

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

WELIFE TECHNOLOGY LIMITED **維力生活科技有限公司**

(formerly known as Palace Banquet Holdings Limited 首灃控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1703)

ANNOUNCEMENT OF ANNUAL RESULTS **FOR THE YEAR ENDED 31 MARCH 2023**

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$304.4 million for the year ended 31 March 2023 (2022: approximately HK\$294.1 million), representing an increase of approximately 3.5%.
- Loss for the year ended 31 March 2023 was approximately HK\$6.9 million, as compared to loss for the year ended 31 March 2022 of approximately HK\$32.0 million.
- Basic loss per share was approximately HK0.6 cents for the year ended 31 March 2023, as compared to basic loss per share for the year ended 31 March 2022 of approximately HK2.8 cents.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2023.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Welife Technology Limited (formerly known as Palace Banquet Holdings Limited) (the “**Company**”, together with its subsidiaries collectively, the “**Group**”), hereby announces the consolidated results of the Group for the year ended 31 March 2023, together with comparative figures for the year ended 31 March 2022 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 2023, 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	
		2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Revenue	4	304,356	294,120
Other income	4	16,157	11,943
Other gains or losses, net	5	2,361	10,530
Cost of inventories consumed		(77,331)	(73,864)
Staff costs	8	(113,418)	(108,029)
Property rentals and related expenses		(20,741)	(16,284)
Utilities expenses		(18,639)	(22,056)
Depreciation of property, plant and equipment		(8,902)	(15,972)
Depreciation of right-of-use assets		(47,915)	(69,343)
Other expenses		(35,365)	(34,492)
Finance costs	6	(7,503)	(8,486)
Loss before tax		(6,940)	(31,933)
Income tax expenses	7	–	(80)
Loss and total comprehensive expense for the year attributable to owners of the Company	8	(6,940)	(32,013)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		40	–
		(6,900)	(32,013)
Loss per share			
– Basic and diluted (<i>HK cents</i>)	10	(0.6)	(2.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	11	16,053	21,352
Right-of-use assets	11	84,581	138,177
Goodwill		–	–
Deposit paid for acquisition of subsidiaries		–	13,000
Deposit placed for a life insurance policy		16,178	15,889
Rental deposits		25,473	30,680
		142,285	219,098
Current assets			
Inventories		1,423	1,938
Trade and other receivables	12	16,153	13,371
Tax recoverable		140	2,006
Time deposit with maturity over three months		–	20,002
Bank balances and cash		95,797	80,180
		113,513	117,497
Current liabilities			
Trade and other payables	13	30,602	17,096
Contract liabilities		31,460	36,418
Bank borrowings	14	37,382	44,448
Lease liabilities		69,688	79,083
Provision for reinstatement costs		985	750
		170,117	177,795
Net current liabilities		(56,604)	(60,298)
Total assets less current liabilities		85,681	158,800
Non-current liabilities			
Lease liabilities		68,905	133,751
Contract liabilities		140	–
Other payables		1,198	1,202
Provision for reinstatement costs		3,571	5,080
		73,814	140,033
Net assets		11,867	18,767
Capital and reserves			
Share capital	15	11,500	11,500
Reserves		367	7,267
Equity attributable to owners of the Company		11,867	18,767

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 (“**PRC**”).

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.

The Group incurred a net loss of approximately HK\$6,940,000 during the year ended 31 March 2023 (2022: HK\$32,013,000) and, as of the date, the Group’s current liabilities exceeded its current assets by approximately HK\$56,604,000 (2022: HK\$60,298,000).

The directors of the Company (the “**Directors**”) have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of twelve months from the date of approval for issue of these consolidated financial statements. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from date of approval for issue of these consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the Directors are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

(1) **Financial support from ultimate controlling party**

Mr. Tam Kar Wai, the ultimate controlling party of the Company, has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from the date of approval for issue of these consolidated financial statements.

(2) **Cost control**

The Group is taking measures to tighten cost control with an aim to attain cash flow from operations.

(3) Additional financing arrangement

The management is currently soliciting other financing arrangements and fund-raising alternatives to further support the funding needs of the Group.

Should the Group be unable to continue to operate as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

The application of the amendments to 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 and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The 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 and the PRC 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, right-of-use assets and goodwill.

