



B & S International Holdings Ltd. 賓仕國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1705



ANNUAL REPORT 2024

CONTENTS

| | |
|-----|--|
| 6 | Financial Highlights |
| 8 | Corporate Information |
| 9 | Chairman's Statement |
| 15 | Management Discussion and Analysis |
| 23 | Biographies Details of Directors and Senior Management |
| 26 | Corporate Governance Report |
| 39 | Environmental, Social and Governance Report |
| 72 | Report of the Directors |
| 82 | Independent Auditor's Report |
| 90 | Consolidated Statement of Comprehensive Income |
| 91 | Consolidated Statement of Financial Position |
| 93 | Consolidated Statement of Changes in Equity |
| 94 | Consolidated Statement of Cash Flows |
| 95 | Notes to the Consolidated Financial Statements |
| 160 | Financial Information Summary |

天仁茗茶
TenRen's TEA

茶

Enjoy every moments with tea



滷水

鍋爐裡的完美方程式



菓子 工房

Trending Product

爆紅商品

零食首選



黑松露香氣撲鼻
酥脆鹹香 滋味無窮

香港總代理：賓仕洋行 查詢電話：3628 7800

UHA

營養補充軟糖

Gummy Supplement



都市生活

大急救

日本直送

守護你的元氣生活

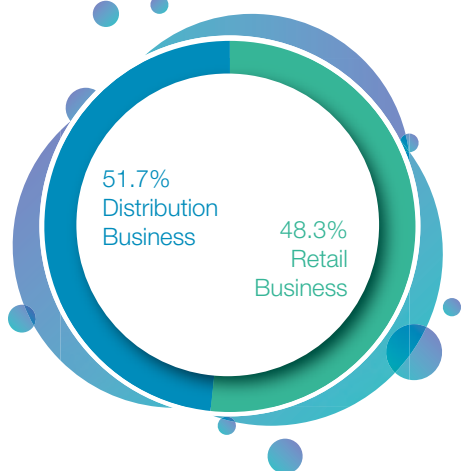
- 針對不同需求
- 不含西藥成分 安全無負擔
- 營養全面 適合挑食人士

香港總代理：寶仕洋行 查詢電話：3628 7800

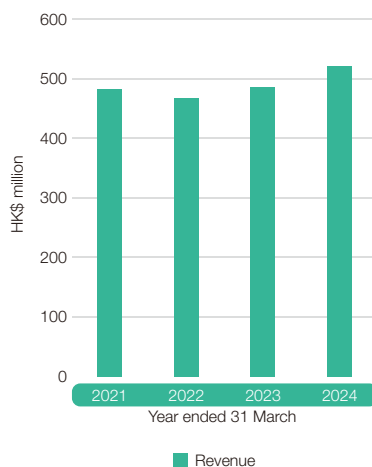
*建議配合均衡的飲食習慣及運動

FINANCIAL HIGHLIGHTS

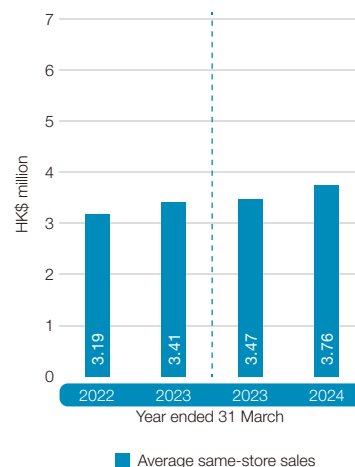
REVENUE BREAKDOWN



REVENUE



SAME-STORE SALES PERFORMANCE – TENREN (天仁茗茶)



- The Group has recorded net profit of approximately HK\$34.9 million for the year ended 31 March 2024 (“FY2024”) as compared to that of approximately HK\$29.0 million recorded in the previous financial year (“FY2023”).

| | For the year ended 31 March 2024 HK\$ million | For the year ended 31 March 2023 HK\$ million | Increase % |
|-------------------------------------|--|--|---------------|
| Revenue | 520.8 | 486.8 | 7.0% |
| Gross profit | 121.9 | 105.1 | 16.0% |
| Net profit | 34.9 | 29.0 | 20.3% |
| Basic earnings per share (HK cents) | 8.40 | 6.94 | 21.0% |

- If the receipt of wage subsidy from the Hong Kong government in FY2023 which amounted to approximately HK\$9.8 million is excluded, the Group actually recorded an increase in net profit by approximately HK\$15.7 million as compared to that in FY2023.

FINANCIAL HIGHLIGHTS

- Compared to the results of FY2023, the Group's results improved significantly in FY2024 as the Hong Kong economy had been recovering from COVID-19 pandemic.

| | For the year ended 31 March 2024 HK\$ million | For the year ended 31 March 2023 HK\$ million | Increase | |
|-------------------------|--|---|-----------------|-------|
| | | | HK\$ million | % |
| Segment revenue | | | | |
| – Distribution Business | 269.1 | 244.3 | 24.8 | 10.2% |
| – Retail Business | 251.7 | 242.5 | 9.2 | 3.8% |
| Segment results | | | | |
| – Distribution Business | 62.9 | 51.1 | 11.8 | 23.1% |
| – Retail Business | 17.0 | 14.0 | 3.0 | 21.4% |

- During FY2024, the Group's retail business remained committed to enhancing margins through prudent cost control measures. Our successful branding and product marketing campaigns further contributed to an increase in sales, reflecting the effectiveness of our strategic initiatives.
- Meanwhile, our distribution business continued to prioritise marketing our existing offerings to maintain market share, while actively sourcing new high-quality products from around the world. Our combined efforts enabled us to capitalise on the opportunities presented by the economic recovery in Hong Kong.
- Further to an interim dividend of HK2.5 cents per share paid during FY2024 (FY2023: HK2.5 cents), our Board recommended the declaration and payment of a final dividend of HK3.0 cents per share for FY2024 (FY2023: HK2.5 cents), equivalent to a total dividend payout ratio of approximately 65.3% for FY2024 (FY2023: 71.9%).

CORPORATE INFORMATION

PLACE OF INCORPORATION

The Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Kam Chuen Andrew

(Chief Executive Officer and Chairman)

Mr. Chan Siu Cheung Stephen

Mr. Chau Wing Kong William

Ms. Tin Hau Ling Janny

Independent Non-executive Directors

Mr. Pang Koon Kwai

Mr. See Hung Yan Peter

Mr. Chung Kwok Mo John

COMPANY SECRETARY

Mr. Tang Kwok Hay *(FCPA, FRM)*

AUTHORISED REPRESENTATIVES

Mr. Chan Kam Chuen Andrew

Mr. Tang Kwok Hay *(FCPA, FRM)*

AUDIT COMMITTEE

Mr. Chung Kwok Mo John *(Chairman)*

Mr. Pang Koon Kwai

Mr. See Hung Yan Peter

REMUNERATION COMMITTEE

Mr. Pang Koon Kwai *(Chairman)*

Mr. See Hung Yan Peter

Mr. Chung Kwok Mo John

NOMINATION COMMITTEE

Mr. See Hung Yan Peter *(Chairman)*

Mr. Pang Koon Kwai

Mr. Chung Kwok Mo John

REGISTERED OFFICE

Cricket Square, Hutchins Drive P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 01, 11/F, Block A

Ko Fai Industrial Building

7 Ko Fai Road, Yau Tong, Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suites 3301-04, 33/F.

Two Chinachem Exchange Square

338 King's Road, North Point, Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers

22/F, Prince's Building, Central, Hong Kong

Certified Public Accountants and Registered PIE Auditor

LEGAL ADVISER

Holman Fenwick Willan

15/F, Tower One

Lippo Centre, 89 Queensway

Admiralty, Hong Kong

STOCK CODE

1705

COMPANY'S WEBSITE

www.bandshk.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of B & S International Holdings Ltd. (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for FY2024.

REVIEW

Compared to the results of FY2023, we are pleased to report that the Group's financial results improved significantly in FY2024. This improvement was largely due to the outstanding performance of our distribution business and the gradual recovery of the Hong Kong economy. Throughout the year, our distribution business remained focused on promoting our existing offerings while actively sourcing new high-quality products from around the world. Our strategic efforts enabled us to seize the opportunities presented by the economic recovery in Hong Kong. Additionally, our retail business remained committed to increasing our revenue and market shares through marketing and product developments. Our successful branding and product marketing campaigns further contributed to an increase in sales, reflecting the effectiveness of our strategic initiatives.

Building on these efforts, we are proud to report that the Group delivered revenue of approximately HK\$520.8 million and profit attributable to owners of the Company of approximately HK\$33.6 million for FY2024. Overall, we are encouraged by our progress in FY2024, and we remain committed to driving sustainable growth for our stakeholders in the upcoming years.

CHAIRMAN'S STATEMENT

The Group is a well-established food and beverage company with over 30 years of operating history in Hong Kong. The Group is principally engaged in two business segments, namely: (i) the distribution business, and (ii) the retail business.

For the distribution business, the Group distributes and markets a diversified portfolio of overseas branded food and beverage products through its supply chain solutions to overseas brand owners and local retailers. These products include sweets and candies, biscuits, cakes and pastries, instant drink powders, dried meat products, tea leaves, pasta, fresh eggs and condiments, etc., which are sourced from Japan, Taiwan, Malaysia, Argentina, the People's Republic of China (the "PRC") and Turkey, etc. The Group is able to offer a total of approximately 7,000 stock keeping units ("SKUs") of food and beverage products from over 100 brands, including "UHA (味覺糖)" and "Hsin Tung Yang (新東陽)", which are widely sold in supermarkets and convenience stores.



CHAIRMAN'S STATEMENT

For the retail business, the Group is licenced to set up and self-operate retail outlets for a few overseas food and beverage brands in Hong Kong, including “TenRen (天仁茗茶)” and “Chef Hung (洪師父)”. As at 31 March 2024, the Group had set up a total of 63 self-operated retail outlets. The Group has stayed innovative in the food retail market, and strives to introduce more brands and products of high quality from around the world.

PROSPECTS

The Hong Kong retail industry is anticipated to face increasing challenges in 2024 as a result of an ongoing decline in the local property market and stock market and the weakening of consumer spending power. Additionally, as more people travel and spend outside of Hong Kong, particularly in the PRC and other destinations, It is expected that these economic conditions will impede the growth of local businesses.

Furthermore, rising operational costs, including rent and salaries, may further strain businesses within this sector. Consequently, the combined impact of the weakened local consumption and increased spending abroad is expected to create a more challenging market environment for the retail industry in Hong Kong.

In the distribution business, the Group aims to enlarge its brand and product portfolio to remain competitive in the market and capitalise any potential opportunities that may arise despite the economic challenges in Hong Kong by identifying overseas brands and products that suit the preferences of Hong Kong consumers. For the retail business, we will continue to strengthen the leading market position of our TenRen business through brand building, improving customer experience, product innovations, digitalisation and automation.

In the face of uncertainties stemming from the challenging economic environment, we have and will continue to make necessary adaptations to our business model and persevere to overcome these challenges. By remaining responsive to changes in the market and leveraging our strengths, we are confident that we can navigate these uncertainties.

APPRECIATION

Lastly, on behalf of the Board, I wish to extend my sincere appreciation to the management team and our employees for their unremitting efforts, and to express my gratitude to all shareholders, investors, customers and business partners for their steadfast support. We will continue to grasp every opportunity and endeavor to strive for the greatest interest for the shareholders and the Company.

Chan Kam Chuen Andrew

Chairman, Chief Executive Officer & Executive Director

Hong Kong, 27 June 2024

UHA  **味覚糖**[®]

 **日本製造**



UHA味覚糖
コロコロ
ふん
CORORO



皮ごとまるかじり
シャインマスカット



UHA味覚糖
コロコロ
ふん
CORORO



皮ごとまるかじり
巨峰

更爆・更脆・更Juicy

コロコロ
CORORO

香港總代理：寶仕洋行 查詢電話：3628 7800

十月初五

澳門

OCTOBER FIFTH



澳門經典味道



香港總代理：賓仕洋行 查詢電話：3628 7800

日本直送

玉子の家

● 追求極致鮮味 ●

無添加激素



極濃蛋



粉紅蛋



白蛋

蛋黃飽滿

蛋白晶瑩

無添加
激素

品質
嚴密監控

香港總代理：寶仕洋行 查詢電話：3628 7800

*測試通過本地化驗機構認可。激素指雌激素及雄激素。

COLOMBIAN™ micr^oground®

/ 香 / 氣 / 盡 / 情 / 釋 / 放 /



附有**黃金冰糖棒**
自製甜度 低升糖指數



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue in FY2024 amounted to approximately HK\$520.8 million, representing an increase of approximately 7.0% from approximately HK\$486.8 million in FY2023. The Group's results improved in FY2024 as the Hong Kong economy had been recovering from the COVID-19 pandemic.

The Group's gross profit increased from approximately HK\$105.1 million in FY2023 to approximately HK\$121.9 million in FY2024, representing an increase of approximately HK\$16.8 million, which is equivalent to an increase of approximately 16.0%. Profit attributable to owners of the Company for FY2024 was approximately HK\$33.6 million (FY2023: approximately HK\$27.8 million), representing an increase of approximately HK\$5.8 million or 20.9%.

The Group is a well-established food and beverage company with over 30 years of operating history in Hong Kong. It has two business segments, namely (i) the distribution business; and (ii) the retail business.

DISTRIBUTION BUSINESS

For distribution business, we distribute and market a diversified portfolio of overseas branded food and beverage products to mainly retailers, such as supermarkets, pharmacies, convenience stores and department store chains in Hong Kong. We also provide supply chain solutions from importing the products from the overseas brand owners to marketing the products to retailers in Hong Kong. Our services include (i) arranging inbound logistics; (ii) relabeling the products to comply with the relevant Hong Kong food safety and labelling laws; (iii) repackaging the products to suit the needs of the retailers or consumers; and (iv) formulating marketing and sales strategies, including advising on retail prices, organising promotion campaigns as well as designing and producing customised display racks or stands to be placed at the customers' points of sales.

The Group is able to offer a total of approximately 7,000 SKUs of food and beverage products from over 100 brands, including "UHA (味覺糖)" and "Hsin Tung Yang (新東陽)" which are regarded as popular items in the market.



Our distribution business remained focused on promoting our existing offerings while actively sourcing new high-quality products from around the world. Our strategic efforts enabled us to seize the opportunities presented by the economic recovery in Hong Kong.

For FY2024, the revenue generated from the distribution business increased to approximately HK\$269.1 million (FY2023: approximately HK\$244.3 million), representing an increase of approximately HK\$24.8 million. Revenue generated from the distribution business contributed to approximately 51.7% of the Group's total revenue in FY2024.

MANAGEMENT DISCUSSION AND ANALYSIS

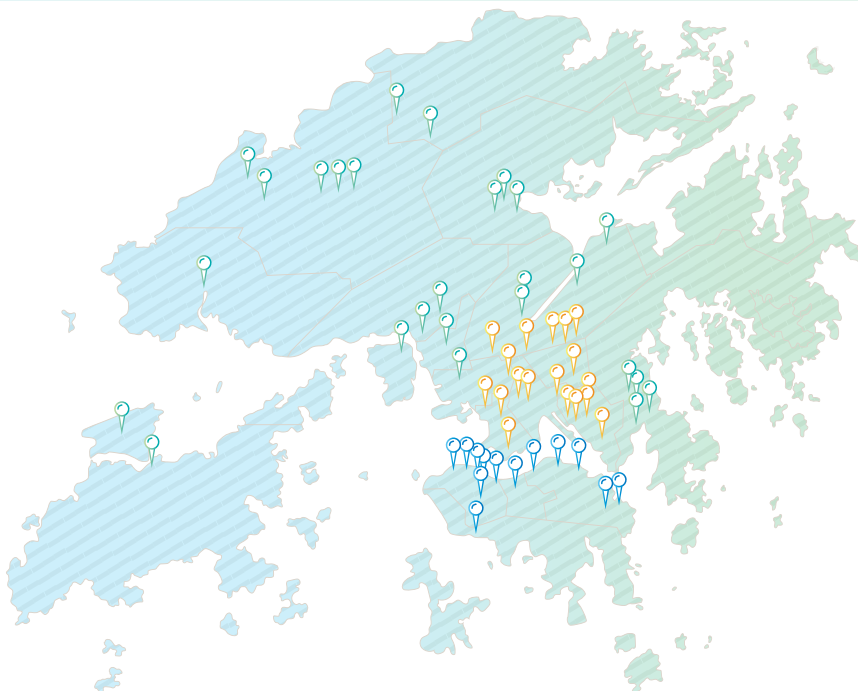
RETAIL BUSINESS

We principally prepare and sell overseas branded food and beverage products licensed to us at our self-operated retail outlets in Hong Kong. As at 31 March 2024, we had set up 63 self-operated retail outlets and details of the outlets are set out below:

| |  TenRen's TEA 天仁茗茶 |  洪师傅 世界级的台湾味 牛肉麵 | OTHERS | TOTAL |
|------|---|---|--------|-------|
| 2024 | 57 | 2 | 4 | 63 |
| 2023 | 57 | 4 | 4 | 65 |

During FY2024, the number of “TenRen (天仁茗茶)” retail outlets maintained at 57 as compared to FY2023. Our “TenRen (天仁茗茶)” retail network spans across Hong Kong Island, Kowloon and the New Territories in Hong Kong.

“TenRen (天仁茗茶)” Retail Outlets



The Group’s retail business remained committed to increasing revenue and market shares through marketing and product developments. Our successful branding and product marketing campaigns further contributed to an increase in sales, reflecting the effectiveness of our strategic initiatives.

The revenue generated from the retail business increased to approximately HK\$251.7 million for FY2024 (FY2023: approximately HK\$242.5 million), representing an increase of approximately HK\$9.2 million. Revenue generated from the retail business contributed to approximately 48.3% of the Group’s total revenue in FY2024.

Revenue
 from the retail business
 was approximately
HK\$251.7 million

MANAGEMENT DISCUSSION AND ANALYSIS

Same-store sales performance

We evaluate our performance in each individual outlets by calculating the average same-store sales growth, which compares the average revenue derived from outlets that were in operation throughout the financial periods under comparison. The following table sets forth the average same-store sales performance of our “TenRen (天仁茗茶)” retail outlets:

| | Year ended 31 March | | | |
|--------------------------------------|---------------------|---------------------|----------------------------|----------------------------|
| | 2022 | 2023 | 2023 | 2024 |
| Number of same-store | 55 | | 57 | |
| Average same-store sales | HK\$3.19 million | HK\$3.41 million | HK\$3.47 million | HK\$3.76 million |
| Average same-store sales growth rate | 6.9% | | 8.4% | |

Average selling prices and volume

The average selling price of our “TenRen (天仁茗茶)” beverage products increased during the year ended 31 March 2024. This was primarily due to the impact of inflation, rising wages, and increased raw material costs, which led us to make the decision to raise our product prices.

Despite the challenging market conditions, we remain committed to delivering high-quality products to our customers, while maintaining our competitiveness in the market. We will continue to closely monitor market trends and adjust our pricing strategies accordingly to ensure our long-term sustainability and success.

The following table sets forth the average selling price and average daily sales volume of our “TenRen (天仁茗茶)” tea drink products for the years indicated:

| | Year ended 31 March | |
|---|---------------------|--------|
| | 2024 | 2023 |
| Average selling price (HK\$) | | |
| Tea drink products (per cup) | 27.9 | 26.4 |
| Packaged tea leaves products (per unit) | 104.3 | 115.4 |
| Average daily sales volume | | |
| Tea drink products (cup) | 20,000 | 19,000 |
| Packaged tea leaves products (unit) | 100 | 200 |

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Although the Hong Kong economy was encountering a post-pandemic recovery during FY2024, the market condition is still challenging and may continue to impact consumer sentiment in Hong Kong. With the local property market and stock market experiencing ongoing declines, consumer spending power remains weak as more people travel and spend outside of Hong Kong, particularly in the PRC and other destinations, local businesses are expected to be continuously affected by the adverse effects of these economic conditions.

Retail sector

Retail business operators in Hong Kong, especially the tea drinks serving retailers, continue to face the following challenges:

Fierce competition in the tea drinks serving industry

The competition within the tea drinks serving industry in Hong Kong is still fierce because of the massive number of participants in the market, particularly the newly introduced tea drinks brand from the PRC.

Given the keen competition, tea drinks operators would need to spend more effort on product offering and marketing to attract more consumers.

Severe labour shortage in Hong Kong

The food and beverage serving establishments in Hong Kong have been facing significant challenges due to the severe labour shortage in Hong Kong, which has made it extremely difficult to hire staff. Such labour shortage has resulted in an increase in market wages, together with the already high rental prices of private retail premises, it has created a significant financial burden for food and beverage serving establishments in Hong Kong.

Distribution sector

In the distribution sector, distribution business operators in Hong Kong continue to face the following challenges:

High operating costs

Distribution business operators are facing high rental costs of warehouses and retail premises. This has restricted the expansion of business scale and increased operating costs for the distribution business. On the other hand, as the distribution business is highly labour intensive and service-oriented, severe labour shortage in Hong Kong have laid pressure on the distribution business operators.

The ease of online retailing

Nowadays, consumers can access to almost all products and services via the Internet, contributed by the online retailing and emergence of various payment platforms. Also, many food and beverage brands allow online purchases and offer fast delivery services, providing greater convenience for customers. This creates more competition for traditional brick-and-mortar retailers, as customers can directly purchase online rather than buying from the franchised outlets of these brands.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking forward to the opportunities and challenges in the upcoming financial year, the Group will continue to adhere to products of high quality and the multi-brand development strategy.

