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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

HIGHLIGHTS

- Revenue was approximately HK\$176.7 million (six months ended 30 September 2022: approximately HK\$114.2 million), representing an increase of approximately 54.7%.
- Profit for the period was approximately HK\$4.8 million (six months ended 30 September 2022: loss approximately HK\$14.6 million), representing an increase of approximately 133.2%.
- Earnings per share was approximately HK0.42 cents (six months ended 30 September 2022: loss per share approximately HK(1.27) cents), representing an increase of approximately 133.1%.
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2023.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Welife Technology Limited (the “**Company**”, together with its subsidiaries collectively, the “**Group**”), hereby announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2023, together with the comparative unaudited figures for the six months ended 30 September 2022 as set out below.

The audit committee of the Company (the “**Audit Committee**”) has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 AND 2022

		For the six months ended	
		30 September	
		2023	2022
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	176,748	114,246
Other income	6(a)	150	15,915
Other gains (losses), net	6(b)	–	3,980
Cost of inventories consumed		(43,968)	(30,740)
Staff costs	6(c)	(62,518)	(48,842)
Property rentals and related expenses		(10,596)	(12,262)
Utilities expenses		(10,356)	(8,839)
Depreciation of property, plant and equipment		(4,013)	(4,495)
Depreciation of right-of-use assets		(22,559)	(25,137)
Other expenses	6(d)	14,288	(15,337)
Finance costs	4	(3,767)	(3,060)
Profit/(loss) before tax		4,833	(14,571)
Income tax (expenses) credit	5	–	–
Profit/(loss) and total comprehensive expenses for the period attributable to owners of the Company	6	<u>4,833</u>	<u>(14,571)</u>
Earnings/(loss) per share			
– Basic and diluted (HK cents)	8	<u>0.42</u>	<u>(1.27)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2023	As at 31 March 2023
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>9</i>	12,641	16,053
Right-of-use assets		62,007	84,581
Deposit placed for a life insurance policy		16,178	16,178
Rental deposits		25,787	25,473
		<u>116,613</u>	<u>142,285</u>
Current assets			
Inventories		1,588	1,423
Trade and other receivables	<i>10</i>	19,860	16,153
Tax recoverable		53	140
Bank balances and cash		91,524	95,797
		<u>113,025</u>	<u>113,513</u>
Current liabilities			
Trade and other payables	<i>11</i>	26,412	30,602
Contract liabilities		43,032	31,460
Bank borrowings	<i>12</i>	33,747	37,382
Lease liabilities		61,036	69,688
Provision for reinstatement costs		987	985
		<u>165,214</u>	<u>170,117</u>
Net current liabilities		<u>(52,189)</u>	<u>(56,604)</u>
		<u>64,424</u>	<u>85,681</u>

		As at 30 September 2023 <i>Notes</i> HK\$'000 (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		43,337	68,905
Other payables		847	1,198
Provision for reinstatement costs		3,582	3,571
		<u>47,766</u>	<u>73,814</u>
		<u>16,658</u>	<u>11,867</u>
Capital and reserves			
Share capital	<i>13</i>	11,500	11,500
Reserves		5,158	367
		<u>16,658</u>	<u>11,867</u>
Equity attributable to owners of the Company		<u>16,658</u>	<u>11,867</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”)

The Company is an investment holding company and the principal business of its subsidiaries are operating Chinese restaurants in Hong Kong. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and presented in Hong Kong Dollars (“**HK\$**”), which is the functional currency of the Group.

As at 30 September 2023, the Group has net current liabilities of approximately HK\$52,189,000 and incurred a net profit of approximately HK\$4,833,000. The condensed consolidated financial statements have been prepared on a going concern basis as the current liabilities consisted of contract liabilities from customers of approximately HK\$43,032,000, which are to be recognised as revenue upon rendering of the relevant banquet services in the coming financial periods.

The Directors consider that the Group will have sufficient working capital to finance its operations in the foreseeable future and accordingly are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2023 except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2023:

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2023:

Amendments to HKFRS 16	Property, Plant and Equipment: Proceeds before intended Use
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvement to HKFRSs 2018-2020	Amendments to HKFRS 9, HKFRS 16 and HKAS 41
Amendments to HKFRS 3	Reference to Conceptual Framework

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

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 September	
	2023	2022
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Revenue		
Chinese restaurant operations	<u>176,748</u>	<u>114,246</u>

Note: Revenue derived from Chinese restaurant operations is from contract with customers and recognised at a point in time.