The geographical location of property, plant and equipment and right-of-use assets are based on the physical location of the asset under consideration. In the case of goodwill, it is based on the location of operations to which the goodwill is allocated.

	Revenue from external customers		Specific non-current assets	
	At 31 March			
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	302,136	294,120	100,634	159,529
PRC	2,220	–	–	–
	<u>304,356</u>	<u>294,120</u>	<u>100,634</u>	<u>159,529</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	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Chinese restaurant operations (<i>Note (a)</i>)	302,872	291,820
Sales of food (<i>Note (a)</i>)	1,484	2,300
	304,356	294,120
	304,356	294,120
	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Other income		
Government grants (<i>Note (b)</i>)	8,051	5,174
Forfeiture of deposits received (<i>Note (a)</i>)	4,909	2,960
Sponsorship income received from utility companies	1,136	1,896
Exchange gain	42	147
Sundry income	506	828
Imputed interest income on rental deposits	369	421
Interest income from deposit placed for a life insurance policy	529	515
Bank interest income	615	2
	16,157	11,943
	16,157	11,943

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 2023, the Group recognised the COVID-19-related subsidies of approximately HK\$282,000 (2022: HK\$174,000), HK\$5,519,000 (2022: HK\$Nil) and HK\$2,250,000 (2022: HK\$5,000,000) 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 2023 and expected timing of recognising revenue are as follows:

	Chinese restaurant operations HK\$'000
Within one year	114,660
More than one year but not exceeding two years	691
	115,351
	115,351

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	
	2023	2022
	HK\$'000	HK\$'000
Impairment loss on right-of-use assets	(772)	(23,818)
Impairment loss on property, plant and equipment, net	–	(5,343)
Impairment loss on goodwill (<i>Note</i>)	(14,561)	–
Written off of property, plant and equipment, net	–	(6,841)
Gain on termination of lease	4,606	4,936
Gain on disposal of subsidiaries	13,088	41,596
	<u>2,361</u>	<u>10,530</u>

Note: On 29 July 2022, the Group completed the acquisition of subsidiaries, a goodwill of approximately HK\$14,561,000 was recognised. During the year ended 31 March 2023, impairment loss of HK\$14,561,000 was made.

6. FINANCE COSTS

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Interest on lease liabilities	6,203	6,843
Interest on bank borrowings	1,274	1,609
Unwinding of discounting on provision for reinstatement costs	26	34
	<u>7,503</u>	<u>8,486</u>

7. INCOME TAX EXPENSES

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Deferred tax	–	80

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. For the year of assessment 2021/22 and 2022/23, 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. LOSS FOR THE YEAR

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

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Directors' remuneration	<u>4,057</u>	<u>12,561</u>
Other staff cost (excluding Directors' remuneration):		
Salaries, allowances and other benefits	105,595	93,070
Provision of/(reversal of) provision of long service payment	5	(27)
Provision of/(reversal of) provision of unutilised annual leave	935	(613)
Retirement benefit scheme contributions	<u>2,826</u>	<u>3,038</u>
	<u>109,361</u>	<u>95,468</u>
Total staff costs	<u>113,418</u>	<u>108,029</u>
Covid-19 related rent concessions	(4,620)	(8,908)
Depreciation of right-of-use-assets	47,915	69,343
Depreciation of property, plant and equipment	8,902	15,972
Cost of inventories consumed	77,331	73,864
Donations	1,160	667
Auditors' remuneration	1,400	1,400
Premium and handling charges on a life insurance policy	<u>282</u>	<u>261</u>

9. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

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

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company	<u>(6,940)</u>	<u>(32,013)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,150,000</u>	<u>1,150,000</u>

Diluted loss per share is the same as basic 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 2023, the Group acquired items of property, plant and equipment amounting to approximately HK\$3,603,000 (2022: HK\$4,402,000).

During the year ended 31 March 2023, additions/modifications to the right-of-use assets including capitalised lease payments, present value adjustment of refundable rental deposit and provision for reinstatement costs amounted to approximately HK\$3,979,000 (2022: HK\$11,136,000), due to new/renewal of leases of restaurants and warehouse.