For our retail business, the weak consumer market sentiment is anticipated to hinder revenue growth. To mitigate this challenge, we have prepared a comprehensive set of sales and marketing initiatives which aimed at revitalising consumer interest and driving sales. The Group plans to strengthen the leading market position of our TenRen business through brand building, improving customer experience, product innovations, digitalisation and automation.

On the other hand, the Group is proactively reviewing its lease agreements with landlords to optimise our cost structure and business model for the future. At the same time, we will take strong actions to control operating costs including manpower, rental expenses and other operating expenses and further drive efficiency.

In the distribution business, the Group aims to enlarge its brand and product portfolio to remain competitive in the market and capitalise any potential opportunities that may arise despite the economic challenges in Hong Kong by identifying overseas brands and products that suit the preferences of Hong Kong consumers.

FINANCIAL OVERVIEW

Revenue

For the year ended 31 March 2024, the Group's revenue amounted to approximately HK\$520.8 million, representing an increase of approximately 7.0% from approximately HK\$486.8 million for the same period in 2023. The revenue generated from the retail business increased to approximately HK\$251.7 million for the year ended 31 March 2024, representing an increase of approximately HK\$9.2 million (FY2023: approximately HK\$242.5 million), which has contributed to approximately 48.3% of the Group's total revenue in FY2024. Such increase was mainly due to the post-pandemic recovery of the Hong Kong economy during the year ended 31 March 2024.

The revenue generated from the distribution business increased to approximately HK\$269.1 million for the year ended 31 March 2024, representing an increase of approximately HK\$24.8 million (FY2023: approximately HK\$244.3 million), which has contributed to approximately 51.7% of the Group's total revenue in FY2024.

Cost of sales

For the year ended 31 March 2024, the Group's cost of sales amounted to approximately HK\$398.9 million, representing an increase of approximately 4.5% from approximately HK\$381.7 million for the same period in 2023. Such increase was mainly due to the increase in purchase volume during FY2024. Our cost of sales accounted for approximately 76.6% of the Group's total revenue for the year ended 31 March 2024 (FY2023: approximately 78.4%).

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

For the year ended 31 March 2024, the Group's gross profit amounted to approximately HK\$121.9 million, representing an increase of approximately 16.0% from approximately HK\$105.1 million for the same period in 2023. The Group's gross profit margin for the year ended 31 March 2024 increased by approximately 1.8% to approximately 23.4% as compared to that of approximately 21.6% for the same period in 2023. The increase in gross profit margin was mainly due to the prudent cost control measures and margin enhancing strategy implemented by the Group and the depreciation of the Japanese yen and the New Taiwan dollar against Hong Kong dollar.

Selling and distribution expenses

For the year ended 31 March 2024, selling and distribution expenses of the Group amounted to approximately HK\$38.4 million, representing an increase of approximately 6.4% from approximately HK\$36.1 million for the same period in 2023.

Administrative expenses

For the year ended 31 March 2024, administrative expenses of the Group amounted to approximately HK\$42.0 million, representing a decrease of approximately 1.4% from approximately HK\$42.6 million for the same period in 2023.

Finance costs, net

For the year ended 31 March 2024, net finance costs of the Group amounted to approximately HK\$1.4 million, representing a decrease of approximately 57.6% from approximately HK\$3.3 million for the same period in 2023, which was mainly attributable to the decrease in bank borrowings and the increase in interest income from fixed deposit during FY2024.

Income tax expense

For the year ended 31 March 2024, the Group recorded income tax expense of approximately HK\$6.1 million (FY2023: approximately HK\$3.6 million), representing an effective tax rate of approximately 14.8% (FY2023: approximately 11.1%).

Net profit

Profit attributable to owners of the Company for the year ended 31 March 2024 was approximately HK\$33.6 million, which increased by approximately 20.9% from approximately HK\$27.8 million in FY2023. The net profit margin (calculated as the ratio of the net profit for the year to the revenue) for the year ended 31 March 2024 was approximately 6.7%, which increased as compared to that of approximately 6.0% for the same period in 2023. Basic earnings per share for the year ended 31 March 2024 amounted to approximately HK8.40 cents, as compared to that of approximately HK6.94 cents for the same period in 2023.

Capital expenditure

During the year ended 31 March 2024, capital expenditure amounted to approximately HK\$49.3 million (FY2023: approximately HK\$42.6 million). This amount was used mainly for the addition of right-of-use assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard Shareholder's interests.

During the year ended 31 March 2024, the Company has applied the principles in the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. The corporate governance principles of the Company emphasise an effective Board with a high level of integrity, sound internal controls, as well as a high degree of transparency and accountability, which does not only enhance corporate value for Shareholders but also protect the long-term sustainability of the Group.

In the opinion of the Board, during FY2024 and up to the date of this annual report, the Company has complied with all the code provisions of the CG Code, save and except for code provision C.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group.

The Board believes that vesting the roles of the chairman and chief executive officer in the same individual (that is, Mr. Chan Kam Chuen Andrew) would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which is comprised of experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Chan Kam Chuen Andrew) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and ensure compliance with the code provisions of the CG Code.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The Group is financially sound with bank deposits and cash amounting to approximately HK\$50.6 million as at 31 March 2024 (2023: approximately HK\$76.4 million). As at 31 March 2024, the gearing ratio of the Group was approximately 26.6% (2023: approximately 32.4%), which was calculated based on total debt divided by total capital at the end of the financial year. Debt of the Group refers to bank borrowings and lease liabilities. As at 31 March 2024, the Group has total banking facilities of approximately HK\$113.4 million (2023: approximately HK\$113.4 million) of which approximately HK\$9.7 million (2023: approximately HK\$31.6 million) has been utilised. We aim to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable us to continue our business in a manner consistent with the short-term and long-term financial strategies of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY RISK

The Group operates in Hong Kong and is exposed to foreign exchange risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to the Japanese yen, the New Taiwan dollar and the United States dollar.

The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable by taking into account the market conditions, customers' profiles and contractual terms to ensure that adequate impairment is made for irrecoverable amounts. On top of these ongoing credit evaluations, the Board also closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CAPITAL STRUCTURE

The shares of the Company (the "Shares") were successfully listed on the Main Board of the Stock Exchange on 14 March 2018 (the "Listing Date"). There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises ordinary Shares. As at 31 March 2024, the Company had 400,000,000 Shares in issue.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments and contingent liabilities are set out in Note 29 and Note 31 respectively to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed a total of 714 employees (2023: 692) and the employee benefit expenses including directors' emoluments were approximately HK\$115.2 million (2023: approximately HK\$106.9 million). The Group offers a comprehensive remuneration package which is reviewed by the management on a regular basis.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 March 2024, the Group did not have any significant investments, acquisitions or disposals of subsidiaries/associates and joint ventures.

EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting period up to the date of this annual report.

BIOGRAPHIES DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Kam Chuen Andrew (陳錦泉) (“Mr. Andrew Chan”), aged 63, is our chairman, chief executive officer and was appointed as our executive Director on 21 August 2017. He joined our Group in February 1992 and is primarily responsible for sourcing brands and products, liaising with suppliers, overall management of retail business, strategic planning and business development of our Group. Mr. Andrew Chan is a director of Wise Fine Enterprise Limited (“Wise Fine”), Saw Corporation Limited (“Saw Corporation”), National Jade Limited (“National Jade”) and Sunny Land Corporation Limited (“Sunny Land”), our operating subsidiaries. From May 1985 to February 1992, Mr. Andrew Chan worked at three different companies as sales and marketing manager and merchandise manager. Mr. Andrew Chan received his bachelor’s degree in arts from The University of Hong Kong in November 1985.

Mr. Andrew Chan is the brother of Mr. Chan Siu Cheung Stephen and the spouse of Ms. Tin Hau Ling Janny.

Mr. Chan Siu Cheung Stephen (陳紹璋) (formerly known as Mr. Chan Siu Cheung (陳小璋)) (“Mr. Stephen Chan”), aged 65, was appointed as our executive Director on 21 August 2017. He joined our Group in February 1990 and is primarily responsible for overall management of sales and marketing and liaising with customers of our Group. Mr. Stephen Chan is a director of Wise Fine, Saw Corporation and Sunny Land, our operating subsidiaries. In 1980s, he accumulated work experience in the field of sales and marketing at two trading companies in Hong Kong. In February 1990, he founded the business of our Group as a sole proprietor, with Mr. Chau Wing Kong William joining him as a partner in December 1990 and his brother Mr. Andrew Chan joining him as a partner in 1992.

Mr. Stephen Chan is the brother of Mr. Andrew Chan and the brother-in-law of Ms. Tin Hau Ling Janny.

Mr. Chau Wing Kong William (周永江) (“Mr. William Chau”), aged 63, was appointed as our executive Director on 21 August 2017. He is primarily responsible for overall management of finance, inventory control, logistics and operation of our Group. Mr. William Chau is a director of Wise Fine, Saw Corporation and Sunny Land, our operating subsidiaries. Mr. Chau accumulated work experience in the field of sales and marketing as well as inventory control at three companies in Hong Kong. From 1985 to 1989, he ran a silk screen printing business. In December 1990, he joined our Group as a business partner.

Ms. Tin Hau Ling Janny (田巧玲) (“Ms. Janny Tin”), aged 62, was appointed as our executive Director on 14 November 2017. She joined our Group on 14 November 2017 and is primarily responsible for strategic planning, business development and overseeing compliance matters of our Group. From April 1994 to March 1997, Ms. Janny Tin worked at a Hong Kong law firm where she was primarily responsible for conveyancing and litigation works. From July 1997 to May 2001, Ms. Janny Tin was a partner at another Hong Kong law firm and she was responsible for litigation works and administration. Ms. Janny Tin worked as a partner at Lo, Wong & Tsui Solicitors from May 2001 to April 2004. Ms. Janny Tin received her bachelor’s degree in laws from the University of London in the United Kingdom in August 1990. Ms. Janny Tin was admitted as a solicitor in the United Kingdom and Hong Kong in October 1993 and January 1994, respectively.

Ms. Janny Tin is the spouse of Mr. Andrew Chan and the sister-in-law of Mr. Stephen Chan.

BIOGRAPHIES DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Pang Koon Kwai (彭觀貴) (“Mr. Pang”), aged 70, was appointed as our independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company on 30 April 2019. Mr. Pang graduated with a bachelor degree in business administration from the University of Hawaii, College of Business in May 1978 and obtained a master degree in business administration from the Chaminade University of Honolulu in December 1979. Mr. Pang has worked in various banks and financial institutions over the years. From April 1999 to August 2009, Mr. Pang has worked in the predecessor companies and various subsidiaries of Industrial and Commercial Bank of China (Asia) group, with the last held position as the chief executive officer of 華商銀行(Chinese Mercantile Bank*) in Shenzhen, a subsidiary of Industrial and Commercial Bank of China (Asia) Limited. From February 2011 to October 2013, Mr. Pang was the chief executive officer and chairman of 捷貸小額貸款公司 (Jet Credit Small Loan Company*) in Chongqing and the chief executive officer of Nation Wide Financial Service Company Limited in Hong Kong.

Mr. See Hung Yan Peter (施鴻仁) (“Mr. See”), aged 62, was appointed as our independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company on 12 February 2018. From July 1986 to September 2015, Mr. See served various positions at Federal Express (Hong Kong) Limited with his last held position as the managing director of the customer service planning & engineering department, where he was primarily responsible for overall management of the planning and engineering business.

Mr. See received his high diploma in civil engineering (municipal) and associateship in civil and structural engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1985 and November 1986, respectively. Mr. See then obtained his master’s degree in science in management (business) from the Hong Kong Polytechnic in October 1995.

Mr. Chung Kwok Mo John (鍾國武) (“Mr. Chung”), aged 55, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Company on 12 February 2018. He obtained a bachelor’s degree in economics from Macquarie University in April 1992 and is a member of CPA Australia and Hong Kong Institute of Certified Public Accountants, with over 20 years of experience in auditing, financial management and corporate finance. Mr. Chung was an auditor of an international accounting firm from 1992 to 1999.

From 2000, Mr. Chung held several senior management positions, including chief financial officer, executive director and independent non-executive director, in a number of listed companies in Hong Kong. Mr. Chung is currently an independent non-executive director of the following companies listed on the Stock Exchange: (i) BYD Electronic (International) Company Limited (stock code: 285); (ii) Zhengye International Holdings Company Limited (stock code: 3363); (iii) YTO International Express and Supply Chain Technology Limited (stock code: 6123); and (iv) Tokyo Chuo Auction Holdings Limited (stock code: 1939).

* For identification purposes only

BIOGRAPHIES DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Tang Kwok Hay (鄧國禧) (“Mr. Tang”), aged 38, is the chief financial officer and company secretary of our Group. Mr. Tang joined the Group in June 2017 and is responsible for overseeing the Group’s daily financial operations, managing its accounting and internal control, as well as its legal affairs and investor relations.

Mr. Tang has over 15 years of experience in accounting, auditing and financial control. Prior to joining our Group, Mr. Tang served as the financial controller in WPP Marketing Communications (HK) Limited from 2013 to 2017, where he was primarily responsible for overseeing financial operations and providing commercial support to management. From 2007 to 2013, Mr. Tang worked for PricewaterhouseCoopers, with his last held position as manager, where he was involved in a number of audit and assurance, capital market transactions and advisory projects advising corporate clients including listed companies and multinational companies.

Mr. Tang received his master degree in business administration from The University of Hong Kong in December 2020 and bachelor degree in business administration from The Chinese University of Hong Kong in December 2007. He obtained the qualification of financial risk manager (FRM) from the Global Association of Risk Professionals, certified public accountant (CPA) from the Hong Kong Institute of Certified Public Accountants and associate chartered accountant (ACA) from the Institute of Chartered Accountants in England and Wales in September 2009, January 2011 and August 2020, respectively, and was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2018.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standard of corporate governance to safeguard Shareholder's interests.

During the year ended 31 March 2024, the Company has applied the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. The corporate governance principles of the Company emphasise an effective Board with a high level of integrity, sound internal controls, as well as a high degree of transparency and accountability, which does not only enhance corporate value for Shareholders but also protect the long-term sustainability of the Group.

In the opinion of the Board, during the year ended 31 March 2024 and up to the date of this annual report, the Company has complied with all the code provisions of the CG Code, save and except for code provision C.2.1 which states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chan Kam Chuen Andrew is both our chairman and chief executive officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group.

The Board believes that vesting the roles of the chairman and chief executive officer in the same individual (that is, Mr. Chan Kam Chuen Andrew) would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which is comprised of experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Mr. Chan Kam Chuen Andrew) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company and ensure compliance with the code provisions of the CG Code.

DIRECTORS' 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 C3 to the Listing Rules as its own code of conduct governing the Directors' transactions in the listed securities of the Company. Employees of the Group (the "Relevant Employees") who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code.

The Company has made specific enquiry with all Directors, and each Director has confirmed that he or she has complied with the standards as set out in the Model Code during the year ended 31 March 2024 and up to the date of this annual report. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 March 2024 and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for the leadership and control of the Company and is vested with the overall management of the Group's business. The Board is collectively responsible for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. Such responsibilities include implementing the strategies and plans as approved by the Board, formulating and monitoring the operation and production plans and budgets, as well as internal control systems, risk management systems, material transactions (in particular those that may involve a conflict of interest), financial information, appointment of Directors and other significant financial and operational matters.

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this annual report.

BOARD COMPOSITION

Currently, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors.

Membership of Board Committee(s)

Executive Directors

| | |
|---|-----|
| Mr. Chan Kam Chuen Andrew (<i>Chief Executive Officer & Chairman</i>) | N/A |
| Mr. Chan Siu Cheung Stephen | N/A |
| Mr. Chau Wing Kong William | N/A |
| Ms. Tin Hau Ling Janny | N/A |

Independent non-executive Directors

| | |
|------------------------|---|
| Mr. Pang Koon Kwai | Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee |
| Mr. See Hung Yan Peter | Chairman of Nomination Committee Member of Audit Committee Member of Remuneration Committee |
| Mr. Chung Kwok Mo John | Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee |

Detailed biographies of the Directors can be found on pages 23 to 25 of this annual report. The relationships between the members of the Board are also disclosed under the same section. Save as disclosed, none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

CORPORATE GOVERNANCE REPORT

All Directors (except Mr. Pang Koon Kwai) are elected for a term of three years (renewable automatically for a successive term of three years after the expiry), subject to retirement by rotation and re-election at the Company's annual general meeting ("AGM"). Mr. Pang Koon Kwai is elected for a term of one year (renewable automatically for a successive term of one year after the expiry) and is also subject to retirement by rotation and re-election at the Company's AGM.

The Directors bring a good balance of skills and experience to the Company. They have been made fully aware of their collective and individual responsibilities to Shareholders. All Board appointments are based on merit, and candidates are considered against various objective criteria, with due regard to the benefits of diversity on the Board. Oversight of the Board diversity policy is the responsibility of the nomination committee.

The Company has three independent non-executive Directors, who bring a wide range of business and financial experience to the Board. By their active participation in Board meeting and by their service on various Board committees, the independent non-executive Directors contribute in important ways to the effective direction and strategic decision-making of the Group. The Company has received a confirmation from each independent non-executive Director about his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence rules and continues to consider each of them to be independent.

The Company has established channels through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner. These include periodic Board reviews, dedicated meeting sections with the Chairman and interaction with management and other Board members including the Chairman outside the boardroom. The Board will review the implementation and effectiveness of the abovementioned mechanism on an annual basis to ensure that independent views and input are available to the Board.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. In addition, pursuant to Rule 3.10(2) and 3.10A of the Listing Rules, every listed issuer is required to have such number of independent non-executive directors representing at least one-third of the Board, and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. Chung Kwok Mo John was admitted as a member of CPA Australia and Hong Kong Institute of Certified Public Accountants with over 20 years of experience in auditing, financial management and corporate finance. Hence, for the year ended 31 March 2024 and up to the date of this annual report, the Board had at all times met the requirement of Rules 3.10(1) and (2) and 3.10A of the Listing Rules.

A full list of the Directors is available on the respective websites of the Company and the Stock Exchange, and is disclosed in all corporate communications issued by the Company from time to time in accordance with the Listing Rules.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors shall keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

For the year ended 31 March 2024 and up to the date of this annual report, the Company organised a training session conducted by certified public accountants for Directors and all Directors (namely, Mr. Chan Kam Chuen Andrew, Mr. Chan Siu Cheung Stephen, Mr. Chau Wing Kong William, Ms. Tin Hau Ling Janny, Mr. Pang Koon Kwai, Mr. See Hung Yau Peter and Mr. Chung Kwok Mo John) have attended the training session. The training session conducted by certified public accountants focused on corporate governance and the updates on accounting standards, the Listing Rules and the latest environmental, social and governance requirements.

BOARD COMMITTEES

The Board established the remuneration committee, nomination committee and audit committee to assist in carrying out its responsibilities and functions. Each of these Board committees has specific written terms of reference setting out its duties and authority. The Board committees have sufficient resources to execute their requisite duties and enjoy the support of the management.

Remuneration committee

The primary duties of the remuneration committee are to (a) establish a formal and transparent procedure for developing remuneration policy; (b) formulate and recommend to the Board on policies and structures for the remuneration of Directors and senior management; (c) determine specific remuneration packages for all executive Directors and senior management in the manner specified in its terms of reference; (d) make recommendations to the Board on the remuneration of independent non-executive Directors; (e) review the appropriateness of the remuneration policy; (f) review and make recommendations to the Board as to the fairness and reasonableness of the terms of any Director's service agreement/appointment letter which is subject to the approval of the Shareholders in general meeting pursuant to the Listing Rules; and (g) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The current members of the remuneration committee are Mr. Pang Koon Kwai (as chairman), Mr. See Hung Yan Peter and Mr. Chung Kwok Mo John, all being independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

The remuneration committee met two times during the year ended 31 March 2024. A summary of the work performed by the remuneration committee during the year ended 31 March 2024 was as follows:

- (i) reviewed the remuneration policy and structure of the executive Directors and senior management of the Company and determined their specific remuneration packages;
- (ii) assessed the performance of the executive Directors and approved the terms of the executive Directors' service contracts;
- (iii) approved performance-based remuneration with reference to the corporate goals and objectives resolved by the Board and/or the senior management from time to time; and
- (iv) ensured that no Director or senior management or any of his/her associates was involved in deciding his/her own remuneration.

Nomination committee

The primary duties of the nomination committee are to (a) review the structure, size, composition and diversity of the Board; (b) assess the independence of independent non-executive Directors; (c) make recommendations to the Board on any proposed change to the Board composition or selection of individuals nominated for directorships, or on appointment or re-appointment of Directors. The current members of the nomination committee are Mr. See Hung Yan Peter (as chairman), Mr. Pang Koon Kwai and Mr. Chung Kwok Mo John, all being independent non-executive Directors.