The transaction price allocated to the performance obligation that is unsatisfied, has not been disclosed, as substantially all of the Group’s contracts have a duration of one year or less.

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 maker, 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. 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.

No revenue from individual external customer contributed over 10% of total revenue of the Group for the six months ended 30 September 2023 and 2022.

4. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	3,000	2,520
Interest on bank borrowings	754	527
Unwinding of discounting on provision for reinstatement costs	13	13
	<u>3,767</u>	<u>3,060</u>

5. INCOME TAX EXPENSES (CREDIT)

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax – Hong Kong:		
Current period provision	–	–
Deferred tax	–	–
	<u>–</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. For the year of assessments 2023/22 and 2022/21, 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.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

(a) Other income

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Rent concession from landlords	–	7,949
Government subsidy (Note)	209	4,930
Forfeiture of deposits received	(3,244)	655
Sponsorship income received from utility companies	674	482
Sundry income	1,471	1,704
Imputed interest income on non-current rental deposits	126	148
Bank interest income	765	47
Advertising income	149	–
	<u>150</u>	<u>15,915</u>

Note: The amount primarily represents a cash subsidy of HK\$22,919,000 (six months ended 30 September 2019: Nil) granted by The Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund for relieving financial burdens of the businesses.

(b) Other gains (losses), net

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain on modification on leases	–	3,980

(c) Staff costs

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Directors' remuneration		
Fees	688	1,548
– Other emoluments	–	2,500
– Contributions to retirement benefits scheme	–	9
	<u>688</u>	<u>4,057</u>
Salaries, allowances and other benefits (excluding Directors' remuneration)	60,445	42,940
Reversal of long service payment	96	(30)
Provision (reversal) of unutilised annual leave	(214)	538
Contributions to retirement benefits scheme (excluding Directors' remuneration)	1,503	1,337
	<u>61,830</u>	<u>44,785</u>
	<u>62,518</u>	<u>48,842</u>

(d) Other expenses

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cleaning fee	4,840	3,901
Handling charge	1,079	1,252
Legal and professional fees	725	4,191
Insurances	745	1,039
Repairs and maintenance	1,729	1,317
Advertising and promotion	872	719
Consumables	1,440	1,087
Bank charges	2,496	1,530
Auditor's remuneration	159	152
Others	203	149
	<u>14,288</u>	<u>15,337</u>

7. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2023 (30 September 2022: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings/(loss) for the period attributable to owners of the Company	<u>4,833</u>	<u>(14,571)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,150,000</u>	<u>1,150,000</u>
Basic earnings/loss per share (HK cents)	<u>0.42</u>	<u>(1.27)</u>

Diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares outstanding during the both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired property, plant and equipment amounting to approximately HK\$670,000 (six months ended 30 September 2022: HK\$1,417,000).

Certain restaurants were making loss during the period due to the economic downturn and the Coronavirus disease 2019 (“COVID-19”) outbreak and the operation may continue to be affected by the uncertainties that brought by the COVID-19 outbreak. As a result, the management recognised impairment loss of approximately HK\$320,000 (six months ended 30 September 2022: HK\$ Nil) for certain property, plant and equipment during the six months ended 30 September 2023.

10. TRADE AND OTHER RECEIVABLES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade receivables	<u><u>2,602</u></u>	<u><u>893</u></u>

The Group's sales are mainly conducted in cash or by credit cards of which the settlement period is normally within 3 days from transaction date. The credit period granted by the Group to its corporate customers ranges 0 to 30 days. 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 made as at 30 September 2023 and 31 March 2023.

11. TRADE AND OTHER PAYABLES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade payables	<u><u>6,939</u></u>	<u><u>7,427</u></u>

Payment terms granted by suppliers are generally within 50 days from the relevant purchases are made. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

12. BANK BORROWINGS

Carrying amount repayable (based on schedule repayment dates set out in the loan agreements):

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within one year	33,747	21,800
After one year but within two years	–	7,605
After two years but within five years	–	7,977
	<u><u>33,747</u></u>	<u><u>37,382</u></u>

Carrying amount repayable (shown under current liabilities) contain a repayment on demand clause:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within one year	<u><u>33,747</u></u>	<u><u>37,382</u></u>

As at 30 September 2023, the bank borrowings carried floating interest rate of 1 month HIBOR plus 1% per annum (31 March 2023: 1 month HIBOR plus 1% per annum). The effective interest rates on the bank borrowings are 2.23% (30 September 2022: 1.29%) per annum during the period ended 30 September 2023.