Due to the continuing impact from COVID-19 pandemic and 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\$Nil (2022: HK\$5,343,000) for certain property, plant and equipment and HK\$772,000 (2022: HK\$23,818,000) 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.

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	
	2023	2022
	HK\$'000	HK\$'000
Within 30 days	<u>893</u>	<u>40</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 2023 and 2022.

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	
	2023	2022
	HK\$'000	HK\$'000
Within 30 days	<u>7,427</u>	<u>466</u>

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

14. BANK BORROWINGS

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

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Within one year	21,800	21,540
After one year but not exceeding two years	7,605	7,390
After two years but not exceeding five years	7,977	15,518
	<u>37,382</u>	<u>44,448</u>

Carrying amounts were carried as follows:

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Interest rate		
– Floating rate	14,448	14,448
– Fixed rate	22,934	30,000
	<u>37,382</u>	<u>44,448</u>

As at 31 March 2023, the bank borrowing carried floating interest rate of 1 month HIBOR plus 1% per annum (2022: 1 month HIBOR plus 1% per annum) and other bank borrowings carried fixed rate of 2.75% (2022: 2.75%). The effective interest rate on the bank borrowings is 3.40% (2022: 2.59%) per annum during the year ended 31 March 2023.

As at 31 March 2023 and 2022, 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 (2022: HK\$15,889,000) 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 2021, 31 March 2022, 1 April 2022 and 31 March 2023	5,000,000	50,000
Issued and fully paid:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	1,150,000	11,500

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 year ended 31 March 2023, the outbreak of the fifth wave of the COVID-19 Pandemic ("COVID-19") continued to affect the business environment of the catering industry. The control and prevention measures (the "Measures") imposed by the Hong Kong Government led to the temporary suspension of our restaurants and affected the number of guests for dining and the number of banquet services accordingly. However, following the decrease in the number of infected cases and the relief of the Measures by the Hong Kong Government since late December 2022, the business of our restaurants recovered gradually. For the year ended 31 March 2023, the turnover increased by approximately HK\$10.3 million, or 3.5%, from approximately HK\$294.1 million for the year ended 31 March 2022 to approximately HK\$304.4 million.

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

	Year ended 31 March	
	2023	2022
Number of restaurants at the beginning of the year	9	11
Number of newly acquired restaurants during the year	1	–
Number of closed restaurants during the year (<i>note</i>)	(1)	(2)
Number of restaurants at the end of the year	9	9

Note: Yuen Long Restaurant closed during the reporting year.

As at 31 March 2023, the Group has six Chinese full-service restaurants operating under the brand of "Palace (煌府)" in Hong Kong, one restaurant operating under the brand of "Royal Courtyard (煌苑)" at Shek Mun with an outdoor garden for holding wedding ceremonies, one restaurant operating under the brand of "Sea Moon Cuisine (海月宴會廳)" at China Hong Kong City and one restaurant operating under the brand of "Duxiaoyue (度小月)" in Shenzhen in the PRC.

Considering the reopening of borders and the relaxation of COVID-19 prevention measures, we anticipate the gradual recovery in the Hong Kong and the PRC markets. The Group will conduct a detailed review of the existing principal business operations in different geographical locations for the purpose of formulating a sustainable business plan or strategy for the Group's future development. In particular, the Group will explore business and investment opportunities in different business areas and geographical locations in order to enhance the long-term growth potential of the Group. The Group also will explore different business models including but not limited to cooperation with third party restaurant operators, in order to strengthen the Group's competitiveness in the full-service restaurant banquet market in both the Hong Kong and PRC markets.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 3.5% from approximately HK\$294.1 million for the year ended 31 March 2022 to approximately HK\$304.4 million for the year ended 31 March 2023. 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.

