million (2023: HK\$113.5 million) and approximately HK\$127.1 million (2023: HK\$170.1 million), while the current ratio of the Group was approximately 0.8 times (2023: approximately 0.7 times). During the year, approximately HK\$2.2 million were incurred for acquiring property, plant and equipment for renovating existing restaurants (2023: HK\$3.6 million) and approximately HK\$22.9 million were used for repayment of bank borrowings (2023: HK\$7.1 million). Excluding the current lease liabilities, the net current assets was HK\$24.5 million (2023: HK\$13.1 million) and the current ratio as at 31 March 2024 was 1.3 times (2023: 1.1 times).

As at 31 March 2024, the Group's total borrowings amounted to approximately HK\$14.4 million (2023: HK\$37.4 million). The borrowings were denominated in Hong Kong dollars and repayable on demand which carried floating interest rate of 1-month HIBOR plus 1% per annum.

As at 31 March 2024, the Group's gearing ratio was approximately 35.4% (2023: 315.0%), which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 31 March 2024 and multiplied by 100%. The decrease in gearing ratio was due to the profit for the year which increased the total equity as at 31 March 2024. The Directors, taking into account the nature and scale of operations, capital structure of the Group and the necessity for maintaining sufficient financial resources to support the operations, considered that the gearing ratio as at 31 March 2024 was reasonable.

CAPITAL EXPENDITURE

The capital expenditure during the year under review was primarily related to expenditures on additions and renovation of property, plant and equipment for the Group's new restaurants and maintenance of existing restaurants.

FOREIGN EXCHANGE EXPOSURE

Most of the transactions of the Group are denominated in Hong Kong dollar and the Group is not exposed to any significant foreign exchange exposure.

CONTINGENT LIABILITIES

On 8 July 2022, the Company has entered into a Business Development Consultancy Agreement (the “**Consultancy Agreement**”) with Jasons Holdings (Shenzhen) Company Limited (杰晟思控股(深圳)有限公司) (“**Jasons**”), pursuant to which Jasons will be remunerated in the manner to be agreed between the Company and Jasons.

On 14 July 2023, in relation to the remuneration for the Consultancy Agreement, the Company has entered into a remuneration agreement with Jasons (the “**Remuneration Agreement**”), pursuant to which the consultancy fee (i.e. HK\$9,400,000) (the “**Consultancy Fee**”) to Jasons shall be settled by way of allotment and issue of 45,000,000 shares (“**Consideration Shares**”) at the issue price of HK\$0.227 for each Consideration Share. The application to issue the Consideration Shares had subsequently be withdrawn by the Company on 17 November 2023.

The lawyers of Jasons has issued a petition to wind up the Company, the winding up hearing of which shall take place on 16 April 2025. The Company is currently seeking for legal advice.

As per the Company's lawyer understanding, given the factual dispute as to the authenticity of the Remuneration Agreement and the services provided by Jasons, it is unlikely for Jasons to be able to wind up the Company without first clarifying the factual issues. Therefore, the management of the Company concluded that the Consultancy Fee should not be recognised in the consolidated financial statements for the year ended 31 March 2024.

Save as disclosed above, the Group has no other significant contingent liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2024, the Group had approximately 261 employees (2023: 224 employees).

The Group offers competitive wages and other benefits to our restaurant employees, and makes salary adjustments in response to the local labour market conditions. Our staff costs primarily consisted of salaries, allowances, and other benefits, contributions to retirement benefits scheme and Directors' emoluments.

SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to the resolution passed on 25 January 2019 to give the eligible persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible participants of the share option scheme include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group; (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; (g) an associate of any of the persons referred to in paragraphs (a) to (c) above; and (h) any person involved in the business affairs of the Company whom our Board determines to be appropriate to participate in the share option scheme.

No share options has been granted since the effective date of the share option scheme and there are no outstanding share options as at 31 March 2024.