The nomination committee met two times during the year ended 31 March 2024. A summary of the work performed by the nomination committee during the year ended 31 March 2024 was as follows:

- (i) reviewed the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board;
- (ii) assessed the independence of the independent non-executive Directors;
- (iii) made recommendations to the Board on the proposed re-election of the retiring Directors (namely, Mr. Chan Siu Cheung Stephen, Mr. Chau Wing Kong William and Mr. Chung Kwok Mo John) at the forthcoming annual general meeting; and
- (iv) reviewed the implementation and effectiveness of the Board Diversity Policy (as defined below) and the Nomination Policy (as defined below) adopted.

To facilitate sustainable and balanced development of the Company, the nomination committee has adopted a Board diversity policy (the "Board Diversity Policy"), which sets out the approach to achieve diversity of the Board. Under the Board Diversity Policy, the appointment and/or recommendation for appointment will be based on objective criteria, having due regard to the benefits of diversity on the Board, including, among others, the candidates' gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board members' appointments will be based on meritocracy and decisions of the nomination committee are made based on the merits and contribution of the selected candidates.

CORPORATE GOVERNANCE REPORT

The Board has an appropriate mix of skills, experience and diversity which are relevant to the Company’s business and governance and supports its efficiency and effectiveness. The Board’s composition as at the date of this report under diversified perspectives is summarised as follows:

| | |
|-----------------------|---|
| Education background | <ul style="list-style-type: none">• Postgraduate degree: 2• Bachelor degree: 3• Others: 2 |
| Designation | <ul style="list-style-type: none">• Executive Directors: 4• Independent non-executive Directors: 3 |
| Gender | <ul style="list-style-type: none">• Male Directors: 6• Female Director: 1 |
| Age group (years old) | <ul style="list-style-type: none">• Between 51 and 60: 1• Between 61 and 70: 6 |
| Length of service | <ul style="list-style-type: none">• 5 years or below: 4• 6–10 years: 0• Over 10 years: 3 |

The Board currently has one female Director and as such has achieved gender diversity in respect of the Board. We will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders’ expectation and international and local recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successor to the Board in the near future.

Based on the above, the nomination committee is satisfied that the current composition of the Board is sufficiently diverse.

Based on recommendations from the nomination committee, the Board will set measurable objectives to implement the Board Diversity Policy and will review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Company has also implemented a diversified employment policy. It provides women with equal employment opportunities and ensures equal pay for male and female employees for equal work. As at 31 March 2024, the ratio of female employees of the Company was 69%. For further details of how the Company achieves gender diversity in the workforce, please refer to the section headed “Environmental, Social and Governance Report” on pages 39 to 71 of this annual report.

The nomination committee has also adopted a nomination policy (the “Nomination Policy”) which sets out the selection criteria and procedure of appointment and re-appointment of Directors.

CORPORATE GOVERNANCE REPORT

Selection criteria for Directors

In assessing and selecting candidates for Directors, factors that the nomination committee should consider include, but not limited to, the candidate's character and integrity, professional skills and experience, and the potential contributions that a candidate can bring to the Board in terms of diversity of gender, age, culture and educational background etc., whether the candidate meets the required independence criteria as set out in the Listing Rules, whether the candidate is willing and able to devote sufficient time to fulfill the duties of being a Director and a member of the Board; whether the candidate is suitable for the Company's actual situation, and other factors in relation to the Company's business model etc..

Nomination and appointment procedures for Directors

After the nomination committee receives the proposal to appoint a new Director or the nomination from a Shareholder, the nomination committee shall evaluate the candidate's eligibility to serve as a Director based on the above criteria in combination with his/her personal profile. If multiple candidates are involved, the nomination committee shall prioritise them according to the Company's needs and candidates' respective qualification. In the case of the re-appointment of a Director at the general meeting, the nomination committee shall review the overall contribution of the Directors and their services, their participation and performance within the Board, and whether such Director still meets the above criteria.

Audit committee

The primary duties of the audit committee are to (a) make recommendations to the Board on the appointment, re-appointment and removal of external auditor; (b) review the financial statements and material advice in respect of financial reporting; and (c) oversee the risk management and internal control procedures of the Company. The current members of the audit committee are Mr. Chung Kwok Mo John (as chairman), Mr. Pang Koon Kwai and Mr. See Hung Yan Peter, all being independent non-executive Directors, the composition of which is in compliance with Rule 3.21 of the Listing Rules.

The audit committee met two times during the year ended 31 March 2024. A summary of the work performed by the audit committee during the year ended 31 March 2024 was as follows:

- (i) reviewed the audit plan, terms of engagement, independence and qualification of the external auditor and the remuneration paid to the external auditor;
- (ii) reviewed the financial information of the Group including the annual and interim financial statements and related documents before submission to the Board for approval;
- (iii) reviewed the management letters and reports issued by the external auditor;
- (iv) reviewed the accounting principles and practices adopted by the Group and the potential impacts of the change in accounting standards to the Group's financial statements;

CORPORATE GOVERNANCE REPORT

- (v) reviewed the effectiveness of the risk management and internal control systems of the Group; and
- (vi) reviewed the internal audit reports in respect of the effectiveness of the financial, operational and compliance controls and risk management of the Group.

The audit committee was of the view that the procedures of risk management and internal control of the Group were effective and that the financial statements and reports under review had complied with the applicable accounting policy standards and requirements and that adequate disclosures have been made.

The terms of reference of the audit committee is available on the respective websites of the Company and the Stock Exchange.

BOARD MEETINGS

During the year ended 31 March 2024, four Board meetings were held. Minutes of the Board meetings are being kept by the company secretary of the Company and are available for inspections by the Directors.

DIRECTORS' LIABILITIES INSURANCE

For the year ended 31 March 2024, the Company had arranged for appropriate and adequate insurance coverage to protect the Directors from legal action arising from the performance of their duties as a Director. Such insurance coverage is reviewed and renewed by the Board on an annual basis.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for ensuring that the Company maintains and implements comprehensive corporate governance practices and procedures. For the year ended 31 March 2024, the Board:

- (1) established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;
- (2) reviewed and monitored the training and continuous professional development of the Directors and senior management of the Group;
- (3) reviewed and monitored the policies and practices of the Company to ensure compliance with relevant legal and regulatory requirements;
- (4) established, reviewed and monitored the code of conduct of Directors and employees of the Group; and
- (5) reviewed the Company's compliance with the CG Code and made necessary disclosure in the corporate governance report.

This corporate governance report has been reviewed by the Board in fulfillment of its corporate governance responsibilities.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meeting, Board Committee meetings and annual general meeting of the Company held during the year ended 31 March 2024 is set out in the table below:

| Name of Directors | Attendance/Number of Meetings | | | | Annual General Meeting |
|--|-------------------------------|-------------------------|---------------------------|--------------------|------------------------------|
| | Board | Nomination Committee | Remuneration Committee | Audit Committee | |
| <i>Executive Directors</i> | | | | | |
| Mr. Chan Kam Chuen Andrew | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Chan Siu Cheung Stephen | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Chau Wing Kong William | 4/4 | N/A | N/A | N/A | 1/1 |
| Ms. Tin Hau Ling Janny | 4/4 | N/A | N/A | N/A | 1/1 |
| <i>Independent non-executive Directors</i> | | | | | |
| Mr. Chung Kwok Mo John | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 |
| Mr. See Hung Yan Peter | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 |
| Mr. Pang Koon Kwai | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 |

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2024. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 82 to 89 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, PricewaterhouseCoopers, for the audit services rendered during the year ended 31 March 2024 is set out below:

| | Service Category Fees Paid/Payable HK\$'000 |
|-------------------|--|
| Services rendered | |
| Audit services | 1,500 |

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

Sound and effective internal control systems are important to safeguard the Shareholders' investment and the Company's assets and the Board is responsible for maintaining an adequate risk management and internal control systems to safeguard them. The Board understands that such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures have been put in place to safeguard the Group's assets against unauthorised use or disposal, to ensure proper accounting records are kept so that reliable financial information can be provided when required, and to ensure compliance with all applicable laws and regulations. These procedures have been based on industry norms and are designed to provide reasonable assurance and protection against errors, losses and fraud.

In compliance with code provision D.2.1 of the CG Code, the management has evaluated and reviewed the risk management system on an annual basis. In addition, an evaluation and review of the Group's internal control system was conducted by an external independent professional consultant during the year. The results of the independent review and assessment were reported to the audit committee and the Board. Moreover, improvements in internal control and risk management measures are recommended by the external professional consultant to enhance the Group's risk management and internal control systems and mitigate associated risks.

The Company does not have an internal audit function. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient risk management and internal control for the Group. The Company will review the need for an internal audit function on an annual basis.

During the year under review, the Board, through the audit committee, conducted an annual review on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to (i) the Group's ability to respond to changes in its business and external environment in terms of significant risks; (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems; (iii) the extent and frequency of communication monitoring results to the Board in relation to the result of risk and internal control review; (iv) significant control failing or weakness having been identified and their related implications; and (v) the effectiveness of the Company's process for financial reporting and the status of compliance with the Listing Rules. Based on the findings and recommendations of the external professional consultant as well as the comments from the audit committee, the Board is of the opinion that the Group's risk management and internal control systems were adequate and effective during the year ended 31 March 2024.

The Board, also through the audit committee, has reviewed the adequacy of the Group's resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as qualifications and experience of the internal auditors.

CORPORATE GOVERNANCE REPORT

Risk management framework

The Group adopts a risk management framework which comprises the following processes:

- identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business (including ESG risks);
- develop necessary measures to manage those risks; and
- monitor and review the effectiveness of such measures.

The Group has formulated the policies and procedures relating to risk management and internal control as follows:

- the Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;
- each business operating unit maintains internal controls and procedures appropriate to its structure whilst complying with the Group's overall policies, standards and guidelines;
- relevant executive Directors and senior management have been delegated with specific responsibilities for monitoring the performance of designated business operating units;
- a systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and
- code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

ANTI-CORRUPTION

The Group understands the potential risks of unethical conduct to its business and stands against any form of bribery, extortion, fraud, and has a zero-tolerance policy towards such misconduct. To uphold the Group's high ethical values, the Group has established the anti-corruption and whistleblowing policy in accordance with the relevant regulatory laws and standards to promote anti-fraud principles and consistent organizational behaviors.

CORPORATE GOVERNANCE REPORT

INSIDE INFORMATION

The Company takes seriously of its obligations under the Part XIVA of the Securities and Futures Ordinance and the Listing Rules with respect to procedures and internal controls for the handling and dissemination of inside information. The Group's disclosure policy (the "Disclosure Policy") sets out guidelines and procedures to the Directors and officers of the Group to ensure inside information of the Group is disseminated to the public in equal and timely manner. Under the Disclosure Policy, the Company's disclosure team comprising executive Directors and members of senior management has the overall delegated authority to decide whether the information reported is inside information and requires disclosure and to refer the subject matter to the Board for approval. Measures are in place to preserve the confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain it confidential. In communicating with external parties, only designated officers are authorised to respond to enquiries in allocated areas of issues. Communication is held regularly for officers to facilitate their understanding and compliance with the Disclosure Policy.

COMPANY SECRETARY

Mr. Tang Kwok Hay ("Mr. Tang") is the company secretary of the Company. Mr. Tang supports the Board by ensuring that reliable and relevant flow of information is maintained amongst members of the Board and that all procedures have been adhered to in accordance with applicable laws, rules and regulations. Mr. Tang is also the primary contact person within the Company for all matters relating to the duties and responsibilities of the company secretary.

During the year ended 31 March 2024, Mr. Tang has complied with Rule 3.29 of the Listing Rules in relation to the taking of no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The Company is committed to maximising transparency for Shareholders, and ensuring that Shareholders have clear knowledge of the decisions made by the Company.

Procedures for Shareholders to convene extraordinary general meeting

The following procedures for Shareholders to convene an extraordinary general meeting ("EGM") are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular, the Listing Rules (as amended from time to time):

- (a) Any one or more Shareholders holding at the date of deposit of requisition of not less than ten percent (10%) of the voting rights (on a one vote per Share basis) in the issued share capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition;

CORPORATE GOVERNANCE REPORT

- (b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the “Requisition”) signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Unit 01, 11/F, Block A, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon, Hong Kong, or the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for the attention of the Board and/or the company secretary. Such meeting shall be held within 2 months after the deposit of such requisition;
- (c) If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for Shareholders to put forward proposals at Shareholders’ meetings

There are no provisions allowing the Shareholders to put forward new resolutions at the general meeting under the Companies Act (as revised) of Cayman Islands. However, pursuant to the Articles, the Shareholders who wish to put forward a resolution may by means of the Requisition convene an EGM following the procedures set out above.

Procedures for raising enquiries

Shareholders could direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company’s Hong Kong branch share registrar (details of which are set out in the section headed “Corporate Information” of this annual report).

Should there be any enquiries and concerns from the Shareholders, they may send written enquiries addressed to the headquarter and principal place of business of the Company in Hong Kong at Unit 01, 11/F, Block A, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong, Kowloon, Hong Kong for the attention of the Board and/or the company secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTORS RELATIONS

To foster effective communication with the shareholders and potential investors of the Company, the Company has developed and maintained a Shareholders’ communication policy, which is available on the Company’s website. In accordance with such policy, the Company has established a range of communication channels among itself, the Shareholders and investors. These include answering questions through the general meetings, the publication of annual and interim reports, notices, announcements and circulars on the Company’s website at www.bandshk.com and meetings with investors and the Shareholders. News update of the Group’s business development and operation are also available on the Company’s website. Based on our review of the initiatives taken by the Group and the multiple channels of communication in place as detailed above, the Company is of the view that the implementation of the Shareholders’ communication policy is satisfactory and effective during the year ended 31 March 2024.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2024, there was no amendment to the Company’s constitutional documents. However, pursuant to the amendments to Rule 2.07A of the Listing Rules with effect from 31 December 2023, the Board proposed to amend the Articles and shall put through for Shareholders’ approval at the forthcoming annual general meeting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

As a leading food and beverage company, B & S International Holdings Ltd (the “Group” or “B & S”) is pleased to present the Environmental, Social and Governance (“ESG”) Report (“ESG Report”) for the year ended 31 March 2024 (the “reporting period”). Through providing our stakeholders a comprehensive understanding of our ESG strategy, policies and performance, we aim to illustrate our long-term commitment to ensure our Group maintains its position in the market as a socially, environmentally and economically sustainable business.

Scope of the ESG Report

The scope of ESG Report covers the Group’s ESG performance and practices in its major operating locations for the reporting period. The information compiled focuses on the Group’s distribution and retail operations in Hong Kong including warehouse, retail shops and offices. The ESG Report is prepared in accordance with the requirements set forth in the ESG Reporting Guide (the “ESG Guide”) under Appendix C2 to the Listing Rules. The Board approves the ESG Report and confirms that it presents a fair representation on the Group’s approach on each of the ESG aspects for the reporting period.

Reporting principles

In accordance with the ESG Guide, the ESG Report was prepared on the basis of the “comply or explain” provisions to ensure a balanced report, which includes the disclosure of mandatory Key Performance Indicators (“KPIs”) and recommended KPIs. The ESG Report also revolves around four key guiding principles, and they are as follows:

- **Materiality:** ESG issues that are determined by the Board to be sufficiently important to the investors or other stakeholders are disclosed.
- **Quantitative:** KPIs are measurable to enable the comparison of data between different periods and companies. Quantitative information is supported with a narrative to explain the purpose, reason, and impact on the relevant stakeholders.
- **Balance:** An unbiased picture of the Group’s ESG performance is provided. There are no selections, omissions or presentation formats that may inappropriately influence the decision or judgement by the stakeholder.
- **Consistency:** The ESG Report uses a consistent methodology to ensure meaningful comparison of ESG data over time. Any changes to the methodology or KPIs used are disclosed in the ESG Report, including the impact of such changes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MESSAGE FROM THE BOARD

Despite a year of global volatility and uncertainty, we remained steadfast in our commitment to embed our sustainability aspirations within our activities, business and communities, and stayed true to our purpose: To deliver innovative solutions for a more equitable and sustainable future in the 21st Century.

Our mission is to integrate responsibility and sustainability into the heart of our business, and to be a leading catalyser within the food and beverage industry to achieve the global Sustainability Development Goals. Embedding sustainability to the Group's strategy has been one of the cornerstones of our long-term success. The diversity of our workforce and the long-standing legacy in Hong Kong gives us a unique opportunity to leverage on our supply chain solutions, and to support the local community by introducing more brands and high-quality products from around the world.

In FY2024, the micro-environment has shown a steady recovery from the impacts of the COVID-19 pandemic and other global events. Consistent with our practices in the previous years, we have remained committed to our sustainability mission. The health and safety of our staff and customers continue to be our top priority, and we have made concerted efforts to support our local communities. In our pursuit of sustainable business practices in Hong Kong, we have focused on strengthening our relationships with local suppliers. Looking ahead, we reaffirm our dedication to the principles of sustainable development. We recognise that this mission remains as crucial as ever in driving economic growth and creating value for all stakeholders.

Ever since 2015, the Group has been a contributor to the Paris Agreement Goal by pushing forward green initiatives, sustainable infrastructures and clean technology in our business activities. For our major operations in Hong Kong, we have laid out a roadmap of climate challenges that will need to be addressed in the upcoming decade in order to support Hong Kong's 2050 net-zero ambition and our customer's transition to a carbon neutral economy. This was achieved through the close cooperation with our stakeholders and incorporating feedback from global climate change events, such as the 2023 United Nations Climate Change Conference of the Parties (COP28). We also educate and reward our employees for their ongoing commitment in supporting our climate ambition. Reducing our resources consumption in water was one of the most important achievements we obtained in the year ended 31 March 2024. The next major milestone of our sustainability journey will be to further reduce our carbon footprint by exploring other green and innovative solutions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainability is deeply anchored within the foundation of our business and alive in our purpose. Everyday, our employees at B & S seek new and better answers to shape the world and the community, which makes us more resilient and stronger. As we are interconnected with one another, each and every action of B & S impact those around us. It is essential that our planet and community thrive together along with us. We will continue to work closely with our stakeholders to further integrate green and sustainable principles in our business activities, and to maintain our momentum in the development of our ESG strategy.

We would like to express our gratitude for your continuous support on our ESG initiatives over the past few years. We look forward to building a more resilient and sustainable future with you.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

In order to better serve the local community, we have periodically refined our corporate social responsibility (CSR) practices by connecting with a range of stakeholders to identify the issues that are material and relevant to us. The Group has proactively engaged with various stakeholder groups through different channels on a transparent platform. Periodically, continuously improvements to the communication channels have been made to maintain a long-lasting relationship with the stakeholders. We have encompassed every stakeholder to improve the Group's relationship with the suppliers, employees, shareholders, customers, supervisory institutions and society as a whole. We strive to understand their concerns, and timely provide follow-up actions to remediate these issues. The success of our sustainable business strategy stems from the strong connection with our stakeholders.