As at 30 September 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\$16,178,000 (31 March 2023: HK\$16,178,000) and guaranteed by a Director of the subsidiaries.

13. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2022, 31 March 2023, 1 April 2023 and 30 September 2023	<u><u>5,000,000</u></u>	<u><u>50,000</u></u>
Issued and fully paid:		
As at 1 April 2022, 31 March 2023, 1 April 2023 and 30 September 2023	<u><u>1,150,000</u></u>	<u><u>11,500</u></u>

All new shares rank pari passu with the existing shares in all respects.

14. CAPITAL COMMITMENT

At 30 September 2023, the Group had capital commitment of approximately HK\$Nil (31 March 2023: Nil) in relation to the acquisition of plant and equipment and related assets for operation of new restaurants.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a full-service restaurant group in Hong Kong offering Cantonese dining service and banquet service including wedding banquet service.

Business Review and Outlook

During the six-month period ending on 30 September 2023 (the “**Reporting Period**”), the ongoing fifth wave of the COVID-19 Pandemic (“**COVID-19**”) continued to impact the operational landscape of the catering industry. The regulatory measures (the “**Measures**”) enforced by the Hong Kong Government necessitated the temporary closure of our restaurants, leading to a decline in dining guests and banquet services. However, with a decrease in the number of reported cases and the relaxation of Measures by the Hong Kong Government starting in late December 2022, our restaurant business began a gradual recovery. By the end of the six months ending on 30 September 2023, our turnover had risen by approximately HK\$62.5 million, marking a 54.7% increase from around HK\$176.7 million in the same period of 2022 to approximately HK\$114.2 million.

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

	For the six months ended 30 September 2023	For the year ended 31 March 2023
Number of restaurants at the beginning of the period/year	9	9
Number of newly acquired restaurant during the period/year	0	1
Number of closed restaurants during the period/year (note)	(1)	(1)
Number of restaurants at the end of the year	8	9

Note: Yuen Long Restaurant closed during the financial year of 2023.

With the reopening of borders and the easing of COVID-19 prevention measures, we foresee a gradual recovery in both the Hong Kong and PRC markets. The Group intends to conduct a thorough assessment of its current core business operations across various geographical regions to develop a sustainable business plan and strategy for future growth. Specifically, we will investigate potential business and investment prospects in diverse sectors and locations to bolster the Group’s long-term growth prospects. Moreover, we will consider various business models, such as collaborations with third-party restaurant operators, to enhance the Group’s competitiveness in the full-service restaurant banquet market within both the Hong Kong and PRC markets.

Financial Review

Revenue

The Group's revenue increased by approximately 54.7% from approximately HK\$114.2 million for the six months ended 30 September 2022 to approximately HK\$176.7 million for the six months ended 30 September 2023. Such increase in revenue was mainly due to such increase in revenue was mainly due to the relaxation of social distancing measures imposed by the Hong Kong Government under COVID-19 since late December 2022, which led to an increase in the number of customers and banquet services provided by the Group.

Other income

The Group's other income decreased significantly by approximately 98.7% from approximately HK\$15.9 million for the six months ended 30 September 2022 to approximately HK\$0.2 million for the six months ended 30 September 2023. The decrease was due to the rent concession from landlords of approximately HK\$7.9 million and one-off government grants of approximately HK\$4.9 million received during the six months ended 30 September 2022.

Other gains (losses)

The Group's other losses for the six months ended 30 September 2023 was HK\$Nil, while for the six months ended 30 September 2022 the Group recorded other gains, net of HK\$4.0 million which was due to one-off net gain from lease modification of approximately HK\$4.0 million.

Cost of food and beverages

The Group's cost of food and beverages increased by approximately 43.3%, from approximately HK\$30.7 million for the six months ended 30 September 2022 to approximately HK\$44.0 million for the six months ended 30 September 2023, which was generally in line with the increase in revenue. The cost of good and beverages as a percentage of revenue remained relatively stable at 24.9% (six months ended 30 September 2022: 26.9%).