CHARGES ON GROUP'S ASSETS

As at 31 March 2024, the deposit placed for a life insurance policy amounting to approximately HK\$16.4 million (2023: HK\$16.2 million) was pledged to secure the Group's bank borrowings.

SIGNIFICANT INVESTMENTS

As at 31 March 2024, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year under review, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

EVENTS AFTER THE REPORTING PERIOD

Disposal of Eternal Grand Group

On 16 September 2024, Eternal Grand Developments Limited and its subsidiaries (collectively referred to as the “**Eternal Grand Group**”), subsidiaries of the Group, were disposed to an independent third party at a cash consideration of approximately HK\$8.

Disposal of Global Gourmet Group

On 28 August 2024, Global Gourmet Catering Services Management Limited and its subsidiaries (collectively referred to as the “**Global Gourmet Group**”), subsidiaries of the Group, were disposed to an independent third party at a cash consideration of approximately HK\$8.

Litigations

On 17 May 2024, Mr. Tam Kar Wai and Mr. Hu Zhi Xiong (“**Former Directors**”) have resigned as an Executive Director and Non-executive Director respectively. For details, please refer to Note 10 to the consolidated financial statements.

Upon the resignation of the former directors, the management of the Company is unable to obtain the books and records of certain subsidiaries and the Company. The management noted several transactions from the events mentioned below.

The Company received a petition dated 27 October 2023 (the “**Petition**”) from Mr. Wang Lin under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) (“**CWUMPO**”), filed in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) under Companies Winding-up Proceedings No. 478 of 2023. The petition claimed that the company may be wound up by the High Court on the grounds that it is unable to pay its debts.

The Petition was filed against the Company for allegedly failing to repay its overdue bond under a bond certificate purportedly issued by the company in the principal amount of HK\$5,150,000. This amount was allegedly due for payment on 17 August 2023 and owed by the company to Mr. Wang Lin.

In April 2024, the Company received a legal letter from Mr. Law Yuen Him, claiming that the company failed to repay its overdue bond under a bond certificate issued by the company in the principal amount of HK\$5,205,000 and filed to Court as a supporting creditor of the case. This amount was allegedly due for payment on 30 November 2023 and owed by the company to Mr. Law Yuen Him.

In June 2024, the Company received a legal letter from Mrs. Zhao Li, claiming that the company failed to repay its overdue bond under a bond certificate issued by the company in the principal amount of HK\$2,360,000 and filed to Court as a supporting creditor of the case. This amount was allegedly due for payment on 27 August 2023 and owed by the company to Mrs. Zhao Li.

In June 2024, the Company received a legal letter from Jan Financial Press Limited and Ogier and filed to Court as supporting creditors of the case, claiming that the company failed to settle their professional fee billed of HK\$280,000 and USD 4,142 respectively.

A settlement has been reached between the company, the petitioner and supporting creditors regarding the Petition, totaling approximately HK\$13,804,000 (the “**Settlement**”), which accounted as litigation loss for the year ended 31 March 2024. Following the Settlement, a consent summons for the dismissal of the Petition was executed and filed with the High Court of Hong Kong on 10 July 2024. The High Court of Hong Kong ordered the Petition to be dismissed on 22 July 2024.

The settlement aims to dismiss the winding-up petition, and management is uncertain about the existence of the mentioned bonds. The management has doubts regarding the existence of the aforementioned transactions, as there is no evidence demonstrating that the Company has engaged in such transactions and is seeking legal advice. For more details, please refer to the Company’s announcement dated 8 August 2024.

Save as disclosed above, the Group has no significant events took place after the end of the period.

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 of at least 25% of the issued Shares from the Listing Date to the date of this announcement.

USE OF NET PROCEEDS

The net proceeds from the Listing (after deducting underwriting fees and the listing expenses to be borne by the Group) (the “**Net Proceeds**”) was approximately HK\$92,734,000. Up to 31 March 2024, the Company has utilised approximately HK\$87.7 million of the Net Proceeds for the purposes as set out in the Prospectus, representing approximately 94.6% of the Net Proceeds.