In the reporting period, the Group engaged with the following key stakeholder groups and identified their concerns on ESG issues:

| Key Stakeholder Engaged | Major Communication Channels | Major Concerns |
|----------------------------|--|--|
| Internal Employees | <ul style="list-style-type: none"> • Business Meetings • Job Briefings • Performance Appraisals Sessions • Internal Training Workshop | <ul style="list-style-type: none"> • Training Opportunities and Career Development • Health and Safety of Work Environment (COVID-19 Protective Measures) • Protection of Employee's Rights and Benefits • Protection of Employee Data and Privacy |
| Shareholders and investors | <ul style="list-style-type: none"> • Annual General Meetings and Shareholders' Meetings • Annual and Interim Reports • Circulars, Press Release and Corporate Announcements • Group's Website • Telephone and E-mails | <ul style="list-style-type: none"> • Ethical Business Operation • Value Creation • Financial Stability • Information Disclosure and Transparency • COVID-19 Risk Mitigation Measures • Diversity and Inclusion |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

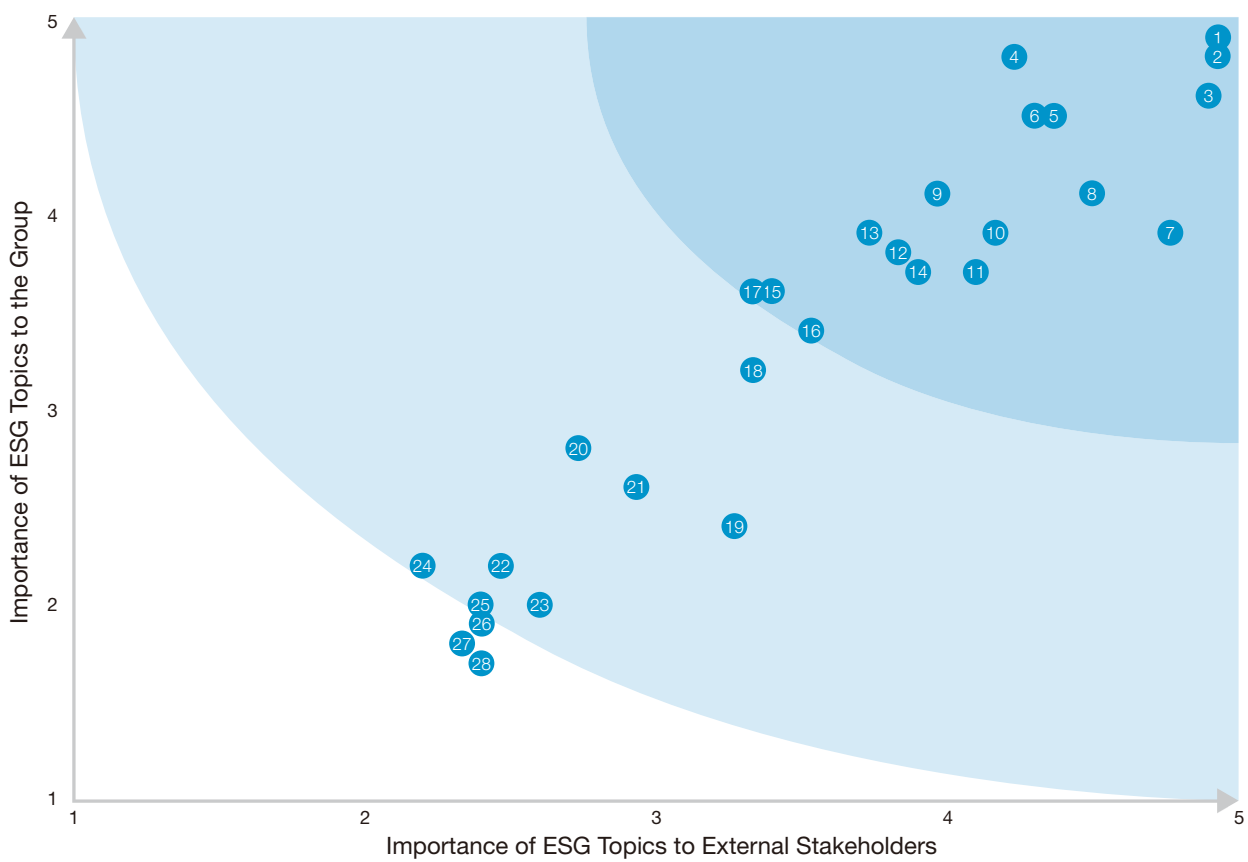
| Key Stakeholder Engaged | | Major Communication Channels | Major Concerns |
|-------------------------|--|--|---|
| External | Suppliers | <ul style="list-style-type: none"> • Supplier Performance Review • Site Inspections and Visits • Quotation E-mails, Phone Calls and Conferences | <ul style="list-style-type: none"> • Transparent and Fair Procurement Process • Timely Communication • Win-win cooperation |
| | Customers | <ul style="list-style-type: none"> • E-mail Consultations • Customer Hotlines • Customer Service • Feedback Form | <ul style="list-style-type: none"> • Fair and Reasonable Pricing • Privacy Protection Measures • Hygiene Standard and COVID-19 Safety Measures • Quality of Products and Services |
| | Public Community | <ul style="list-style-type: none"> • Charity and Community Interactions • Philanthropic Partnership • Volunteering Activities | <ul style="list-style-type: none"> • Corporate Governance • Environmental Protection Measures • Charitable Events |
| | Government and Supervisory Institution | <ul style="list-style-type: none"> • Information Disclosures • Management Reports • Policy Consultations and Major Meetings | <ul style="list-style-type: none"> • Compliance with Health Policies, Laws and Regulations • Sound Risk Management • Corporate Governance • Environmental Protection Measures |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality assessment

In this reporting period, the stakeholders that have an impact on the Group were invited to share their perspectives on our ESG performance in an electronic survey. After compiling their opinions, we determined the key ESG issues that are identified as materials aspects for the Group to focus on. The materiality assessment ensures that the stakeholder's perspectives and expectations are fully understood to assist the Group to define and further develop the sustainable business strategy.

Materiality Assessment Matrix



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Item | ESG Topic | Item | ESG Topic |
|------|---|------|--|
| 1 | Occupational health and safety | 15 | Selection and monitoring of suppliers |
| 2 | Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions) | 16 | Mitigation measures to protect environment and natural resources |
| 3 | Product health and safety | 17 | Hazardous waste production |
| 4 | Employee development and training | 18 | Greenhouse gas emissions |
| 5 | Diversity and equal opportunity of employees | 19 | Preventing child and forced labour |
| 6 | Number of concluded legal cases regarding corrupt practices (e.g. bribery, extortion, fraud and money laundering) | 20 | Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers |
| 7 | Customer information and privacy | 21 | Cultivation of local employment |
| 8 | Product and service labelling | 22 | Water use |
| 9 | Anti-corruption policies and whistle-blowing procedure | 23 | Air emissions |
| 10 | Observing and protecting intellectual property rights | 24 | Non-hazardous waste production |
| 11 | Customer satisfaction | 25 | Community support (e.g. donation, volunteering) |
| 12 | Anti-corruption training provided to directors and staff | 26 | Use of materials (e.g. paper, packaging, raw materials) |
| 13 | Marketing communications (e.g. advertisement) | 27 | Climate change |
| 14 | Environmentally preferable products and services | 28 | Energy use (e.g. electricity, gas, fuel) |

The important ESG issues to both internal and external stakeholders are positioned at the top right corner of the materiality matrix. The main issues are as follows:

1. Occupational health and safety;
2. Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions); and
3. Product health and safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders' feedback

The latest business updates are available to the public through our website. The Group welcomes all stakeholders' feedback regarding with the ESG issues. Interested parties can contact the Group to share their suggestions and opinions through the channels listed below:

Website: <https://www.bandshk.com/>

Address: Unit 01, 11/F, Block A, Ko Fai Industrial Building, 7 Ko Fai Road, Yau Tong Kowloon, Hong Kong

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

To facilitate effective management of the ESG issues, the Group has established a governance structure. The Board has an overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group, including setting KPIs for environmental-related issues, reviewing the Group's performance annually against ESG-related targets and revising ESG-related strategies as appropriate if significant variances from the ESG-related targets are identified. The Group has therefore set up an ESG working group to support the Board in implementing its ESG-related strategies and targets.

ESG working group

To demonstrate our commitment to transparency and accountability, the Company has established an ESG working group comprising representatives of different business functions, which has clear terms of reference that set out the powers delegated to it by the Board.

CORPORATE SOCIAL RESPONSIBILITY ("CSR") VISION, POLICY AND STRATEGY

The Group has adopted a CSR Policy in order to commit to the highest standards of corporate governance and aims to integrate CSR into the Group's business strategy and management approach.

CSR is viewed as a business philosophy that creates shared sustainable value with its stakeholders in the economic, social, and environmental dimensions. The Group's CSR Vision and CSR Policy guide the Group's business and operational decisions to take into account for its responsibility to the CSR cornerstones with pragmatic objectives providing guidance on the application of these principles in its daily operations. The Group's CSR Policy describes our long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling our business to operate in a sustainable manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practicing CSR in our daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Marketplace

As a well-established food and beverage company, we play an active role in ensuring that our business operations positively contribute to the environment and the society. We integrate environmental measures and implement relevant policies in multiple dimensions of our business operations to uphold the core value of CSR.

In order to stabilise and streamline the provision of our products to customers, we established an electronic data interchange system to enable the online order of our products. We have also encouraged our employees to use e-communication with suppliers and customers for our business operations.

Supply chain management

The Group has recognised the significance of suppliers in affecting the sustainability of all the business operations. Not only do suppliers play a crucial role in influencing the overall performance but also imprint the Group's reputation among the societies where the Group operates. Responsible behaviour, equality, and sensitivity towards dynamic needs of stakeholders are the top entities that are addressed when conducting the business. For this purpose, it is ensured that all the supply chain partners are treated in a fair and just manner during the related business activities.

The Group usually guarantees that there are multiple qualified suppliers of raw materials to control stability of supply and ensure the production process is smooth and timely. The Group has established an approved supplier list, in which our purchasing department regularly conducts supplier reviews to ensure product quality and safety. All suppliers are required to hold valid licences required by the government, and all imported goods shall obtain proper clearance from the respective authorities. The supplier review and assessment system are based on a set of selection criteria including, but not limited to, the pricing and quality of ingredients, and the reputation, service, agility, delivery efficiency and past performance of the suppliers.

Environmental criteria are also taken into consideration during our procurement process. We encourage our suppliers to enhance their green practices, minimise environmental impact and exercise sound governance of supply chain management.

During the year ended 31 March 2024, the Group was not aware of any misconducts in terms of business ethics, environmental protection, and labour practice of our key suppliers. The Group has not received any complaint from suppliers during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product and services responsibility

The Group attaches great importance to product quality. As a food and beverage distributor and retailer, the Group is committed to ensuring that we are in compliance with the applicable laws and regulations related to product quality and food safety.

| Category | Relevant Laws and Regulations |
|--|--|
| Food safety and product responsibility | Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) Imported Game, Meat, Poultry and Eggs Regulations (Chapter 132AK of the Laws of Hong Kong) Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong) Prevention and Control of Disease Regulation (Chapter 599F, 599G of the Laws of Hong Kong) |
| Restaurant licensing | Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) Food Business Regulation (Chapter 132X of the Laws of Hong Kong) Frozen Confections Regulation (Chapter 132AC of the Laws of Hong Kong) |

The Group has set up corresponding management tools and quality assurance measures, including the formulation of operational manual and internal guideline in maintaining the products quality, food safety and health related matters. This is to ensure that the relevant laws and regulations are strictly pursued by our operation team and that the quality of each product meets the required standard.

In addition, a quality assurance team has been established to evaluate the food ingredients of the distributed products to ensure that none of the products contain prohibited ingredients, and the food labels provide sufficient information to the end user.

The Group places good emphasis on the quality and safety of our products. The Group has established clear guidelines for maintaining high standards of environmental hygiene. We have also established standard procedures for cleaning and have provided training to all operating staff to ensure that compliance with the Group's policies and maintenance of high standard of hygiene in the central kitchen and cooking areas of all retail outlets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

All the employees, customers and associated professionals are ensured privacy pertaining to their personal data. The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and guidelines that are announced by the Office of the Privacy Commissioner for Personal Data in Hong Kong are closely followed by the Group.

To observe and protect intellectual property (“IP”) rights, the Company regularly reviews the Company’s IP portfolio to identify any gaps or weaknesses in its protection, as well as opportunities for improvement. The Company also educates its employees on IP best practices by providing instructions to employees to help them understand the importance of IP and how to protect it. This includes how to properly label and store confidential information, how to avoid infringing third-parties IP, and how to report suspected IP violations. The Company also actively monitors the market for potential infringers and taking swift action to enforce IP rights. If necessary, the Company will also collaborate with industry groups and government agencies to promote IP protection and advocate for stronger IP laws and enforcement.

The Group has not identified any material non-compliance of applicable laws and regulations relating to product quality, food safety, advertising, labelling and privacy matters during the year ended 31 March 2024. During the reporting period, we received no material complaint cases related to product safety and health reasons, with the percentage of total products sold or shipped subject to recalls for safety and health reasons being 0.

Anti-corruption

The Group understands the potential risks of unethical conduct to our business and stands against any form of bribery, extortion, fraud, and has a zero-tolerance policy towards misconduct.

To uphold the Group’s high ethical values, the Group has established the Anti-Corruption and Whistleblowing Policy in accordance with the relevant regulatory laws and standards to promote anti-fraud principles and consistent organisational behaviours. We provide guidelines, assign responsibility for the development of controls and conduct investigations which facilitates the early detection of potential fraud that are against the interests of the Group. Training with regards to anti-corruption were also provided to Directors and employees.

An independent whistleblowing channel is in place for employees to report any corruption or business irregularities which ensures their privacy and safety. The management will investigate the reported cases and take appropriate action based on the severity of the employee misconduct in a professional manner. At the end of the year, the management will implement relevant measures to prevent the employee misconduct from occurring again. During the year ended 31 March 2024, the Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud, and money laundering. No concluded legal cases regarding corrupt practices were brought against the Group or its employees during the reporting period.

Workplace

The Group’s success and tremendous progression in the marketplace stems from the diverse team of talented employees that have extensive experience in the food and beverage industry. They are invaluable assets of the Group to provide consistent and high-quality services to our customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to nurture and support the employees to reach their fullest potential, we strive to cultivate an inclusive, diverse and healthy culture. We believe that this is the key driver for innovation and adaptability which will increase our competitiveness and drive the Group forward. The Group also supports gender equality and have aligned the workforce standard to an international level. Empowering the female employees with more leadership roles have been one of the key focuses of the Group. We have taken measures to ensure team compositions are diverse with a balanced number of female and male employees.

In addition, the Group places a strong emphasis on business ethics and integrity. We adopted the Code of Conduct by introducing the internal guideline on employee's Code of Conduct, such as anti-bribery, anti-corruption and whistleblowing.

Employment

The Group realises the importance of compliance with regulatory requirements, including but not limited to Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Anti-discrimination Ordinance implemented by the Equal Opportunities Commission, which have significant impact on the business and operation of the Company during the year ended 31 March 2024.

The Group is committed to providing a workplace free from any form of discrimination and harassment and provides opportunities to employees with different backgrounds and characteristics so as to build a diversified workforce. As prescribed in our policies and procedures, the Group emphasises on a transparent recruitment mechanism and equal employment opportunity. In all employment decisions, including recruitment, promotion and termination, the Group only takes the qualification, experience and performance of candidates or employees relevant to the job function into account.

Any form of discrimination against our potential or current employees on the ground of nationality, age, gender, sexual orientation, gender identity, ethnicity, disability, pregnancy, political inclination is strongly prohibited.

The Group provides a wide range of incentives, including competitive remuneration and benefits packages, which are based on individual performances and qualifications of employees and benchmarked against our industry peers on an annual basis. All of our employees are essentially treated with fair wage, fixed working hours, proper insurance coverage, statutory holidays and miscellaneous types of leaves, including sick leave, annual leave, birthday leave, marriage leave and condolence Leave. In addition, various leisure activities were organized during the year to enhance the staff bonding and raise team spirit.

Our staff handbook is well established and issued to all staff for their reference pertaining to office rules and benefits such as typhoon arrangements, annual leave, working hours, office attire, jury duty, salary and lunch hours as well as other rules and benefits. We provide employees with proper whistleblowing procedures in place for our employees to follow without fear of reprisal or negative feedback.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has not identified any material non-compliance with employment laws and regulations which have a significant impact on the Company in relation to compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity, diversity, anti-discrimination and other benefits and welfare during the year ended 31 March 2024.

Health and safety

The Group is committed to creating a healthy and safe environment under the requirement of Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) for all employees as it promotes a sustainable corporate culture.

To mitigate and contain the risks under our control, the Group encourages our employees at all levels to monitor and report any hazards or potential threats. The Group established a comprehensive set of policies and procedures to ensure our safety performance conforms to the highest industry standards.

The Group also provides adequate training for all new employees to ensure they are well trained and understand the work procedures and equipment used. The training contents include the workplace safety, procedures of using the operational machineries and fire safety. The Group regularly monitors all equipment, including sanitary equipment, ventilation equipment and cleaning equipment, in order to maintain high safety standards and good functional conditions. The Group also ensures that first-aid kits and fire-fighting equipment are present and placed in the appropriate locations within the retail outlets.

During the reporting period, a total of 203 working days were lost due to work-related injuries. These were minor injuries, and the management has implemented safety measures to prevent similar accidents from happening again in the future. We have established an internal reporting system that requires employees to report each injury to the supervisor to reduce the risk of recurrence of similar accidents.

Apart from the physical well-being of our employees, the mental health of our employees is of equal importance to promote a healthy, safe, and productive work environment. A range of mental health resources are readily available to all employees. This includes counselling services and events to reduce stress. As our workforce increases, new mental health program will be designed to accommodate and better support the well-being of our employees.

During the year ended 31 March 2024 and the past three reporting years, there were no work-related fatalities; the Group was not aware of any work-related fatalities and violations of Hong Kong health and safety laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and training

Our employees are provided with continuous and effective training that promote knowledge acquisition and knowledge transfer. We believe that the development of our employees is one of the key factors for our business success. In order to maintain the highest standards of our products and services, all employees will receive on-the-job training from their supervisors.

To maintain a competitive edge, the Group also encourages our employees to participate in work-related training courses organised by various professional bodies and government agencies. During the reporting period, our employees have enrolled or participated in the Hygiene Supervisor Training Courses offered by the Food and Environmental Hygiene Department which assisted the Group, as a food business operator, in meeting the requirements of the Hygiene Manager (HM) and Hygiene Supervisor (HS) Scheme (the "Scheme").

In the reporting period, the Group regularly evaluated the training objectives, training arrangements, training content according to the business needs and made changes when necessary. The results of the training and the performance of each individual will also be assessed regularly to ensure that all employees benefit from the training.

Moreover, suitable performance evaluations are adopted for monitoring the development of all the employees. Comprehensive performance evaluation is effective in assessing the productivity and work efficiency of individuals that further assists in identifying the weaknesses and strengths. A regular transparent review process is conducted at the end of each period to review the employees' performance, attitude, and abilities. The comprehensive performance evaluation identifies the weakness and strengths of the employees, and also assess their productivity and work efficiency.

Labour standards

It is essential to note that the Group is committed towards the growth and well-being of its employees or workforce. All the laws and regulations pertaining to the prevention of child and forced labour are strictly followed. Identification checks is needed during the hiring process to ensure the employee reaches legal minimum age for working.

During the year ended 31 March 2024, the Group was not aware of any non-compliance issue on the labour standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community

With an operating history of over 30 years in Hong Kong, the Group has been continuously addressing social challenges through charitable activities and philanthropic contribution. The Group has fostered a culture of community engagement by actively advocating employees to participate in charitable events. We continue to uphold the principles of accountability to shareholders, investors, suppliers, customers, and the public community, and seek further development opportunities to maintain a harmonious relationship with stakeholders. Our Group recognises that the stability and wellbeing of the community is essential to the sustainable development of our business.

During the reporting period, the Group did not make any charitable donations due to the uncertainty of the economic environment. However, the Group strives to return to the community by offering promotional discounts from time to time, such as providing discount to our TenRen customers by presenting their JoyYou card or Senior Citizen Card at purchase.

Environment

In the past decade, environmental degradation has been one of the most pressing issues around the globe. As a group that upholds the core principle to promote high environmental standards, we have integrated sustainable environmental protection measures in our business development strategy, and devised an environmental protection system to identify, monitor and reduce the environmental risk.

In addition, we strive to align our environmental goals with international standards and aim to contribute to global initiatives in tackling environmental challenges. We support the Paris Agreement target which is to achieve net zero emissions by 2050. Also, we are dedicated to reducing the emissions of greenhouse gas to support Goal 13 (Climate Action) of the United Nations Sustainability Development Goal.

The Group pursues to utilise energy efficiently and as the major means to reduce our greenhouse gas (“GHG”) emission. In order to continuously improve our energy performance and lower our carbon footprint, monitoring our energy usage is crucial. We always look for possible energy-saving opportunities, especially on choosing environmental-friendly materials and facilities.

In addition, the Group performs its business operations in accordance with the environmental laws and abides by the applicable legislation. Adequate measurements are undertaken to spread environmental awareness among the employees, which are to re-use, recycle and dispose the waste materials adequately.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Gasoline consumption on the logistic arrangement

The major source of air emissions that are indirectly generated by the Group is attributed to the vehicle usage from the distribution business.

The Group has outsourced the transportation arrangement to a logistic company for the distribution of food products to the self-operated retail outlets and customers including local supermarkets, pharmacies, convenience stores, department stores, bakeries, confectionery stores and trading companies. The burning of petroleum for the running of vehicles produces various air emissions such as sulphur oxides, nitrogen oxides and particulate matters emissions.

In respect of reducing the sulphur oxides, nitrogen oxides and particulate matters emissions, the Group cooperates with the third logistic company by adopting a transportation day plan to ensure distributions are made on the same day for close locations which enables the efficient use of vehicles and the least air emissions to be produced. Apart from that, the Group has also arranged direct delivery from the suppliers to the retail outlets location, if possible and hence improve the operational efficiency and also mitigate the air pollution from the logistic arrangement.

Energy usage management

The Group's material resources consumption attributed to the purchased electricity and water by the retail shops, warehouse, central kitchen, and the head office. As the Group's retail business does not contain any flame cooking kitchen devices, the greenhouse gas emissions produced by the Group is basically indirect and attributed to the consumption of purchased electricity from "HK Electric" and "CLP" as well as water from "Water Supplies Department" which are located in the Scope 2 and Scope 3 of greenhouse gas emission areas respectively.

The Group adheres to the concept of energy conservation and emission reduction for green business. We aim to improve our energy utilization efficiency to achieve low-carbon practices and emission reduction throughout our operation and strive to reduce the consumption of resources.

The Group is determined to conserve energy in its office and retail shops by promoting efficient use of power and adopting green technologies. For instance, the Group continues to procure energy efficient equipment such as environmental-friendly electrical appliances, lighting, and air-conditioning systems with high-efficient energy label. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste. Idle lightings, electrical appliances, as well as electric and electronic devices (including but not limited to computers, printers, photocopiers, and air conditioners) are switched off. Moreover, the Group uses light emitting diode ("LED") lighting and T5 Fluorescent tubes instead of incandescent light bulbs in various areas of the Group's office and retail outlets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also believes that water is essential to all communities. We promote water conservation to our employees. Reminders of water-saving responsibilities, in the form of notices and signs, are posted near to water outlets in the kitchens and offices. The Group records and analyses the monthly consumption rate of water regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimise water use. In light of the water conservation measures implemented above, the Group did not encounter any issue in sourcing water that is fit for purpose during the reporting period.

The Group will continue to assess and record its greenhouse gas emissions and other environmental data annually and compare it with last year's data to assist the Group in further developing emission reduction targets in the future.