Cost of food and beverages

The Group's cost of food and beverages increased by approximately 4.7%, from approximately HK\$73.9 million for the year ended 31 March 2022 to approximately HK\$77.3 million for the year ended 31 March 2023. The increase was in line with the increase in revenue during the year ended 31 March 2023. The cost of food and beverages as a percentage of revenue increased from 25.1% for the year ended 31 March 2022 to approximately 25.4% for the year ended 31 March 2023 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 3.1% from approximately HK\$220.3 million for the year ended 31 March 2022 to approximately HK\$227.0 million for the year ended 31 March 2023. The increase was in line with the increase in revenue during the year ended 31 March 2023. The gross profit margin decreased from 74.9% for the year ended 31 March 2022 to 74.6% for the year ended 31 March 2023 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 decreased by approximately 77.6% from approximately HK\$10.5 million for the year ended 31 March 2022 to HK\$2.4 million for the year ended 31 March 2023. The decrease was mainly due to the impairment loss on goodwill of approximately HK\$14.6 million and offset with the gain on disposal of subsidiaries of approximately HK\$13.1 million and gain on termination of lease of approximately HK\$4.6 million for the year ended 31 March 2023. During the reporting period, the Group completed the acquisition of subsidiaries and started the operation of a restaurant under the brand of "Duxiaoyue (度小月)" in the PRC. However, the PRC Government's implementation of COVID-19 prevention measures had an unforeseen detrimental impact on the financial performance of the PRC restaurant, and the management adopted a prudent approach towards the consideration of the value in use of the cash-generating unit. We considered different factors, which including but not limited to, the under-performed operating performance due to the restricted pandemic control in the PRC. As a result, we have provided a full impairment of goodwill from the Group's acquired subsidiaries.

Staff costs

The Group's staff costs increased by approximately 5.0%, from approximately HK\$108.0 million for the year ended 31 March 2022 to approximately HK\$113.4 million for the year ended 31 March 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 increased from approximately 36.7% for the year ended 31 March 2022 to approximately 37.3% for the year ended 31 March 2023 mainly due to inflation.

Property rentals and related expenses

The Group's property rentals and related expenses increased by approximately 27.0%, from approximately HK\$16.3 million for the year ended 31 March 2022 to approximately HK\$20.7 million for the year ended 31 March 2023 mainly attributable to the decrease in rent concessions offered by the landlords upon the recovery of COVID-19 during the year ended 31 March 2023 when compared to last year.

Depreciation

The Group's depreciation of property, plant and equipment decreased to approximately HK\$8.9 million for the year ended 31 March 2023 as compared to HK\$16.0 million for the year ended 31 March 2022 mainly due to the recognition of higher impairment loss on property, plant and equipment last year and the decrease in the total number of restaurants in operation during the year ended 31 March 2023 when compared to last year.

The Group's depreciation of right-of-use assets decreased to approximately HK\$47.9 million for the year ended 31 March 2023 from HK\$69.3 million for the year ended 31 March 2022 mainly due to (a) the recognition of higher impairment loss on right-of-use assets last year; (b) further lease modification under the change in terms after negotiation with the landlords last year; and (c) 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\$7.5 million for the year ended 31 March 2023 as compared to HK\$8.5 million for the year ended 31 March 2022 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 2023 when compared to last year.

Loss for the year

The loss for the year decreased by approximately HK\$25.1 million, from HK\$32.0 million for the year ended 31 March 2022 to HK\$6.9 million for the year ended 31 March 2023 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 2023, the Group's cash and cash equivalents (including time deposits with maturity over three months) were approximately HK\$95.8 million (2022: HK\$100.2 million). As at 31 March 2023, the Group's total current assets and current liabilities were approximately HK\$113.5 million (2022: HK\$117.5 million) and approximately HK\$170.1 million (2022: HK\$177.8 million), while the current ratio of the Group was approximately 0.7 times (2022: approximately 0.7 times). During the year, approximately HK\$2.6 million were incurred for acquiring property, plant and equipment for renovating existing restaurants (2022: HK\$4.4 million) and approximately HK\$7.1 million were used for repayment of bank borrowings (2022: HK\$29.5 million). Excluding the current lease liabilities, the net current assets was HK\$13.1 million (2022: HK\$18.8 million) and the current ratio as at 31 March 2023 was 1.1 times (2022: 1.2 times).

As at 31 March 2023, the Group's total borrowings amounted to approximately HK\$37.4 million (2022: HK\$44.4 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 and fixed interest rate of 2.5% per annum.