An analysis of the utilisation of the Net Proceeds as at 31 March 2024 is set out below:

Use of Net Proceeds	Allocation of Net Proceeds according to the Prospectus		Revised allocation of unused Net Proceeds on 3 March 2021	Revised allocation of unused Net Proceeds on 18 October 2022	Amount utilized as at 31 March 2024	Unused Net Proceeds	Estimated timeline for utilization of the unused Net Proceeds
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Opening restaurants <i>(Note)</i>	76.1%	70,557	22,655	5,000	-	5,000	30 June 2025
Renovation of existing restaurants	14.1%	13,063	-	-	-	-	
Promoting brands	5.0%	4,633	1,843	-	-	-	
Additional working capital, strategic investment and other general corporate purposes	4.8%	4,481	30,000	17,655	(17,655)	-	
	<u>100.0%</u>	<u>92,734</u>	<u>54,498</u>	<u>22,655</u>	<u>(17,655)</u>	<u>5,000</u>	

Note: The Board proposed to allocate approximately HK\$5 million to open new restaurants catering different other cuisines with the objective of accommodating the changes of the catering and dining industry which, in turn, would allow the Company to capture new customers.

The unused Net Proceeds are placed into authorised financial institutions and/or licenced banks in Hong Kong. As at the date of this announcement, there was no change of the business plan from that disclosed in the prospectus of the Company dated 31 January 2019.

DIVIDENDS

Having assessed the cash flows and working capital required in view of the current challenging business environment and low-season in the first-half of the financial year of the Group, the Board does not recommend the payment of a final dividend for the financial year ended 31 March 2024 (2023: Nil).

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**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 March 2024, the Company has complied with all the code provisions of the CG Code.

Details of the Company’s corporate governance practices are set out in the corporate governance report which will be included in the Company’s annual report for the year ended 31 March 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 March 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2024.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Board has established the Audit Committee which comprises two independent non- executive Directors, namely, Mr. Char Shik Ngor Stephen and Mr. Wong Che Sang. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the Group’s policies and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee, together with the Board, has reviewed the consolidated annual results of the Group for the year ended 31 March 2024.

SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THIS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the announcement have been agreed by the Company’s auditor, HLB Hodgson Impey Cheng Limited (the “**Auditor**”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

EXTRACT OF THE INDEPENDENT AUDITORS’ REPORT

The following is an extract of the draft independent auditors’ report on the Company’s consolidated financial statements for the year ended 31 March 2024.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether they have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As disclosed in note 3 to the consolidated financial statements, the executive directors of the Company (the “**Existing Directors**”) were unable to locate: a) certain books and records and the corresponding supporting documents of certain subsidiaries, namely, the Eternal Grand Developments Limited and its subsidiaries (collectively referred to as the “**Eternal Grand Group**”) and Global Gourmet Catering Services Management Limited and its subsidiary (collectively referred to as the “**Global Gourmet Group**”) (the “**Lost Records**”) and b) certain supporting documents of the books of account of the Company (the “**Lost Supporting**”).

The Existing Directors advised that, as of the date of approval of these consolidated financial statements, despite their repetitive attempts to contact the Previous Directors, who were responsible to maintain proper books and records for the Group (the “**Previous Directors**”), the Existing Directors were unable to reach any of the Previous Directors to locate the Lost Records and the Lost Supporting. As a result, the Existing Directors were unable to provide complete and adequate accounting books and records and supporting documents for us to perform our audit in relation to the Company, Eternal Grand Group and Global Gourmet Group. We were therefore unable to obtain sufficient appropriate audit evidence to ascertain the following:

(i) **The potential impacts on the consolidated financial statements of the Group arising from the Lost Supporting**

a. The potential impacts of the Lost Supporting on the financial statements of the Company