Packaging materials usage

During the operation of retail outlets such as “TenRen (天仁茗茶)”, “Nam Kok (南國小喫)” and “Chef Hung Taiwanese Beef Noodle (洪師父牛肉麵)”, the Group consumed several kinds of packaging materials in order to process our products to customers. The packaging materials are generally paper cups, plastic packaging of straws, plastic bags, paper bags and plastic dishes.

The Group constantly endeavours to adopt and invest in efficient and value-adding technologies and processes which can improve the utilisation of packaging materials. During the reporting period, the Group has taken a number of measures to reduce the use of packaging materials for finished goods, including but not limited to the below:

- In response to the No Straw campaign, the Group has encouraged its customers to go plastic-and-disposable-free and serve drinks with reusable “TenRen Folding Cup (天仁茗茶摺疊隨行杯)”.
- The Group offers a dollar discount to customers who bring their own bottle or cup, which incentivises customers to embrace a greener lifestyle.

The Group has been using bio-degradable packaging materials to protect the environment. The packaging materials consumption per revenue remain relatively stable as compared to the same in the previous reporting period.

Wastage management

An essential part of minimizing impacts on the environment is proper waste management. To achieve this objective, we have set up a monitoring function for effective waste management, and to ensure compliance with relevant laws and regulations.

Given the nature of our business, the major types of waste produced from our production processes are food waste and waste oil from cooking. We aim to reduce such wastage through increasing our efficiency, avoiding over purchasing of ingredients and materials in order to limit the amount of waste generated during the operation of our retail outlets. The Group considers that the general waste and food waste are minimal for our current operation. The Group will consider maintaining the wastage data if there is any changes in our business operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The food waste and general waste are collected by the sanitary department of the Hong Kong Government, while the Group has engaged a qualified collection company to collect and reuse waste cooking oil on a weekly basis. The waste oil collection company is a licensed firm under the Environmental Protection Department registration scheme.

For office general wastage management, the Group utilises e-communication when interacting with the customers to reduce paper usage. Also, for minimising carbon footprint across the office, the Group promotes the use of e-statement for reducing paperwork. The Group's business operation does not produce any hazardous waste.

Environmental protection and reduction of wastage practices

Apart from the energy saving measures in our business operations, we have broadened this idea to the offices and our employees. Employees are also given guidelines reminding them to turn off office equipment and facilities when not in use.

General practice

- Switch off computers, printers, machines, and other electronic devices after office hours or when leaving the workplace to reduce electricity consumption.
- All windows and doors must be closed when the air-conditioners are switched on.
- Affix save energy posters near the main switches to remind our employees of energy saving.
- Switch off non-essential lighting if there are only few people working in the office or retail outlets.

Electricity and water reduction measures

- All employees should turn off the water tap when it is not in use.
- All employees should not use the tap water for cleaning their body or washing their clothes.

Wastage reduction measures

- Dispose the used oil in retail outlets to a qualified collector for recycle use.
- Return used toner cartridges to respective suppliers for recycling.
- Encourage duplex printing and reuse of single-side used paper.
- Refill pens instead of buying a new pen when needed.
- Reduce paper printing by conducting e-filing.
- Encourage employees to adjust the margins and font size of documents so as to optimise the use of paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a socially responsible enterprise, protecting nature and the environment has become our utmost priority, the Group constantly looks for ways to maximise benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development. Moreover, the Group participated in the Greeners Action's "Lai See Reuse and Recycle Program 2024". As part of this initiative, public collection points were set up in the TenRen retail outlets. This program aimed to encourage and enhance public awareness on cherishing resources and reducing waste. To further incentivise customer participation, the Group offered discounts to customers who recycled their lai see packets during the reporting period. Through this campaign, the Group demonstrated its commitment to promoting sustainable behaviours.

Climate change

Our governance structure

The Board is responsible for spearheading our climate strategy, setting the climate risk appetite statement and establishing the climate risk management approach. The ESG Working Group's main role is to perform a risk assessment that aligns with our risk management framework, and provide updates on climate and sustainability initiatives to the Board on a regular basis, through a range of high-level risk reports, regulatory updates presentations and deep dives.

The climate risk across the Group's business lines have been reviewed and countermeasures have been implemented to manage these risks. As of 31 March 2024, our climate risk assessment results concluded that the Group will not be significantly affected by any climate change matters in short-term.

Our climate approach

The 2023 United Nations Climate Change Conference of the Parties (COP28) delivered an ambitious negotiated response to the Global Stocktake ("GST") anchored in Paris Agreement. As part of our corporate social responsibility, we have laid out the building blocks to achieve this international goal. We have also begun to build up climate resilience by adopting a five-stage approach:

1. To perform a climate risk assessment;
2. To identify areas of potential climate risk;
3. To develop specific measures targeted at different climate risk areas;
4. To allocate resources and implement the measures; and
5. To conduct a periodic review to ensure the risk is reduced to an acceptable level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

There are two types of climate risk including the physical risk and the transition risk. The climate risks of the Group identified in the reporting period are listed below.

| Types of Risks | Time Frame | Climate-related Risks | Effect of Business and Value Chain | Responses to the Risks |
|----------------------|------------|---|---|---|
| Physical Risk | | | | |
| Acute risk | Short | Increased severity of extreme weather events such as: typhoons, heavy rains, and flooding. | <ul style="list-style-type: none"> • Damage of assets, inventories, and equipment due to the flood followed by heavy rain. • Disrupt of operations of retail shops in extreme weather events such as typhoons. • Delay of goods delivery due to the disrupted logistics. | The Group has established a set of contingency measures for several severe weather-related events, which will be periodically reviewed based on the weather conditions in our operating region. |
| Chronic risk | Long | Changes in weather patterns such as: increase of annual precipitation, temperature and rise in sea level. | <ul style="list-style-type: none"> • Increase the cost and decline the quality of ingredients | The Group has adopted a supply chain diversification strategy by sourcing ingredients across the globe to mitigate the risk. The management will also be responsible to ensure the quality of our food and beverages are consistent across different shops. |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Types of Risks | Time Frame | Climate-related Risks | Effect of Business and Value Chain | Responses to the Risks |
|------------------------|-----------------|---|--|---|
| Transition Risk | | | | |
| Legal and policy risk | Short to Middle | <ul style="list-style-type: none"> Enhanced emissions reporting obligations New laws and regulations | <ul style="list-style-type: none"> Increase the compliance cost to fulfil the new obligations. Increase the cost of operation for the substitution of materials. | The Group has been exploring other long-term innovative solution in order to reduce the level of our wastage. The Group will keep abreast of these new policies and work closely with suppliers and other business associates to respond to any new regulatory changes. |
| Market risk | Middle to Long | Shift of consumer attitudes towards sustainable lifestyle such as reduced-sugar drinks and smaller carbon footprints product. | <ul style="list-style-type: none"> Earning and sales may reduce if consumers shift the attitudes towards healthier food and beverage. | Although our sales and business performance are not heavily influenced on whether our products are environmentally friendly, the Group has been shifting towards using less environmentally damaging materials for containers for food and beverages. The Group had laid out the building blocks towards a low carbon economy which aims to lower the market and reputational risk. |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PERFORMANCE SUMMARY

Emissions Indicator

| Indicators | FY2024 | FY2023 | Percentage Change |
|---|-----------------|----------|-------------------|
| Total GHG emissions (tonnes) | 1,901.71 | 1,675.22 | +13.52% |
| Total GHG emissions per floor area (tonnes/square feet) | 0.020 | 0.018 | +11.11% |
| Total GHG emissions per employee (tonnes/employee) | 2.86 | 2.78 | +2.88% |
| Scope 1 – Energy direct emissions | – | – | – |
| Scope 2 – Energy indirect emissions | 1,826.00 | 1,615.85 | +13.01% |
| Scope 3 – Other indirect emissions | 75.71 | 59.37 | +27.52% |

Table 1

Energy Consumption

| Indicators | FY2024 | FY2023 | Percentage Change |
|---|---------------------|--------------|-------------------|
| Total energy consumption (kWh) | 4,235,237.00 | 3,732,706.93 | +13.46% |
| Total energy consumption per floor area (kWh/square feet) | 44.64 | 40.69 | +9.70% |
| Total energy consumption per employee (kWh/employee) | 6,368.78 | 6,200.51 | +2.71% |
| Direct energy consumption (kWh) | – | – | – |
| Indirect energy consumption (kWh) purchased electricity | 4,235,237.00 | 3,732,706.93 | +13.46% |

Table 2

Packaging Material Consumption

| Indicators | FY2024 | FY2023 | Percentage Change |
|--|---------------|--------|-------------------|
| Total consumption (tonnes) | 125.97 | 117.36 | +7.34% |
| Paper | 84.15 | 78.56 | +7.12% |
| Bamboo and plastic | 41.82 | 38.80 | +7.78% |
| Total packaging material consumption per revenue (tonnes/ HK\$ million) | 0.24 | 0.24 | – |

Table 3

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Consumption

| Indicators | FY2024 | FY2023 | Percentage Change |
|--|-------------------|------------|-------------------|
| Total water consumption (m ³) | 129,321.00 | 106,155.43 | +21.82% |
| Total water consumption per floor area (m ³ /square feet) | 1.36 | 1.16 | +17.24% |
| Total water consumption per employee (m ³ /employee) | 194.47 | 176.34 | +10.28% |

Table 4

Employment

| Category | FY2024 Number of Employees (%) | FY2023 Number of Employees (%) | Percentage Change |
|----------------------------|---|---|----------------------|
| Total | 665 | 602 | +10.47% |
| Gender | | | |
| – Male | 204 (31%) | 189 (31%) | +7.94% |
| – Female | 461 (69%) | 413 (69%) | +11.62% |
| Employment Type | | | |
| – Full-time | 352 (53%) | 320 (53%) | +10.00% |
| – Part-time | 313 (47%) | 282 (47%) | +10.99% |
| Age Group | | | |
| – Between 18 and 35 | 542 (82%) | 484 (80%) | +11.98% |
| – Between 36 and 55 | 81 (12%) | 77 (13%) | +5.19% |
| – Above 55 | 42 (6%) | 41 (7%) | +2.44% |
| Geographical Region | | | |
| – Hong Kong | 665 (100%) | 602 (100%) | +10.47% |

Table 5

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Turnover

| Category | FY2024 Turnover Rate (%) | FY2023 Turnover Rate (%) | Change in Percentage Point |
|----------------------------|--------------------------------|--------------------------------|----------------------------------|
| Total | 134% | 135% | -1 pp |
| Gender | | | |
| – Male | 156% | 108% | +48 pp |
| – Female | 124% | 153% | -29 pp |
| Age Group | | | |
| – Between 18 and 35 | 145% | 150% | -5 pp |
| – Between 36 and 55 | 106% | 88% | +18 pp |
| – Above 55 | 60% | 58% | +2 pp |
| Geographical Region | | | |
| – Hong Kong | 134% | 135% | -1 pp |

Table 6

Training

| Category | FY2024 | | FY2023 | |
|--------------------------|---------------------------------------|------------------------------|---------------------------------------|------------------------------|
| | Percentage of Employees Trained | Average Training Hours | Percentage of Employees Trained | Average Training Hours |
| Total | 79% | 3.88 | 36% | 2.87 |
| Gender | | | | |
| – Male | 41% | 5.00 | 37% | 3.39 |
| – Female | 59% | 3.38 | 63% | 2.63 |
| Employee Category | | | | |
| – Senior management | – | – | – | – |
| – Middle management | – | – | – | – |
| – General employees | 100% | 4.24 | 100% | 3.16 |

Table 7

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption Training

| Category | FY2024 | | FY2023 | |
|--------------|---|---|---|---|
| | Number of Employees Trained for Anti-corruption | Total Training Hours of Anti-corruption Completed | Number of Employees Trained for Anti-corruption | Total Training Hours of Anti-corruption Completed |
| Directors | 7 | 56 | 7 | 56 |
| Employees | 101 | 808 | 102 | 816 |
| Total | 108 | 864 | 109 | 872 |

Table 8

Supplier Distribution

| Geographical Region | FY2024 Number of Suppliers | FY2023 Number of Suppliers |
|-------------------------------------|----------------------------|----------------------------|
| Hong Kong | 1,801 | 1,019 |
| PRC | 80 | 43 |
| Taiwan | 192 | 115 |
| Others (Italy, Vietnam, Spain etc.) | 105 | 62 |
| Total | 2,178 | 1,239 |

Table 9

Notes:

- Starting from July 2020, the Group outsourced the delivery service for the retail business to another party. Since the newly appointed service provider does not allocate specific delivery vehicle for the Group, there were no accurate travelling distance and diesel consumption data provided after July 2020. As a result, the direct emissions (table 1) and direct consumptions (table 2) were disclosed as zero in the reporting period. The Group considers the fuel consumption to be relatively immaterial to other types of resource consumption and the Group will continue to monitor whether further disclosure of fuel consumption is required.
- The largest component of GHG emissions (table 1) comes from scope 2 which is the indirect emission of electricity consumption. Other sources of GHG emissions are indirect emissions from scope 3 which includes business travelling, fresh water and sewage water consumption.
- The GHG emission (table 1) is presented in carbon dioxide equivalent based on the reporting requirement of the EPD's "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" issued by Electrical and Mechanical Services Department and Environmental Protection Department and the "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" published by the University of Hong Kong and City University of Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. In table 2, the total energy consumption has increased by 13.46% from the previous year. The total energy consumption per floor area and per employee have increased slightly. The Group will continue to explore ways to reduce the energy consumption.
5. The Group has been using bio-degradable packaging materials to minimize the impact on the environment and implemented several initiatives to reduce packaging materials consumption. The packaging materials consumption per revenue remain relatively stable during FY2024. The Group will continue to explore innovative solutions to reduce the usage of packaging materials.
6. In table 4, the total water consumption has increased by approximately 22%, the Group will continue to monitor the water usage conditions.
7. In table 5, the total number of employees has increased approximately 10% comparing to FY2023.
8. In table 6, the total turnover and employee turnover per gender, age group, and geographical region is calculated by dividing by the average number of total number of employees and total number of employees of specified category in FY2024 for enhancement. Turnover rate of FY2023 has been restated for comparison purpose.
9. In table 7, the percentage per employees trained by gender and employee category is obtained by dividing by the number of employees who took part in training. Whereas the total number of employees trained is calculated by dividing by the total workforce. During the reporting period, the Group has explored various way of providing training opportunities for employees, to ensure the Group's products and service are maintained at a high standard and continuously meet the market's evolving expectations.
10. In table 8, anti-corruption training was provided by the Group to 108 employees with a total of 864 training hours, that 7 directors and 101 employees were trained with 56 and 808 training hours respectively.
11. In table 9, the Group's has partnered with suppliers around the globe to ensure that our products are created with the best ingredients and to minimize supply chain risk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ESG Reporting Guide Content Index

Aspects, General

Disclosures and KPIs Description

2024 ESG Report

A. Environmental

Aspect A1: Emissions

| | | |
|--------------------|---|---|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | This report – Environment, pages 53–59 |
| KPI A1.1 | The types of emissions and respective emissions data. | This report – Environment, pages 53–59 This report- Performance Summary, pages 60 |
| KPI A1.2 | Direct (Scope 1) and energy indirect Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | This report – Environment, pages 53–59 This report – Performance Summary, pages 60 |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Not applicable on the Group’s business |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Not applicable on the Group’s business |
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | This report – Environment, pages 53–59 |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | This report – Environment, pages 53–59 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs Description

2024 ESG Report

Aspect A2: Use of Resources

| | | |
|--------------------|--|---|
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | This report – Environment, pages 53–59 |
| KPI A2.1 | Direct and/or indirect energy consumption by type gas or oil in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | This report – Environment, pages 53–59 This report – Performance Summary, pages 60 |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | This report – Environment, pages 53–59 This report – Performance Summary, pages 61 |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | This report – Environment, pages 53–59 |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | This report – Environment, pages 53–59 |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | This report – Environment, pages 53–59 This report – Performance Summary, pages 60 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs Description

2024 ESG Report

Aspect A3: The Environment and Natural Resources

| | | |
|--------------------|---|--|
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | This report – Environment, pages 53–59 |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | This report – Environment, pages 53–59 |

Aspect A4: Climate Change

| | | |
|--------------------|--|--|
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | This report – Environment, pages 53–59 |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | This report – Environment, pages 53–59 |

B. Social

Employment and Labour Practices

Aspect B1: Employment

| | | |
|--------------------|---|---|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | This report – Workplace, pages 49–52 |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | This report – Performance Summary, pages 61 |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | This report – Performance Summary, pages 62 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs Description

2024 ESG Report

Aspect B2: Health and Safety

| | | |
|--------------------|--|--------------------------------------|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | This report – Workplace, pages 49–52 |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | This report – Workplace, pages 49–52 |
| KPI B2.2 | Lost days due to work injury. | This report – Workplace, pages 49–52 |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | This report – Workplace, pages 49–52 |

Aspect B3: Development and Training

| | | |
|--------------------|---|---|
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | This report – Workplace, pages 49–52 |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | This report – Performance Summary, pages 62 |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | This report – Performance Summary, pages 62 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs Description

2024 ESG Report

Aspect B4: Labour Standard

| | | |
|--------------------|--|--------------------------------------|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | This report – Workplace, pages 49–52 |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | This report – Workplace, pages 49–52 |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | This report – Workplace, pages 49–52 |

Operating Practices

Aspect B5: Supply Chain Management

| | | |
|--------------------|---|--|
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | This report – Marketplace, pages 47–49 |
| KPI B5.1 | Number of suppliers by geographical region. | This report – Performance Summary, page 63 |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | This report – Marketplace, pages 47–49 |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | This report – Marketplace, pages 47–49 |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | This report – Marketplace, pages 47–49 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs Description

2024 ESG Report

Aspect B6: Product Responsibility

| | | |
|--------------------|---|--|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | This report – Marketplace, pages 47–49 |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | This report – Marketplace, pages 47–49 |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | This report – Marketplace, pages 47–49 |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | This report – Marketplace, pages 47–49 |
| KPI B6.4 | Description of quality assurance process and recall procedures. | This report – Marketplace, pages 47–49 |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | This report – Marketplace, pages 47–49 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General

Disclosures and KPIs Description

2024 ESG Report

Aspect B7: Anti-corruption

| | | |
|--------------------|--|--|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | This report – Marketplace, pages 47–49 |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | This report – Marketplace, pages 47–49 |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | This report – Marketplace, pages 47–49 |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | This report – Marketplace, pages 47–49 |

Community

Aspect B8: Community Investment

| | | |
|--------------------|--|-----------------------------------|
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | This report – Community, pages 53 |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | This report – Community, pages 53 |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focused area. | This report – Community, pages 53 |

REPORT OF THE DIRECTORS

DIRECTORS' REPORT

Our Board is pleased to present their report together with the audited consolidated financial statements of our Group for the year ended 31 March 2024.

PRINCIPAL ACTIVITIES

The principal activity of our Company is investment holding and its subsidiaries are principally engaged in the distribution and retail of food and beverage products.

An analysis of our Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of our Group for the year ended 31 March 2024 are set out in the consolidated statement of comprehensive income on page 90 of this annual report.

The Board recommended the declaration and payment of a final dividend of HK3.0 cents per Share (the "Final Dividend") for the year ended 31 March 2024. Together with the interim dividend of HK2.5 cents per Share declared and paid during FY2024, represent a total dividend payout ratio of approximately 65.3% for FY2024. The Final Dividend is subject to the approval of Shareholders at the forthcoming annual general meeting and will be paid on or around Wednesday, 9 October 2024.

DIVIDEND POLICY

Our Company has adopted a dividend policy on 24 June 2019 (the "Dividend Policy") that, in recommending or declaring dividends, our Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its Shareholders' value. The Board has the full discretion to declare and distribute dividends to the Shareholders, and any recommendation of final dividend for a financial year will be subject to Shareholders' approval.

In proposing any dividend payout, the Board shall also take into account, among other things, our Group's financial results, financial position, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of the Shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant from time to time. Any payment of the dividend by our Company is also subject to any restrictions under applicable laws and regulations and the Company's constitutional documents.

The Board will review the Dividend Policy on a regular basis.

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the register of members of our Company on Thursday, 12 September 2024 are entitled to attend and vote at the AGM of our Company. The register of members of our Company will be closed from Monday, 9 September 2024 to Thursday, 12 September 2024, both days inclusive. In order to qualify for attending and voting at the AGM, Shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Friday, 6 September 2024.

For ascertaining Shareholders' entitlement to the proposed Final Dividend, the register of members of our Company will be closed from Wednesday, 25 September 2024 to Friday, 27 September 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed Final Dividend, Shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Tuesday, 24 September 2024.

BUSINESS REVIEW

A review of the business of our Group during the year ended 31 March 2024 and a discussion on our Group's future business development are set out in the section headed "Chairman's Statement" as well as the "Management Discussion and Analysis" on pages 9 to 10 and pages 15 to 22 of this annual report respectively. An analysis of our Group's performance during the year ended 31 March 2024 using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 15 to 22 of this annual report. In addition, the Group's environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" on pages 39 to 71 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of our Company are set out in Note 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of our Group and our Company during the year ended 31 March 2024 are set out in the consolidated statement of changes in equity and Note 24 and Note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2024, the reserves of our Company available for distribution to the Shareholders of our Company amounted to approximately HK\$170.4 million (2023: approximately HK\$170.4 million).