Staff costs

The Group's staff costs increased by approximately 28%, from approximately HK\$48.8 million for the six months ended 30 September 2022 to approximately HK\$62.5 million for the six months ended 30 September 2023. 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 42.8% for the period ended 30 September 2022 to approximately 35.3% for the period ended 30 September 2023 mainly due to increase in revenue.

Property rentals and related expenses

The Group's property rentals and related expenses decreased by approximately 16.0%, from approximately HK\$12.3 million for the six months ended 30 September 2022 to approximately HK\$10.6 million for the six months ended 30 September 2023. Such significant decrease was mainly due to (i) rent concessions from certain landlords; and (ii) the total number of operated restaurants in current period was less than the six months ended 30 September 2022.

Profit for the period

Profit for the period has been overturned from approximately HK\$14.6 million for the six months ended 30 September 2022 to profit for the period of approximately HK\$4.8 million for the six months ended 30 September 2023. Such increase was mainly due to increase in revenue.

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 periodically review the capital structure of the Group and may take different measures, including adjusting the distribution of dividends to the shareholders, to issuing new shares or selling assets to reduce debt for maintaining the capital structure.

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. The principal source of funding is mainly from working capital generated internally from the Group's operation, bank borrowings and the net proceeds received from the Listing.

As at 30 September 2023, the Group's cash and cash equivalents were approximately HK\$91.5 million (31 March 2023: HK\$95.8 million). As at 30 September 2023, the Group's total current assets and current liabilities were approximately HK\$113.0 million (31 March 2023: HK\$113.5 million) and approximately HK\$165.2 million (31 March 2023: HK\$170.1 million), respectively, while the current ratio of the Group was approximately 0.7 times (31 March 2023: approximately 0.7 times).

As at 30 September 2023, the Group's total borrowings amounted to approximately HK\$33.7 million (31 March 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 1.0% per annum.

As at 30 September 2023, the Group's gearing ratio was approximately 113.1% (31 March 2023: 315.0%), which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 30 September 2022 and multiplied by 100%. The Directors, taking into account the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 30 September 2023 was reasonable.

CAPITAL EXPENDITURE

The capital expenditure during the period under review primarily related to expenditures on additions and renovation of property, plant and equipment for the Group's new restaurants in Hong Kong, acquisition of restaurants in Guangzhou and Shenzhen 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

As at 30 September 2023, the Group did not have any material contingent liabilities.

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2023, the Group had approximately 273 employees (as at 31 March 2023: 224 employees).

The Group offers competitive wages and other benefits to its restaurant employees, and carries out salary adjustments in response to the local labour market conditions. The 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 30 September 2023.

CHARGES ON GROUP'S ASSETS

As at 30 September 2023, the deposit placed for a life insurance policy amounting to approximately HK\$16.2 million (as at 31 March 2023: HK\$16.2 million) was pledged to secure the Group's bank borrowings.

SIGNIFICANT INVESTMENTS

As at 30 September 2023, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 September 2023, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

EVENTS AFTER THE REPORTING PERIOD

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.

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 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.

A settlement has been reached between the company and the petitioner 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.

Saved as disclosed above, no significant events affecting the Company occurred since 1 October 2020 and up to the date of this announcement.

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 for the six months ended 30 September 2023 and up to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

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 30 September 2023, 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.

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 2023	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	31 March 2024
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 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 those disclosed in the Prospectus.

DIVIDENDS

The Board does not recommend payment of an interim dividend for the six months period ended 30 September 2023 (six months period ended 30 September 2022: 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 six months ended 30 September 2023, the Company has complied with all the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (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 six months ended 30 September 2023.

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 six months ended 30 September 2023.

AUDIT COMMITTEE

The Board has established an 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 our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

The Audit Committee, together with management, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2023.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.palace-rest.com.hk). The interim report 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 due course.

APPRECIATION

The Board would like to express its sincere thanks to the management team and all staff of the Group for their dedication and contribution. The Board also takes this opportunity to show gratitude to our shareholders, customers, business partners and professional parties for their support to the Group throughout the six months ended 30 September 2023.

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.