We were unable to ascertain as to the occurrence, accuracy, completeness, cutoff, classification and presentation of the transactions of the Company have been presented in its statement of profit or loss and other comprehensive income and the valuation, existence and completeness of the related items have been presented in its statement of financial position in accordance with HKFRSs. Since the financial statements of the Company form part of the consolidated financial statements of the Group, the inability to perform sufficient audit procedures on the Lost Supporting results in the same limitation on our audit of the consolidated financial statements of the Group.

b. The potential impacts of the Lost Supporting on a business development consultancy agreement

As disclosed in Note 39, on 28 June 2024, the Company received a statutory demand issued by the lawyer of an independent third party (the “**Service Provider**”), pursuant to a business development consultancy agreement entered into between the Company and the Service Provider with a contract amount of HKD9,400,000 during the year ended 31 March 2024 (the “**Consultancy Fee**”). The Existing Directors have been seeking legal advice and evidence for the services rendered by the Service Provider and the validity of the agreement and concluded that the Consultancy Fee should not be recognised in the consolidated financial statements for the year ended 31 March 2024 of the Group.

However, due to the lack of sufficient appropriate audit evidence arising from the Lost Supporting to ascertain the nature and details of the Consultancy Fee, we were unable to carry out audit procedures necessary to obtain sufficient appropriate audit evidence to ascertain the occurrence, accuracy, completeness, cutoff, classification and presentation of the transactions on how and whether the Consultancy Fee should be recognised by the Group in accordance with HKFRSs.

c. *The potential impacts of the Lost Supporting on debts claimed by petitioners*

As disclosed in Note 37, the Existing Directors received a petition dated 27 October 2023 (the “**Petition**”) from certain creditors (the “**Petitioners**”) filed in the High Court of the Hong Kong Special Administrative Region, which claimed that the Company may be wound up by the High Court on the grounds that it was unable to pay its debts due to the Petitioners of HK\$13,604,000 (the “**Debts**”). A settlement was reached on 10 July 2024 between the Company and the Petitioners. Based on the result of the settlement, the Existing Directors recognised a litigation loss and provision of approximately HK13,804,000 (the “**Litigation**”), in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024 and the consolidated statement of financial position as at 31 March 2024 of the Group, respectively.

Due to the unavailability of sufficient appropriate audit evidence to audit the financial information of the Company arising from the Lost Supporting, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity, commercial substance, legitimacy, occurrence, completeness, accuracy, classification and existence of the Litigation.

(ii) The financial impact to the Group’s consolidated financial statements due to the Lost Records

Due to the unavailability of the books and records and sufficient appropriate audit evidence arising from the Lost Records to audit the financial information of the Eternal Grand Group and Global Gourmet Group as mentioned above, we were unable to carry out audit procedures and obtain sufficient appropriate audit evidence necessary to satisfy ourselves as to the completeness, existence and valuation of the carrying amounts of the assets and liabilities as at 31 March 2024 and the occurrence, accuracy, completeness, cutoff, classification and presentation of the transactions of the Eternal Grand Group and Global Gourmet Group for the year ended 31 March 2024.

There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the matters as set out in items (i) and (ii) above. As a result of these matters, we were unable to determine whether any adjustments might have been found to be necessary in respect of the items as set out above, and the elements making up the consolidated profit or loss and other comprehensive income, the consolidated statement of financial position, and the related disclosures in the consolidated financial statements.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.welifetechnology.com). The annual report for the year ended 31 March 2024 will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in compliance with the Listing Rules in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on Tuesday, 28 November 2023.

Trading in the Shares will continue to be suspended until further notice.

By order of the Board
Welif Technology Limited
Chu Pui Him
Executive Director

Hong Kong, 7 March 2025

As at the date of this announcement, the executive Director is Mr. Chu Pui Him and Mr. Leung Yin Cheuk, the non-executive Director is Mr. Fok Siu Keung, and the independent non-executive Directors are Mr. Char Shik Ngor Stephen and Mr. Wong Che Sang.