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

FINANCIAL INFORMATION SUMMARY

A summary of the results and the assets and liabilities of our Group for the last 5 financial years is set out on page 160 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2024 and up to the date of this annual report.

SHARE OPTION SCHEME

Our Company has adopted a share option scheme (the "Share Option Scheme") on 12 February 2018. As at the date of this annual report, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 40,000,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of our Company (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Board may, at its discretion, grant an option to the following eligible participants to subscribe for the Shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme:

- (a) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries ("Subsidiaries") or any entity ("Invested Entity") in which our Group holds an equity interest ("Eligible Employee");
- (b) any independent non-executive director of our Company, any Subsidiary or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

REPORT OF THE DIRECTORS

- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

An option may be accepted by an eligible participant within 21 days from the date of the offer of grant of the option.

The subscription price per Share under the Share Option Scheme shall be determined at the absolute discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the offer for the grant of option is made, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date on which the offer for the grant of option is made; and (iii) the nominal value of the Shares. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

The Share Option Scheme will remain in force for a period of ten years from its effective date (i.e. will expire on 12 February 2028). As at the date of this report, the remaining life of the Share Option Scheme is about four years. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including but not limited to those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

The Board confirms that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. As at 31 March 2024, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme. A total of 40,000,000 Shares are available for issue under the Share Option Scheme, representing approximately 10% of the total issued capital of the Company (excluding treasury Shares, if any) as at the date of this annual report.

RETIREMENT BENEFIT SCHEME(S)

Our Group participated in retirement benefit scheme(s) in accordance with the relevant rules and regulations in Hong Kong. Particulars of the retirement benefit scheme(s) are set out in Note 10 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SUBSIDIARIES

Details of our Company's principal subsidiaries as of 31 March 2024 are set out in Note 17 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2024, our five largest customers accounted for approximately 30.9% of our total revenue, of which approximately 18.3% of our total revenue was generated from our largest customer. During the year ended 31 March 2024, our five largest suppliers accounted for approximately 58.5% of our total purchases, of which approximately 19.5% of our total purchases was attributable to our largest supplier. None of our Directors or any of their respective close associates or any Shareholder, which to the best knowledge of our Directors owns more than 5% of our Company's issued share capital (excluding treasury Shares, if any), had any interest in any of our Group's five largest customers or suppliers during the year ended 31 March 2024.

DIRECTORS

The Directors during the year ended 31 March 2024 and up to the date of this annual report are as follows:

Executive Directors

Mr. Chan Kam Chuen Andrew (*Chief Executive Officer and Chairman*)

Mr. Chan Siu Cheung Stephen

Mr. Chau Wing Kong William

Ms. Tin Hau Ling Janny

Independent Non-Executive Directors

Mr. Pang Koon Kwai

Mr. See Hung Yan Peter

Mr. Chung Kwok Mo John

Pursuant to Articles 84(1) and (2) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation at each AGM. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself/herself for re-election. In addition, code provision B.2.2 of the CG Code stipulates that each Director should be subject to retirement by rotation at least once every three years.

Mr. Chan Siu Cheung Stephen, Mr. Chau Wing Kong William and Mr. Chung Kwok Mo John shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. The Company has received annual confirmation of independence from the three Independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules and considers them to be independent.

REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 23 to 25 of this annual report.

DIRECTORS' SERVICE CONTRACTS/LETTERS OF APPOINTMENT

None of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

PERMITTED INDEMNITY PROVISION

During the year ended 31 March 2024 and up to date of this annual report, our Company has in force indemnity provisions for the benefit of the Directors. The permitted indemnity provisions are provided according to the Articles of Associations and our Company has maintained the directors and officers liability insurance in respect of potential liability and costs associated with legal any proceedings which may be brought against the Directors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2024, the interests and short positions of the Directors and the chief executive of our Company in any Shares, underlying Shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which had been notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be disclosed, under the Model Code were as follows:

| Name of Director | Nature of Interest | Number of shares | Percentage of total issued Shares (%) |
|---|--|--------------------------------|---------------------------------------|
| Mr. Chan Kam Chuen Andrew ("Mr. Andrew Chan") | Interest in a controlled corporation ^(note 1) | 100,000,000 (long position) | 25.0 |
| Mr. Chan Siu Cheung Stephen ("Mr. Stephen Chan") | Interest in a controlled corporation ^(note 2) | 100,000,000 (long position) | 25.0 |
| Mr. Chau Wing Kong William ("Mr. William Chau") | Interest in a controlled corporation ^(note 3) | 100,000,000 (long position) | 25.0 |
| Ms. Tin Hau Ling Janny ("Ms. Janny Tin") | Interest of spouse ^(note 4) | 100,000,000 (long position) | 25.0 |

REPORT OF THE DIRECTORS

Notes:

1. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by ACAC Investment Limited, which in turn was owned as to 100% by Mr. Andrew Chan. By virtue of the SFO, Mr. Andrew Chan is deemed to be interested in the same number of Shares held by ACAC Investment Limited.
2. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by SCSC Holdings Limited, which in turn was owned as to 100% by Mr. Stephen Chan. By virtue of the SFO, Mr. Stephen Chan is deemed to be interested in the same number of Shares held by SCSC Holdings Limited.
3. The Company was directly owned as to 25.0% (being 100,000,000 Shares) by CCST Investment Limited, which in turn was owned as to 100% by Mr. William Chau. By virtue of the SFO, Mr. William Chau is deemed to be interested in the same number of Shares held by CCST Investment Limited.
4. Ms. Janny Tin is the spouse of Mr. Andrew Chan. By virtue of the SFO, Ms. Janny Tin is deemed to be interested in the same number of Shares in which Mr. Andrew Chan was deemed to be interested under the SFO.

Save as disclosed above, as at 31 March 2024, none of the Directors nor chief executive of our Company had any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code and the Code of Conduct.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2024, so far as the Directors are aware, the following persons (other than the Directors or chief executive of our Company), either directly or indirectly, had interests or short positions in the Shares or underlying Shares of our Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required to be recorded in the register to be kept pursuant to section 336 of the SFO:

| Name of Shareholder | Nature of Interest | Number of shares | Percentage of total issued Shares (%) |
|-------------------------|---|--------------------------------|---------------------------------------|
| ACAC Investment Limited | Beneficial interest ^(note 1) | 100,000,000 (long position) | 25.0 |
| SCSC Holdings Limited | Beneficial interest ^(note 2) | 100,000,000 (long position) | 25.0 |
| Ms. Cheung Choi Ngo | Interest of spouse ^(note 3) | 100,000,000 (long position) | 25.0 |
| CCST Investment Limited | Beneficial interest ^(note 4) | 100,000,000 (long position) | 25.0 |
| Ms. Tan Ching Bee | Interest of spouse ^(note 5) | 100,000,000 (long position) | 25.0 |

REPORT OF THE DIRECTORS

Notes:

1. The entire issued share capital of ACAC Investment Limited is wholly-owned by Mr. Andrew Chan.
2. The entire issued share capital of SCSC Holdings Limited is wholly-owned by Mr. Stephen Chan.
3. Ms. Cheung Choi Ngo is the spouse of Mr. Stephen Chan. By virtue of the SFO, Ms. Cheung Choi Ngo is deemed to be interested in the same number of Shares in which Mr. Stephen Chan was deemed to be interested under the SFO.
4. The entire issued share capital of CCST Investment Limited is wholly-owned by Mr. William Chau.
5. Ms. Tan Ching Bee is the spouse of Mr. William Chau. By virtue of the SFO, Ms. Tan Ching Bee is deemed to be interested in the same number of Shares in which Mr. William Chau was deemed to be interested under the SFO.

Save as disclosed above, as at 31 March 2024, the Directors had not been notified of any other corporation or individual (other than the Directors or chief executive of our Company) who had interests or short positions in the Shares or underlying Shares of the Company, which are required to be disclosed under provision of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 March 2024 were rights to acquire benefits by means of the acquisition of shares in or debentures of our Company granted to any Director or their respective associates nor was our Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which our Company or any of its subsidiaries was a party and in which any Director or any entity connected to a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 March 2024 or at any time during the year.

CONNECTED TRANSACTIONS

Apart from the following connected transactions, there were no other transactions which need to be disclosed as connected transactions in accordance with the Listing Rules.

Leasing of properties

Wise Fine Enterprise Limited entered into two tenancy agreements with (i) Best Source Enterprise Limited ("Best Source") on 27 November 2023 and (ii) Best Source and Ms. Janny Tin on 27 November 2023, respectively (collectively, the "Tenancy Agreements"), pursuant to which certain properties in Yau Tong, Hong Kong (collectively, the "Premises") are leased to our Group for a fixed term of one year subject to the terms and conditions of the Tenancy Agreements.

REPORT OF THE DIRECTORS

Best Source and Ms. Janny Tin are the connected persons of our Company since:

- (i) Best Source is owned as to 33.33% by each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau, our executive Directors and substantial Shareholders, hence it is an associate of each of Mr. Andrew Chan, Mr. Stephen Chan and Mr. William Chau; and
- (ii) Ms. Janny Tin, being the spouse of Mr. Andrew Chan, is also our executive Director.

According to International Valuation Limited, an independent qualified valuer engaged by our Group, the monthly rental payable by our Group under the Tenancy Agreements for the Premises are fair and reasonable, consistent with the prevailing market unit rents for similar premises in the vicinity as at the date of the Tenancy Agreements, and on normal commercial terms.

During the year ended 31 March 2024, the aggregate rental expenses (together with the aggregate service charges and other outgoings) paid by our Group was approximately HK\$8.1 million.

The transactions contemplated under the Tenancy Agreements also constitute related party transactions of our Company under HKFRS, details of which are set out in Note 32 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions undertaken in the normal course of business of the Group are provided under Note 32 to the consolidated financial statements. Save for the connected transactions as set out in the paragraph headed “Connected transactions”, none of the related party transactions constitutes a connected transaction as defined under Chapter 14A of the Listing Rules that is required to be disclosed in this annual report.

REMUNERATION FOR DIRECTORS

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration committee to formulate remuneration policies. The Directors’ remuneration are subject to Shareholders’ approval at general meetings. Other emoluments are determined by the Board with reference to Directors’ duties and responsibilities, the recommendations of the remuneration committee and the performance and results of the Group. Details of the remuneration of the Directors are set out in Note 34 to the consolidated financial statements.

CHANGES IN INFORMATION OF DIRECTORS

Subsequent to the publication of the 2023 annual report, there is no change in the information of the Directors for the year ended 31 March 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules for the year ended 31 March 2024 and up to the date of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2024, none of the Directors and substantial shareholders of the Company and its subsidiaries, or their respective close associate, had interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

DEED OF NON-COMPETITION

The substantial Shareholders have confirmed to the Company of their full compliance with the non-competition undertakings and other terms provided to the Company under the deed of non-competition dated 12 February 2018 (the "Deed of Non-Competition").

The independent non-executive Directors have reviewed the status of compliance of the Deed of Non-Competition and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the substantial Shareholders and duly enforced during the year ended 31 March 2024.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 26 to 38 of this annual report.

AUDITOR

PricewaterhouseCoopers will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be proposed at the AGM to be held on 12 September 2024, to re-appoint PricewaterhouseCoopers as the Company's auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

There was no changes in the auditor of the Company in any of the preceding 3 years.

On behalf of the Board

Chan Kam Chuen Andrew

Chairman and Chief Executive Officer

Hong Kong, 27 June 2024

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of B & S International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of B & S International Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 90 to 159, comprise:

- the consolidated statement of financial position as at 31 March 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Impairment on property, plant and equipment and right-of-use assets of retail business
- Revenue recognition



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment on property, plant and equipment and right-of-use assets of retail business

Refer to Notes 4(c), 15 and 16 to the consolidated financial statements.

As at 31 March 2024, net book value of the Group's property, plant and equipment ("PPE") and right-of-use ("ROU") assets amounted to HK\$7 million and HK\$53 million respectively, of which majority of the PPE and all of the ROU assets were attributable to its retail stores respectively. The carrying amount of the retail store assets is written down to its recoverable amount if in excess of its estimated recoverable amount.

Management considers each individual retail store as a separate identifiable cash-generating unit and monitor their financial performance for impairment indicators. Management has identified stores with negative earnings for impairment assessment.

An impairment loss of PPE and ROU assets of HK\$0.1 million was recognised in the consolidated income statement in accordance with the impairment assessment. The recoverable amount of assets of the retail stores is determined by value-in-use calculations using discounted cash flow projections based on the management's forecast covering the remaining tenure of the lease, with major assumptions such as change in revenue and operating costs. The change in revenue is dependent on management assumption in respect of timing of easing of travel restriction and quarantine measures and the speed of recovering of tourist traffic and the customer spending.

We evaluated and tested the impairment assessment of PPE and ROU assets of the retail stores by performing the following procedures:

- obtained an understanding of the management's control and process for determining the impairment of property, plant and equipment and right-of-use assets of retail business. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- enquired management on their basis of identifying stores with impairment indicators and challenged the appropriateness of these judgements;
- compared the forecast sales performance and estimated running costs applied in the value-in-use calculations to the historical records and enquired of management in relation to key assumptions behind the growth in revenue and related cost, and evaluated the key assumptions applied by comparing them to historical trends and our understanding of latest market information and conditions;
- checked the tenure of the leases of the retail stores to the lease agreements and recomputed the impairment loss calculation;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Impairment on property, plant and equipment and right-of-use assets of retail business <i>(Continued)</i> | |
| <p>We focused on this area because the estimation of recoverable amount of PPE and ROU assets of the retail stores is subject to high degree of estimation uncertainty. The inherent risk in relation to impairment assessment of PPE and ROU assets is considered significant due to subjectivity of assumption used such as the forecasted sales and forecasted running cost.</p> | <ul style="list-style-type: none">– involved expert in checking the reasonableness of discount rate used; and– evaluated the sensitivity analysis to ascertain the extent of change in the key assumptions that would result in the retail store assets being impaired and considered the likelihood of such a change in the key assumptions arising. <p>Based on the procedures performed above, we found that the Group's impairment assessments of PPE and ROU assets of retail business are supported by available evidence.</p> |

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|--|
| <p>Revenue recognition</p> <p>Refer to Note 6 for the Group's accounting policies on revenue recognition and Note 6 for the analysis of revenue of the Group for the year ended 31 March 2024.</p> <p>The Group recognised revenue from sales of goods amounting to HK\$521 million for the year ended 31 March 2024, of which HK\$269 million were contributed from distribution segment and HK\$252 million were contributed from retail segment.</p> <p>Revenue from distribution segment is recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over sales of the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Revenue from retail segment is recognised at the point of sale to customers.</p> <p>We focused on revenue recognition due to its magnitude and the nature of the Group's business. The recording of revenue involves high volume of transactions derived from sales to multiple customers in different locations such that we have incurred significant time and resources in carrying out our work in this area.</p> | <p>We obtained an understanding of the management's control and assessment processes in its revenue recognition, assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.</p> <p>For revenue from distribution segment, we tested samples of sales transactions against invoices and other supporting documents where relevant. To the extent that those sales have been settled, we also reviewed bank advice and/or bank statements in support of the payment made by the customers.</p> <p>Furthermore, we tested sales transactions that took place shortly before and after the statement of financial position date to assess whether sales transactions were recognised in the correct reporting periods.</p> <p>For revenue from retail segment, we tested samples of sales transactions against daily sales reports for self-owned stores or sales statements for concessionary stores and reviewed bank advice and/or bank statements in support of the payment received.</p> <p>Our work also included testing of a sample of revenue-related journal entries on risk based criteria by inquiring management of their nature and inspecting the relevant supporting documents.</p> <p>Based on the procedures performed above, we found that the Groups' sales transactions being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.</p> |

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

(Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

INDEPENDENT AUDITOR'S REPORT

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

(Continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wilson Chan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 June 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

| | Note | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------|------------------|------------------|
| Revenue | 6 | 520,813 | 486,800 |
| Cost of sales | 9 | (398,871) | (381,684) |
| Gross profit | | 121,942 | 105,116 |
| Other gains/(losses), net | 7 | 902 | (52) |
| Other income | 8 | 13 | 9,543 |
| Selling and distribution expenses | 9 | (38,423) | (36,070) |
| Administrative expenses | 9 | (42,043) | (42,614) |
| Operating profit | | 42,391 | 35,923 |
| Finance income | 11 | 2,229 | 208 |
| Finance costs | 11 | (3,626) | (3,467) |
| Finance costs, net | 11 | (1,397) | (3,259) |
| Profit before income tax | | 40,994 | 32,664 |
| Income tax expense | 12 | (6,134) | (3,626) |
| Profit and total comprehensive income for the year | | 34,860 | 29,038 |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | 33,604 | 27,753 |
| Non-controlling interest | 17 | 1,256 | 1,285 |
| | | 34,860 | 29,038 |
| Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share) | | | |
| – basic and diluted | 13 | 8.40 | 6.94 |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

| | Note | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 6,879 | 7,390 |
| Right-of-use assets | 16 | 52,752 | 43,984 |
| Deferred income tax assets | 22 | 7,678 | 8,854 |
| Deposits and other assets | 19 | 13,465 | 10,935 |
| | | 80,774 | 71,163 |
| Current assets | | | |
| Inventories | 18 | 21,481 | 21,767 |
| Trade receivables | 20 | 66,780 | 54,434 |
| Deposits, prepayments and other receivables | 19 | 17,619 | 13,952 |
| Restricted cash | 21 | 30,000 | 30,000 |
| Short-term bank deposits | 21 | – | 727 |
| Cash and cash equivalents | 21 | 50,600 | 75,630 |
| | | 186,480 | 196,510 |
| Total assets | | 267,254 | 267,673 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 23 | 4,000 | 4,000 |
| Reserves | 24 | 79,794 | 79,794 |
| Retained earnings | 24 | 74,552 | 60,948 |
| | | 158,346 | 144,742 |
| Non-controlling interest | 17 | 4,221 | 3,945 |
| Total equity | | 162,567 | 148,687 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

| | Note | 2024 HK\$'000 | 2023 HK\$'000 |
|-------------------------------------|------|------------------|------------------|
| LIABILITIES | | | |
| Non-current liability | | | |
| Lease liabilities | 16 | 25,400 | 15,875 |
| Current liabilities | | | |
| Trade and other payables | 25 | 44,398 | 46,697 |
| Income tax payable | | 1,445 | 935 |
| Lease liabilities | 16 | 29,444 | 31,372 |
| Bank borrowings | 26 | 4,000 | 24,107 |
| | | 79,287 | 103,111 |
| Total liabilities | | 104,687 | 118,986 |
| Total equity and liabilities | | 267,254 | 267,673 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 90 to 159 were approved by the Board of Directors on 27 June 2024 and were signed on its behalf.

Mr. Chan Kam Chuen Andrew

Director

Mr. Chau Wing Kong William

Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

| | <i>Note</i> | Attributable to owners of the Company | | | Total HK\$'000 |
|---|-------------|--|--|---|-------------------|
| | | Share capital HK\$'000 (<i>Note 23</i>) | Reserves and retained earnings HK\$'000 (<i>Note 24</i>) | Non- controlling interest HK\$'000 (<i>Note 17</i>) | |
| Balance at 1 April 2022 | | 4,000 | 122,989 | 3,950 | 130,939 |
| Profit and total comprehensive income for the year | | – | 27,753 | 1,285 | 29,038 |
| Transaction with owners in their capacity as owners: | | | | | |
| Dividends | 14, 17 | – | (10,000) | (1,290) | (11,290) |
| Balance at 31 March 2023 | | 4,000 | 140,742 | 3,945 | 148,687 |
| Balance at 1 April 2023 | | 4,000 | 140,742 | 3,945 | 148,687 |
| Profit and total comprehensive income for the year | | – | 33,604 | 1,256 | 34,860 |
| Transaction with owners in their capacity as owners: | | | | | |
| Dividends | 14, 17 | – | (20,000) | (980) | (20,980) |
| Balance at 31 March 2024 | | 4,000 | 154,346 | 4,221 | 162,567 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

| | Note | 2024 HK\$'000 | 2023 HK\$'000 |
|---|---------------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 27(a) | 63,444 | 89,776 |
| Income tax paid | | (4,448) | (679) |
| Net cash generated from operating activities | | 58,996 | 89,097 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (4,289) | (6,325) |
| Premium paid for key management life insurance contracts | 19 | (573) | (537) |
| Proceeds from disposals of property, plant and equipment | 27(c) | – | – |
| Interest received | | 2,229 | 208 |
| Change in short-term bank deposits | | 727 | (317) |
| Net cash used in investing activities | | (1,906) | (6,971) |
| Cash flows from financing activities | | | |
| Proceeds from bank borrowings | 27(b) | 4,553 | 55,114 |
| Repayments of bank borrowings | 27(b) | (24,660) | (61,378) |
| Principal elements of lease payments | 16(ii), 27(b) | (40,282) | (42,597) |
| Payment of dividend | 14 | (20,000) | (10,000) |
| Payment of dividend to non-controlling interest | 17 | (980) | (1,290) |
| Interest paid | | (751) | (1,154) |
| Net cash used in financing activities | | (82,120) | (61,305) |
| Net (decrease)/increase in cash and cash equivalents | | (25,030) | 20,821 |
| Cash and cash equivalents at beginning of the year | | 75,630 | 54,809 |
| Cash and cash equivalents at end of the year | 21 | 50,600 | 75,630 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1 GENERAL INFORMATION

B & S International Holdings Ltd (the “Company”) was incorporated in the Cayman Islands on 21 August 2017 as an exempted company with limited liability under the Companies Act (Cap. 22, Act 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, “the Group”) are principally engaged in (i) distribution of food and beverage products (“Distribution Business”), and (ii) provision of catering services (“Retail Business”) in Hong Kong.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 14 March 2018.