As at 31 March 2023, the Group's gearing ratio was approximately 315.0% (2022: 236.8%), which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 31 March 2023 and multiplied by 100%. The increase in gearing ratio was due to the recognition of loss for the year which decreased the total equity as at 31 March 2023. The high gearing ratio was mainly due to the loss incurred in recent years which resulted in a significant decrease in equity. 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 under COVID-19 pandemic, considered that the gearing ratio as at 31 March 2023 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

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2023, the Group had approximately 224 employees (2022: 137 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 2023.

CHARGES ON GROUP'S ASSETS

As at 31 March 2023, the deposit placed for a life insurance policy amounting to approximately HK\$16.2 million (2022: HK\$15.9 million) was pledged to secure the Group's bank borrowings.

SIGNIFICANT INVESTMENTS

As at 31 March 2023, 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.

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 9 January 2023, the Company entered into a conditional subscription agreement (the "**CB Agreement**") with Longling Capital Ltd (the "**Subscriber**"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber convertible bonds (the "**Convertible Bonds**") in an aggregate principal amount of HK\$44,000,000. Based on the initial conversion price of the Convertible Bonds of HK\$0.80 per conversion Share, a total of 55,000,000 conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing (i) approximately 4.78% of the total number of Shares in issue as at the date of this announcement, and (ii) approximately 4.56% of the total number of Shares in issue as enlarged by the allotment and issue of the 55,000,000 conversion Shares upon full conversion of the Convertible Bonds.

The gross proceeds and net proceeds (after deducting related expenses) from the issue of the Convertible Bonds are estimated to be approximately HK\$44 million and HK\$43.8 million, respectively. The Company intends to apply the net proceeds to the restaurant business development and general working capital of the Group.

On 21 April 2023, the Company and the Subscriber entered into a supplemental agreement to the CB Agreement, pursuant to which the long stop date of the CB Agreement has been extended to 31 July 2023 (or such other date as may be agreed between the Company and the Subscriber) in writing.

The subscription of the Convertible Bonds has not been completed as at the date of this announcement. For further details of the proposed issue of the Convertible Bonds, please refer to the announcements of the Company dated 10 January 2023, 31 January 2023 and 21 April 2023.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed above, no significant events affecting the Company and its subsidiaries occurred since 1 April 2023 and up to the date of this announcement.

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. On 6 October 2020, 150,000,000 Shares were successfully placed at the placing price of HK\$0.25 per Share (the “**Placing**”) and net proceeds from the Placing of approximately HK\$36.8 million were fully utilised as general capital to support the operation of the Group during the year ended 31 March 2021.

As disclosed in the announcement of the Company dated 3 March 2021 (the “**2021 Announcement**”), due to the outbreak of COVID-19 since January 2020, the catering industry in Hong Kong, especially Chinese restaurants, was adversely affected and the Board had resolved to change the use of the unused Net Proceeds. For further details, please refer to the 2021 Announcement.

On 18 October 2022, the unutilised Net Proceeds were further reallocated to the general working capital of the Group to support restaurant operations after the outbreak of the fifth wave of COVID-19 and to provide the Group with greater flexibility to respond to the market needs upon the recovery from COVID-19. For further details, please refer to disclosures in the announcement of the Company dated 18 October 2022 and the supplemental announcement of the Company dated 23 November 2022.

An analysis of the utilisation of the Net Proceeds as at 31 March 2023 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 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 on 18 October 2022.

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 2023 (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 year ended 31 March 2023, 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 2023.

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 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 year ended 31 March 2023.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Wong Tat Keung (Chairman), Mr. Wong Wai Ming and Mr. Tang Tsz Tung. 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 2023.

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 2023 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 draft 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

Opinion

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$6,940,000 during the year ended 31 March 2023 and, as of the date, the Group's current liabilities exceeded its current assets by approximately HK\$56,604,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2023 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.

By order of the Board
Welifetechnology Limited
Hu Zhi Xiong
Chairman and non-executive Director

Hong Kong, 29 June 2023

As at the date of this announcement, the non-executive Director is Mr. Hu Zhi Xiong, the executive Directors are Mr. Tam Kar Wai and Mr. Cheng Man Cheong; and the independent non-executive Directors are Mr. Wong Tat Keung, Mr. Wong Wai Ming and Mr. Tang Tsz Tung.