These consolidated financial statements are presented in Hong Kong dollar (“HK\$”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New standard and amendments to existing standards adopted by the Group

The Group has applied the following new standard and amendments to existing standards for the first time for their annual reporting period commencing 1 April 2023:

| Standards | Subject of amendment |
|---|--|
| 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 |
| HKFRS 17 | Insurance Contracts (New Standard) |
| HKFRS 17 | Amendments to HKFRS 17 |
| HKFRS 17 | Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information |

The new standard and amendments to existing standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Amendments to existing standards and interpretations not yet adopted

Certain amendments to existing standards and interpretations have been published that are not mandatory for 31 March 2024 reporting period and have not been early adopted by the Group:

| Standards | Subject of amendment | Effective for annual periods beginning on or after |
|------------------------------------|---|--|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 April 2024 |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants | 1 April 2024 |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback | 1 April 2024 |
| HK Int 5 (Revised) | Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised)) | 1 April 2024 |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements | 1 April 2024 |
| Amendments to HKAS 21 | Lack of Exchangeability | 1 April 2025 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

Management has commenced an assessment of the impact of these amendments to existing standards and interpretation, but is yet in a position to determine whether these amendments to existing standards and interpretation would have significant impacts on the Group's results of operations and financial position in the coming years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Executive Directors, who provide principles for overall risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and is exposed to foreign exchange risk from the purchase of goods from overseas suppliers and cash and bank borrowings denominated in foreign currencies, primarily with respect to Japanese Yen ("JPY"), Taiwan New dollar ("TWD") and United States dollar ("USD").

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

As HK\$ are pegged against USD, management considers that the Group is mainly exposed to foreign currency risk with respect to JPY and TWD.

Had HK\$ be strengthened/weakened by 5% against JPY with all other variables held constant, the post-tax profit for the year ended 31 March 2024 would have been HK\$11,000 higher/lower (2023: HK\$101,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of JPY-denominated cash and cash equivalent, trade and other payables and bank borrowings.

Had HK\$ be strengthened/weakened by 5% against TWD with all other variables held constant, the post-tax profit for the year ended 31 March 2024 would have been HK\$163,000 higher/lower (2023: HK\$82,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of TWD-denominated trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group's cash flow and fair value interest rate risk primarily relates to cash at banks and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group does not have any fair value interest rate risk. The Group's interest rate risk primarily relates to its bank borrowings. The Group currently does not hedge its interest rate risk. However, management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise. The interest rates and terms of repayment of borrowings are disclosed in Note 26.

Had interest rates been 50 basis points higher/lower than the prevailing interest rate, with all other variables held constant, the post-tax profit for the year ended 31 March 2024 would have been HK\$17,000 lower/higher (2023: HK\$101,000 lower/higher), mainly as a result of higher/lower interest expenses on floating rate bank borrowings.

(b) Credit risk

Credit risk arises from cash at banks, short-term bank deposits, other receivables and other assets, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with investment grade credit rating are accepted.

The Group has policies in place to ensure that sales are made to customers with appropriate credit histories and to limit the amount of credit exposure to any individual customer.

For the distribution business, the Group's credit risk is concentrated on a number of long established customers. As at 31 March 2024, trade receivables from the five major customers accounted for approximately 66% (2023: approximately 63%) of the Group's total trade receivables.

Sales to retail customers are required to be settled in cash or using electronic payment means, mitigating credit risk. There are no significant concentrations of credit risk. The Group is not exposed to major credit risk with respect to its retail business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets

Cash at banks, short-term bank deposits, trade receivables, deposits and other receivables of the Group are subject to the expected credit loss model.

Cash at banks, short-term bank deposits and other assets with banks are deposited with reputable banks in Hong Kong. Deposits and other receivables are mainly deposit paid to suppliers or landlords. The credit quality of the banks, suppliers and landlords have been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at banks, short-term bank deposits, deposits and other receivables and other assets of the Group are assessed to be close to zero and no provision was made as at 31 March 2024 and 2023.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the balance sheet dates and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

According to above mentioned consideration, the Group does not expect any significant default possibility and loss allowance of trade receivables are assessed to be insignificant and no provision was made as at 31 March 2024 and 2023.

Trade receivables are written off when there is no reasonable expectation of recovery. Indication that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management, after considering the expected market conditions and the global pandemic issues, implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of available credit facilities. The Group manages its liquidity risk by controlling the level of inventories, closely monitoring the turnover days of trade receivables, monitoring its working capital requirements and keeping credit lines available.

Management monitors rolling forecasts of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

| | On demand | Less than 1 year | Between 1 to 2 years | Between 2 to 5 years | Total |
|----------------------------|--------------|---------------------|-------------------------|-------------------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 31 March 2024 | | | | | |
| Trade and other payables | – | 44,398 | – | – | 44,398 |
| Lease liabilities | – | 29,575 | 18,605 | 7,020 | 55,200 |
| Bank borrowings | 4,000 | – | – | – | 4,000 |
| | 4,000 | 73,973 | 18,605 | 7,020 | 103,598 |
| As at 31 March 2023 | | | | | |
| Trade and other payables | – | 46,697 | – | – | 46,697 |
| Lease liabilities | – | 29,811 | 13,238 | 4,331 | 47,380 |
| Bank borrowings | 24,107 | – | – | – | 24,107 |
| | 24,107 | 76,508 | 13,238 | 4,331 | 118,184 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 March 2024 and 2023, all of the Group's bank borrowings were classified as on demand liability due to the repayment on demand clause as set out in the loan agreements. The table below summarises the maturity analysis of the Group's bank loans under the relevant loan agreements. As the amounts included also interest payments, they were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained above.

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---------------|------------------|------------------|
| Within 1 year | 4,073 | 24,448 |

Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretions to demand immediate repayment. The Executive Directors believe that such loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated at total debt divided by total capital. Total debts are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) and lease liabilities. Total capital represent total debts and equity as shown in the consolidated statement of financial position.

| | 2024 HK\$'000 | 2023 HK\$'000 |
|-------------------|------------------|------------------|
| Bank borrowings | 4,000 | 24,107 |
| Lease liabilities | 54,844 | 47,247 |
| Total debts | 58,844 | 71,354 |
| Total equity | 162,567 | 148,687 |
| Total capital | 221,411 | 220,041 |
| Gearing ratio | 27% | 32% |

3.3 Fair value estimation

The Company has no significant financial instruments other than trade receivables, deposits, other receivables, other assets, cash and cash equivalents, trade and other payables and bank borrowings. The carrying amounts of these balances approximate their fair values due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimation of provision for litigation

As at 31 March 2024, the Group has an outstanding litigation, regulatory judgments and contractual disputes with one of its suppliers. The Group evaluates whether a present obligation exists under the litigation claim after taking into account all available evidence, including, among others, advice from its legal counsel. A provision is recognised for the litigation claim if the management of the Company consider it is more likely than not that present obligation exists and a reliable estimate can be made on the settlement amount of the claim. If it is more likely than not that no present obligation exists, the Group should disclose a contingent liability, unless the possibility of any transfer of economic benefits in settlement is remote. Changes in the assumptions around the likelihood of an outflow of economic resources or the estimation of any obligation would change the values recognised in the consolidated financial statements.

As at 31 March 2024, the directors have concluded that no provision in respect of the final outcome of such litigation was necessary. For details of the litigation, see Note 31.

(b) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of use assets are reviewed for impairment whenever past events, current and future conditions, or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment, including the consideration of the present and expected market condition, in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(d) Provision for loss allowance of trade receivables

The Group's management determines the provision for loss allowance of trade receivables by evaluating a range of possible outcomes and taking into account past events, current and future conditions. The Group has assessed the recoverability of the receivables based on the historical repayment history and credit rating of its customers and the current and forward-looking market condition, and requires the use of judgements and estimates. Management reassesses the provision at each reporting date.

(e) Current and deferred income tax

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Net realisable value of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. These estimates are based on the market condition and the historical experience of selling prices of similar nature. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the “CODM”) that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources.

The Group is principally engaged in the Distribution Business and the Retail Business in Hong Kong. The Executive Directors considers the business from a product perspective. They reviewed the qualitative factors such as business activities, economic and legal characteristics and quantitative factors such as the financial performance of the Distribution Business and the Retail Business to assess the performance of the operating segments.

No geographical segment information is presented as all sales and operating profits of the Group are derived in Hong Kong and all operating assets of the Group are located in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5 SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the years ended 31 March 2024 and 2023 is as follows:

| | For the year ended 31 March 2024 | | |
|--|----------------------------------|----------|----------|
| | Distribution | Retail | Total |
| | Business | Business | |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue – recognised at a point in time | 269,116 | 251,697 | 520,813 |
| Segment results | 62,859 | 16,953 | 79,812 |
| Unallocated expenses | | | (38,336) |
| Other gains, net | | | 902 |
| Other income | | | 13 |
| Finance costs, net | | | (1,397) |
| Profit before income tax | | | 40,994 |
| Income tax expense | | | (6,134) |
| Profit for the year | | | 34,860 |
| Segment items included: | | | |
| Depreciation of property, plant and equipment | 553 | 4,048 | 4,601 |
| Depreciation of right-of-use assets | 368 | 35,868 | 36,236 |
| Impairment loss on property, plant and equipment | – | 104 | 104 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5 SEGMENT INFORMATION *(Continued)*

| | For the year ended 31 March 2023 | | |
|--|----------------------------------|----------|----------|
| | Distribution | Retail | Total |
| | Business | Business | |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue – recognised at a point in time | 244,338 | 242,462 | 486,800 |
| Segment results | 51,061 | 13,967 | 65,028 |
| Unallocated expenses | | | (38,596) |
| Other losses, net | | | (52) |
| Other income | | | 9,543 |
| Finance costs, net | | | (3,259) |
| Profit before income tax | | | 32,664 |
| Income tax credit | | | (3,626) |
| Profit for the year | | | 29,038 |
| Segment items included: | | | |
| Depreciation of property, plant and equipment | 1,360 | 6,562 | 7,922 |
| Depreciation of right-of-use assets | – | 38,158 | 38,158 |
| Impairment loss on property, plant and equipment | – | 374 | 374 |
| Impairment loss on right-of-use assets | – | 911 | 911 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5 SEGMENT INFORMATION *(Continued)*

The segment assets as at 31 March 2024 and 2023 and the reconciliation to the total assets are as follows:

| | As at 31 March 2024 | | |
|--|-----------------------------------|-----------------------------|-------------------|
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Total segment assets | 92,327 | 82,145 | 174,472 |
| Total segment assets include: Additions to non-current assets (other than financial instruments and deferred income tax assets) | 3,417 | 46,036 | 49,453 |

| | As at 31 March 2023 | | |
|--|-----------------------------------|-----------------------------|-------------------|
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Total segment assets | 71,190 | 77,078 | 148,268 |
| Total segment assets include: Additions to non-current assets (other than financial instruments and deferred income tax assets) | 205 | 42,390 | 42,595 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5 SEGMENT INFORMATION (Continued)

Reconciliation of total segment assets to total assets is provided as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|----------------------------|------------------|------------------|
| Total segment assets | 174,472 | 148,268 |
| Unallocated: | | |
| Deferred income tax assets | 7,678 | 8,854 |
| Deposit and other assets | 4,504 | 4,194 |
| Restricted cash | 30,000 | 30,000 |
| Short-term bank deposits | – | 727 |
| Cash and cash equivalents | 50,600 | 75,630 |
| Total assets | 267,254 | 267,673 |

The segment liabilities as at 31 March 2024 and 2023 and the reconciliation to the total liabilities are as follows:

| | As at 31 March 2024 | | |
|---------------------------|--------------------------------------|--------------------------------|-------------------|
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Total segment liabilities | 25,321 | 71,970 | 97,291 |

| | As at 31 March 2023 | | |
|---------------------------|--------------------------------------|--------------------------------|-------------------|
| | Distribution Business HK\$'000 | Retail Business HK\$'000 | Total HK\$'000 |
| Total segment liabilities | 35,530 | 72,998 | 108,528 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5 SEGMENT INFORMATION *(Continued)*

Reconciliation of total segment liabilities to total liabilities is provided as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---------------------------|------------------|------------------|
| Total segment liabilities | 97,291 | 108,528 |
| Unallocated: | | |
| Other payables | 1,951 | 1,523 |
| Income tax payable | 1,445 | 935 |
| Bank borrowings | 4,000 | 8,000 |
| Total liabilities | 104,687 | 118,986 |

6 REVENUE

The Group is principally engaged in the distribution of food and beverage products and the provision of catering services in Hong Kong.

Revenue from the Distribution Business and the Retail Business recognised during the year are as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|-------------------|------------------|------------------|
| Sales of goods | 269,116 | 244,338 |
| Catering services | 251,697 | 242,462 |
| | 520,813 | 486,800 |

For the year ended 31 March 2024, customer A from Distribution Business accounted for approximately 21% (2023: approximately 17%) of the Group's revenue.

All other customers individually accounted for less than 10% of the Group's revenue for the years ended 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

6 REVENUE (Continued)

Accounting policy of revenue

(a) Distribution business

Sales of foods and beverage products are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, and the risks of obsolescence and loss have been transferred to the customer.

(b) Retail business

Sales of foods and beverage products are recognised at the point of sale to customers.

7 OTHER GAINS/(LOSSES), NET

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------------------|------------------|
| Change in cash surrender value of key management life insurance contracts (Note 19) | (248) | (224) |
| Loss on disposal of property, plant and equipment | (22) | (112) |
| Exchange gains, net | 1,172 | 284 |
| | 902 | (52) |

8 OTHER INCOME

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---------------------------|------------------|------------------|
| Government subsidy (Note) | – | 9,774 |
| Sundry income/(loss) | 13 | (231) |
| | 13 | 9,543 |

Note: There is no government subsidy granted by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic fund for the year ended 31 March 2024 (2023: HK\$9,774,000). There are no unfulfilled conditions or other contingencies attaching in the subsidy and the subsidy was fully settled on 19 October 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

9 EXPENSES BY NATURE

Expenses included in costs of sales, selling and distribution expenses and administrative expenses are analysed as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------------------|------------------|
| Cost of inventories sold (<i>Note 18</i>) | 234,623 | 221,328 |
| Packing materials | 2,566 | 2,183 |
| Depreciation of property, plant and equipment (<i>Note 15</i>) | 4,601 | 7,922 |
| Depreciation of right-of-use assets (<i>Note 16</i>) | 36,236 | 38,158 |
| Employee benefit expenses (<i>Note 10</i>) | 115,189 | 106,941 |
| Short-term and variable lease payments | 16,995 | 18,378 |
| Utilities expenses | 18,003 | 16,454 |
| Transportation and logistics service expenses | 12,631 | 11,829 |
| Freight charges | 5,210 | 6,285 |
| Auditor's remuneration | 1,500 | 1,500 |
| Franchise fee | 4,584 | 4,127 |
| Impairment loss on property, plant and equipment (<i>Note 15</i>) | 104 | 374 |
| Impairment loss on right-of-use assets (<i>Note 16</i>) | – | 911 |
| Legal and professional fees | 2,846 | 2,285 |
| Others | 24,249 | 21,693 |
| | 479,337 | 460,368 |
| Representing: | | |
| Cost of sales | 398,871 | 381,684 |
| Selling and distribution expenses | 38,423 | 36,070 |
| Administrative expenses | 42,043 | 42,614 |
| | 479,337 | 460,368 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

Employee benefit expenses are as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Wages, salaries, bonuses and allowances | 109,815 | 102,152 |
| Pension costs – defined contribution plans | 4,850 | 4,276 |
| Staff welfare and benefits | 524 | 513 |
| | 115,189 | 106,941 |

The Group has arranged for its employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution retirement scheme managed by an independent trustee. Under the MPF Scheme, each of the relevant entities of the Group (as the employer) and its employees are required to make monthly contributions to the MPF Scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong). The monthly contributions of each of the employer and the employees are subject to a cap of HK\$1,500 per month.

During the year ended 31 March 2024, there are no forfeited contributions (2023: nil) for the MPF Scheme as the contribution are fully vested to the employees upon payments to the MPF Scheme. Accordingly, as at 31 March 2024 and 2023, the Group had no forfeited contributions from the MPF Scheme available to reduce its contributions payable in future years. Contributions totalling approximately HK\$771,000 (2023: HK\$713,000) are payable to the Mandatory Provident Fund for the year ended 31 March 2024.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors whose emolument is reflected in the analysis presented in Note 34 during the year ended 31 March 2024 (2023: Two). The emoluments payable to the remaining three individuals (2023: three) are as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Wages, salaries, bonuses and allowances | 3,079 | 3,070 |
| Pension costs – defined contribution plans | 54 | 54 |
| | 3,133 | 3,124 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

Five highest paid individuals (Continued)

The emoluments fell within the following bands:

| | Number of individuals | |
|--------------------------------|-----------------------|------|
| | 2024 | 2023 |
| Emolument bands | | |
| HK\$500,001 to HK\$1,000,000 | 1 | 1 |
| HK\$1,000,001 to HK\$1,500,000 | 2 | 2 |

During the year, the Group had not paid any emoluments to the directors or any of the five highest paid individuals as inducement to join or upon joining the Group, or as compensation for loss of office.

11 FINANCE COSTS, NET

| | 2024 | 2023 |
|---------------------------------------|----------|----------|
| | HK\$'000 | HK\$'000 |
| Finance income | | |
| – Bank interest income | 2,229 | 208 |
| Finance costs | | |
| – Interest expense on bank borrowings | (751) | (1,154) |
| – Lease liabilities | (2,875) | (2,313) |
| | (3,626) | (3,467) |
| Finance costs, net | (1,397) | (3,259) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining entities estimated assessable profits for the year ended 31 March 2024 (2023: same).

The amount of taxation charged/(credited) to the consolidated statement of comprehensive income represents:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Current income tax | 4,958 | 1,443 |
| Over provision in prior year | – | (27) |
| Deferred income tax (<i>Note 22</i>) | 1,176 | 2,210 |
| | 6,134 | 3,626 |

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax | 40,994 | 32,664 |
| Calculated at a tax rate of 16.5% (2023: 16.5%) | 6,764 | 5,390 |
| Income tax at concessionary rate | (165) | (165) |
| Income not subject to tax | (518) | (1,657) |
| Expenses not deductible for taxation purposes | 53 | 103 |
| Over provision in prior year | – | (27) |
| Tax concession | – | (18) |
| Income tax expense | 6,134 | 3,626 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

12 INCOME TAX EXPENSE *(Continued)*

Accounting policy of current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

13 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2024 | 2023 |
|---|---------|---------|
| Profit attributable to owners of the Company (HK\$'000) | 33,604 | 27,753 |
| Weighted average number of ordinary shares in issue (thousands) | 400,000 | 400,000 |
| Basic earnings per share (HK cents) | 8.40 | 6.94 |

(b) Diluted earnings per share

For the years ended 31 March 2024 and 2023, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

14 DIVIDENDS

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Interim dividend, paid of HK2.5 cents (2023: HK2.5 cents) per ordinary share | 10,000 | 10,000 |
| Final dividend, proposed of HK3.0 cents (2023: HK2.5 cents) per ordinary share | 12,000 | 10,000 |

Dividend paid during the year ended 31 March 2024 was HK\$10,000,000, HK2.5 cents per ordinary share (2023: HK\$10,000,000, HK2.5 cents per ordinary share).

A final dividend in respect of the year ended 31 March 2024 of HK3.0 cents per ordinary share, totalling HK\$12,000,000, was proposed by the Board on 27 June 2024 which is subject to the approval of shareholders at the forthcoming annual general meeting. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

15 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Plant and machinery HK\$'000 | Furniture and fixtures HK\$'000 | Computer and office equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|--|---------------------------------------|------------------------------------|---------------------------------------|---|-------------------------------|-------------------|
| At 1 April 2022 | | | | | | |
| Cost | 68,333 | 14,223 | 2,977 | 7,949 | 2,040 | 95,522 |
| Accumulated depreciation and impairment | (62,697) | (12,721) | (1,541) | (7,051) | (1,810) | (85,820) |
| Net book amount | 5,636 | 1,502 | 1,436 | 898 | 230 | 9,702 |
| Year ended 31 March 2023 | | | | | | |
| Opening net book amount | 5,636 | 1,502 | 1,436 | 898 | 230 | 9,702 |
| Additions | 4,731 | 603 | 461 | 301 | - | 6,096 |
| Disposals and write-off | - | (16) | (93) | (3) | - | (112) |
| Depreciation (Note 9) | (5,324) | (1,200) | (537) | (631) | (230) | (7,922) |
| Impairment (Note 9) | (327) | (45) | - | (2) | - | (374) |
| Closing net book amount | 4,716 | 844 | 1,267 | 563 | - | 7,390 |
| At 31 March 2023 | | | | | | |
| Cost | 71,238 | 14,640 | 3,323 | 8,234 | 2,040 | 99,475 |
| Accumulated depreciation and impairment | (66,522) | (13,796) | (2,056) | (7,671) | (2,040) | (92,085) |
| Net book amount | 4,716 | 844 | 1,267 | 563 | - | 7,390 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Leasehold improvements HK\$'000 | Plant and machinery HK\$'000 | Furniture and fixtures HK\$'000 | Computer and office equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|------------------------------------|---------------------------------|------------------------------------|---|----------------------------|-------------------|
| Year ended 31 March 2024 | | | | | | |
| Opening net book amount | 4,716 | 844 | 1,267 | 563 | – | 7,390 |
| Additions | 2,659 | 1,142 | 151 | 264 | – | 4,216 |
| Disposals and write-off | (2) | (3) | (12) | (5) | – | (22) |
| Depreciation (Note 9) | (3,096) | (693) | (448) | (364) | – | (4,601) |
| Impairment (Note 9) | (47) | (28) | (14) | (15) | – | (104) |
| Closing net book amount | 4,230 | 1,262 | 944 | 443 | – | 6,879 |
| At 31 March 2024 | | | | | | |
| Cost | 69,158 | 15,239 | 3,459 | 8,353 | 2,040 | 98,249 |
| Accumulated depreciation and impairment | (64,928) | (13,977) | (2,515) | (7,910) | (2,040) | (91,370) |
| Net book amount | 4,230 | 1,262 | 944 | 443 | – | 6,879 |

Note: As at 31 March 2024, net book amount of retail store assets represented property, plant and equipment and right-of-use assets amounting to HK\$5,572,000 (2023: HK\$6,295,000) and HK\$50,618,000 (2023: HK\$43,984,000) respectively. The Group considers each individual retail store as a separately identifiable cash-generating unit. Management performed impairment assessments for the retail stores with negative earnings.

The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is in excess of its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the management's forecasts covering the remaining tenure of the lease. An impairment loss of property, plant and equipment and right-of-use assets of HK\$104,000 and HK\$Nil (2023: HK\$374,000 and HK\$911,000), respectively was recognised in costs of sales.

Key assumptions used in the value-in-use calculations for the recoverable amount of retail store assets are as follow:

Revenue: Management estimated revenue over the remaining lease terms based on actual monthly revenue in April and May 2024.

Costs: Based on historical information and estimated changes in proportional to forecast revenue.

Discount rate: The pre-tax discount rate used to determine the recoverable amounts is approximately 13% which is determined based on the weighted cost of capital.

The result of the assessment indicated that impairment provision made as at 31 March 2024 is appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statement of comprehensive income as follow:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Cost of sales | 4,049 | 6,562 |
| Selling and distribution expenses | 302 | 749 |
| Administrative expenses | 250 | 611 |
| | 4,601 | 7,922 |

Accounting policy of property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

| | |
|-------------------------------|--|
| Leasehold improvements | Shorter of remaining lease terms or useful lives |
| Furniture and fixtures | 20% |
| Plant and machinery | 30% |
| Computer and office equipment | 30% |
| Motor vehicles | 30% |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 35.4).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other losses" in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16 LEASES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|----------------------------|------------------|------------------|
| Right-of-use assets | | |
| Retail shops and warehouse | 52,752 | 43,984 |
| Lease liabilities | | |
| Current | 29,444 | 31,372 |
| Non-current | 25,400 | 15,875 |
| | 54,844 | 47,247 |

Additions to the right-of-use assets during year were HK\$45,004,000 (2023: HK\$36,498,000).

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Impairment loss on right-of-use assets (<i>Notes 9, 15</i>) | – | 911 |
| Depreciation of right-of-use assets (<i>Note 9</i>) | 36,236 | 38,158 |
| Interest expenses (included in finance cost) | 2,875 | 2,313 |
| Expenses relating to short-term leases (included in cost of sales and administrative expenses) | 12,066 | 13,086 |
| Expenses relating to variable lease payments | 4,929 | 5,292 |

The total cash outflows for leases, excluding short-term lease and variable lease payments were HK\$40,282,000 during the year ended 31 March 2024 (2023: HK\$42,597,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16 LEASES *(Continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 3 months to 5 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

Those property leases contain variable payment terms are charged on the basis with a percentage ranging from 10% to 21% of sales generated from the store. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(v) Extension and termination options

Extension and termination options are included in certain property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Majority of extension and termination options held are exercisable only when mutually agreed by both the lessee and the lessor.

Accounting policy of leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16 LEASES (Continued)

Accounting policy of leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16 LEASES *(Continued)*

Accounting policy of leases *(Continued)*

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment, e.g. photocopiers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

17 SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 March 2024 and 2023 are as follows:

| Name of entities | Place and date of incorporation and kind of legal entity | Particulars of issued share capital and debt securities | Ownership interest held by the Group | Principal activities and place of incorporation |
|---------------------------------------|--|---|--------------------------------------|---|
| Directly held by the Company | | | | |
| Bands Investment Limited | BVI, limited liability company, 22 September 2017 | 1 share of US\$1 each, US\$1 | 100% | Investment holding, BVI |
| Indirectly held by the Company | | | | |
| National Jade Limited | Hong Kong, limited liability company, 22 August 1996 | 10,000 ordinary shares of HK\$1 each, HK\$10,000 | 51% | Distribution of food and beverage products, Hong Kong |
| Saw Corporation Limited | Hong Kong, limited liability company, 24 January 2003 | 3 ordinary shares of HK\$1 each, HK\$3 | 100% | Distribution of foods and beverage products, Hong Kong |
| Sunny Land Corporation Limited | Hong Kong, limited liability company, 16 June 2017 | 1,000,000 ordinary shares of HK\$1 each, HK\$1,000,000 | 100% | Distribution of foods and beverage products and provision of catering services, Hong Kong |
| Wise Fine Enterprise Limited | Hong Kong, limited liability company, 1 March 2004 | 3 ordinary shares of HK\$1 each, HK\$3 | 100% | Distribution of foods and beverage products and provision of catering services, Hong Kong |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

17 SUBSIDIARIES (Continued)

(a) Material non-controlling interest

As at 31 March 2024, the Group's non-controlling interest amounting to approximately HK\$4,221,000 (2023: HK\$3,945,000), is attributable to National Jade Limited, a 51% owned subsidiary of the Company.

(b) Summarised financial information of the subsidiary with material non-controlling interest

Set out below are the summarised financial information of National Jade Limited, which has non-controlling interests that is material to the Group.

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Summarised statement of financial position | | |
| Non-current assets | 16 | 23 |
| Current assets | 20,934 | 19,347 |
| Current liabilities | (12,336) | (11,320) |
| Net assets | 8,614 | 8,050 |
| Summarised statement of comprehensive income | | |
| Revenue | 82,707 | 73,453 |
| Profit and total comprehensive income for the year | 2,564 | 2,621 |
| Total comprehensive income allocated to non-controlling interest | 1,256 | 1,285 |
| Dividend paid to non-controlling interest | 980 | 1,290 |
| Summarised statement of cash flows | | |
| Net cash generated from operating activities | 190 | 2,645 |
| Net cash used in an investing activity | – | (5) |
| Net cash used in financing activities | (980) | (1,290) |
| Net (decrease)/increase in cash and cash equivalents | (790) | 1,350 |

The information above is before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

18 INVENTORIES

| | 2024 HK\$'000 | 2023 HK\$'000 |
|----------------|------------------|------------------|
| Raw materials | 4,192 | 4,781 |
| Finished goods | 17,289 | 16,986 |
| | 21,481 | 21,767 |

Inventories mainly comprise food and other consumer products which are stated at the lower of cost and net realisable value.

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$234,623,000 (2023: HK\$221,328,000). A provision for impairment of inventory amounting to HK\$100,000 was provided for finished goods as at 31 March 2024 (2023: HK\$9,456,000).

Accounting policy of inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Non-current | | |
| Rental deposits | 9,098 | 6,967 |
| Deposits for the purchase of property, plant and equipment | 303 | 229 |
| Key management life insurance contracts (<i>Note</i>) | 4,064 | 3,739 |
| | 13,465 | 10,935 |
| Current | | |
| Prepayments | 7,803 | 3,253 |
| Rental and other deposits | 9,023 | 10,387 |
| Other receivables | 793 | 312 |
| | 17,619 | 13,952 |
| | 31,084 | 24,887 |

Note: The carrying value of the key management life insurance contracts represented the cash surrender value of the insurance contracts. These insurance contracts are denominated in USD and HK\$.

The movements of the insurance contracts were as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------------------|------------------|
| Beginning of year | 3,739 | 3,426 |
| Premium paid | 573 | 537 |
| Change in cash surrender value of key management life insurance contracts (<i>Note 7</i>) | (248) | (224) |
| End of year | 4,064 | 3,739 |

The carrying amounts of deposits and other receivables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of the deposits, prepayments and other receivables are denominated in the following currencies:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|----------------------|------------------|------------------|
| HK\$ | 26,046 | 23,913 |
| USD | 2,282 | 568 |
| TWD | 2,267 | 406 |
| Chinese Yuen ("CNY") | 489 | – |
| | 31,084 | 24,887 |

The maximum exposure to credit risk at each reporting date is the fair value of each class of the receivables mentioned above.

20 TRADE RECEIVABLES

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Trade receivables – third parties | 66,780 | 54,434 |

The Group's retail sales are mainly settled on cash basis. The Group generally grants credit period ranged from 0 to 120 days to its customers of the Distribution Business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

20 TRADE RECEIVABLES *(Continued)*

As at 31 March 2024 and 2023, the ageing analysis of the trade receivables based on invoice date was as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---------------|------------------|------------------|
| 0–30 days | 24,712 | 20,795 |
| 31–60 days | 11,718 | 11,902 |
| 61–90 days | 18,716 | 12,660 |
| 91–180 days | 10,917 | 8,108 |
| Over 180 days | 717 | 969 |
| | 66,780 | 54,434 |

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the allowance. There is no significant impact of loss allowance for trade receivables as at 31 March 2024 (2023: same).

The carrying amounts of trade receivables are denominated in Hong Kong dollars.

The carrying amounts of trade receivables approximate their fair values due to their short maturities. The maximum exposure to credit risk at the reporting date is the fair value mentioned above. The Group does not hold any collateral as security.

Accounting policy of trade receivables

Trade receivables are amounts due from customers for the merchandise sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for a description of the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

21 CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

(a) Cash and cash equivalents and short-term bank deposits

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---------------------------|------------------|------------------|
| Cash at banks | 49,549 | 74,725 |
| Cash on hand | 1,051 | 905 |
| Cash and cash equivalents | 50,600 | 75,630 |
| Short-term bank deposits | – | 727 |
| | 50,600 | 76,357 |

The carrying amounts of the cash at bank and short-term bank deposits approximate their fair values.

Cash and cash equivalents and short-term bank deposits are denominated in the following currencies:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|----------------------|------------------|------------------|
| Hong Kong dollar | 50,347 | 75,139 |
| United States dollar | 218 | 1,181 |
| Renminbi | 29 | 30 |
| Japanese yen | 6 | 7 |
| | 50,600 | 76,357 |

(b) Restricted cash

As at 31 March 2024, the Group had restricted deposits of HK\$30,000,000 held at banks as securities for certain banking facilities (2023: HK\$30,000,000).

The Group's deposits are denominated in HK\$ with effective interest rate of 5.68% (2023: 0.44%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

22 DEFERRED INCOME TAX

The analysis of deferred income tax assets of the Group was as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------------------|------------------|
| Deferred income tax assets to be recovered after more than 12 months | 16,312 | 16,041 |
| Deferred income tax liabilities to be recovered after more than 12 months | (8,634) | (7,187) |
| Deferred income tax assets, net | 7,678 | 8,854 |

The gross movement on the deferred income tax account is as follows:

| | HK\$'000 |
|--|----------|
| At 1 April 2022 | 11,064 |
| Charged to the consolidated statement of comprehensive income (<i>Note 12</i>) | (2,210) |
| At 31 March 2023 and 1 April 2023 | 8,854 |
| Charged to the consolidated statement of comprehensive income (<i>Note 12</i>) | (1,176) |
| At 31 March 2024 | 7,678 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

22 DEFERRED INCOME TAX (Continued)

Movements in deferred income tax assets of the Group during the year are as follows:

| | Decelerated tax depreciation | Provisions | Lease liabilities | Tax losses | Total |
|--|---|-------------------|------------------------------|-----------------------|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance at 1 April 2022 | 7,226 | 98 | 8,421 | 2,930 | 18,675 |
| Credited/(charged) to the consolidated statement of comprehensive income | 540 | – | (625) | (2,549) | (2,634) |
| At 31 March 2023 | 7,766 | 98 | 7,796 | 381 | 16,041 |
| (Charged)/credited to the consolidated statement of comprehensive income | (601) | – | 1,253 | (381) | 271 |
| At 31 March 2024 | 7,165 | 98 | 9,049 | – | 16,312 |

Movements in deferred income tax liabilities of the Group during the year are as follows:

| | Right-of-use assets |
|--|--------------------------------|
| | HK\$'000 |
| Balance at 1 April 2022 | 7,611 |
| Credited to the consolidated statement of comprehensive income | (424) |
| At 31 March 2023 | 7,187 |
| Charged to the consolidated statement of comprehensive income | 1,447 |
| At 31 March 2024 | 8,634 |

As at 31 March 2024 and 2023, the Group has no significant unrecognised deferred income tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

23 SHARE CAPITAL

| | Number of shares | Share capital HK\$'000 |
|---|---------------------|------------------------------|
| Authorised: | | |
| At 1 April 2022, 31 March 2023 and 2024 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| At 1 April 2022, 31 March 2023 and 2024 | 400,000,000 | 4,000 |

24 RESERVES AND RETAINED EARNINGS

| | Share premium HK\$'000 | Capital reserve HK\$'000 | Other reserve HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 |
|---|------------------------------|--------------------------------|------------------------------|----------------------------------|-------------------|
| Balance at 1 April 2022 | 83,443 | (3,654) | 5 | 43,195 | 122,989 |
| Profit and total comprehensive income for the year | – | – | – | 27,753 | 27,753 |
| Transaction with owners in their capacity as owners: | | | | | |
| Dividends | – | – | – | (10,000) | (10,000) |
| Balance at 31 March 2023 | 83,443 | (3,654) | 5 | 60,948 | 140,742 |
| Profit and total comprehensive income for the year | – | – | – | 33,604 | 33,604 |
| Transaction with owners in their capacity as owners: | | | | | |
| Dividends | – | – | – | (20,000) | (20,000) |
| Balance at 31 March 2024 | 83,443 | (3,654) | 5 | 74,552 | 154,346 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

25 TRADE AND OTHER PAYABLES

| | 2024 HK\$'000 | 2023 HK\$'000 |
|------------------------------------|------------------|------------------|
| Trade payables (<i>Note</i>) | 20,385 | 19,541 |
| Accruals for employee benefits | 9,407 | 10,606 |
| Contract liabilities | 2,820 | 4,145 |
| Provision for unused annual leave | 598 | 598 |
| Provision for long service payment | 416 | 416 |
| Provision for reinstatement costs | 3,207 | 3,518 |
| Accruals for operating expenses | 5,638 | 5,549 |
| Other payables | 1,927 | 2,324 |
| | 44,398 | 46,697 |

Note: During the year ended 31 March 2021, the Group entered into an agreement with a supplier in relation to supply of masks with total contract value of HK\$31,000,000. As at 31 March 2024, masks with invoiced value of HK\$9,250,000 (2023: HK\$9,250,000), after deducting the sales rebates of HK\$500,000, under the agreement were delivered to the Group and the Group recorded a trade payable as such in accordance with its accounting policy (2023: same). The Company is now in litigation procedure with the supplier for breach of the agreement (see Note 31). Pending outcome of such litigation, should the Company be able to win the case, the respective trade payable amounts will be derecognised.

The ageing analysis of trade payables based on invoice date was as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--------------|------------------|------------------|
| 0–30 days | 7,790 | 6,910 |
| 31–60 days | 3,345 | 3,376 |
| 61–90 days | – | – |
| Over 90 days | 9,250 | 9,255 |
| | 20,385 | 19,541 |

The carrying amounts of the Group's trade and other payables approximate their fair values due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

25 TRADE AND OTHER PAYABLES (Continued)

The carrying amounts of trade and other payables were denominated in the following currencies:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|----------------------|------------------|------------------|
| Hong Kong dollar | 37,774 | 38,896 |
| United States dollar | 111 | 104 |
| Taiwan New dollar | 6,160 | 2,377 |
| Renminbi | 88 | 2,893 |
| Japanese Yen | 265 | 2,427 |
| | 44,398 | 46,697 |

The movements of provision for reinstatement costs were as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|-------------------|------------------|------------------|
| Beginning of year | 3,518 | 3,459 |
| Addition | – | 182 |
| Utilisation | (311) | (123) |
| End of year | 3,207 | 3,518 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

26 BANK BORROWINGS

| | 2024 HK\$'000 | 2023 HK\$'000 |
|-----------------|------------------|------------------|
| Bank borrowings | 4,000 | 24,107 |

Bank borrowings represent mainly the import loans and term loans drawn by the Group. The Group's borrowings, after taking into account of repayable on demand clause, are repayable as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|----------------------------|------------------|------------------|
| Within 1 year or on demand | 4,000 | 24,107 |

The Group's bank borrowings repayable based on the scheduled repayment dates are as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---------------|------------------|------------------|
| Within 1 year | 4,000 | 24,107 |

As at 31 March 2024, the Group's banking facilities are secured by:

- (i) Cross guarantees by the Group's companies (2023: same); and
- (ii) Restricted cash deposits of HK\$30,000,000 (2023: HK\$30,000,000) (Note 21).

In addition to the above, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

The effective interest rates of bank borrowings as at 31 March 2024 were 7.0% to 7.2% (2023: 4.4% to 4.7%) per annum.

The carrying amounts of bank borrowings approximate their fair values due to their short maturities and the balances are denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

27 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax | 40,994 | 32,664 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 4,601 | 7,922 |
| Depreciation of right-of-use assets | 36,236 | 38,158 |
| Change in cash surrender value of key management life insurance contracts | 248 | 224 |
| Loss on disposal of property, plant and equipment (<i>Note 7</i>) | 22 | 112 |
| Impairment of property, plant and equipment | 104 | 374 |
| Impairment of right-of-use assts | – | 911 |
| Finance income | (2,229) | (208) |
| Finance costs | 3,626 | 3,467 |
| | 83,602 | 83,624 |
| Changes in working capital: | | |
| Inventories | 286 | (1,986) |
| Trade receivables | (12,346) | (1,520) |
| Deposits, prepayments and other receivables | (5,799) | 2,227 |
| Trade and other payables | (2,299) | 7,431 |
| Cash generated from operations | 63,444 | 89,776 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

27 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

| | Liabilities from financing activities | | |
|--|---------------------------------------|-------------------|-----------------|
| | Borrowing | Lease liabilities | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1 April 2022 | 30,371 | 51,033 | 81,404 |
| Cash flows | (6,264) | (42,597) | (48,861) |
| Addition of new lease (Note 16) | – | 36,498 | 36,498 |
| Interest accretion for lease liabilities (Note 16) | – | 2,313 | 2,313 |
| As at 31 March 2023 | 24,107 | 47,247 | 71,354 |
| Cash flows | (20,107) | (40,282) | (60,389) |
| Addition of new lease (Note 16) | – | 45,004 | 45,004 |
| Interest accretion for lease liabilities (Note 16) | – | 2,875 | 2,875 |
| As at 31 March 2024 | 4,000 | 54,844 | 58,844 |

(c) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

| | 2024 | 2023 |
|--|----------|----------|
| | HK\$'000 | HK\$'000 |
| Net book amount (Note 15) | 22 | 112 |
| Loss on disposal of property, plant and equipment (Note 7) | (22) | (112) |
| Proceeds from disposal of property, plant and equipment | – | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

28 FINANCIAL INSTRUMENTS BY CATEGORIES

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Financial assets at amortised cost | | |
| – Trade receivables | 66,780 | 54,434 |
| – Deposits, other receivables and other assets | 24,464 | 21,634 |
| – Restricted cash | 30,000 | 30,000 |
| – Short-term bank deposits | – | 727 |
| – Cash and cash equivalents | 50,600 | 75,630 |
| | 171,844 | 182,425 |
| Financial liabilities at amortised cost | | |
| – Trade and other payables | 44,398 | 46,697 |
| – Lease liabilities | 54,844 | 47,247 |
| – Bank borrowings | 4,000 | 24,107 |
| | 103,242 | 118,051 |

29 COMMITMENTS

The Group does not have any material capital commitment as at 31 March 2024 and 31 March 2023.

30 FINANCIAL GUARANTEES

As at 31 March 2024, the Group executed certain performance bonds in favour of its landlords totalling HK\$3,342,000 (2023: HK\$5,072,000) in lieu of its rental deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

31 CONTINGENT LIABILITIES

On 13 August 2020, Wise Fine Enterprises Limited (“Wise Fine”), an indirect wholly-owned subsidiary of the Company entered into an agreement (the “Agreement”) with a supplier (the “Supplier”) for purchasing a quantity of no less than 21,000,000 pieces of masks with a total contract sum of HK\$31,500,000. The Group placed order to the Supplier for delivery of masks and around 6,500,000 pieces of masks with total transaction price of HK\$9,250,000, after deducting sales rebates of HK\$500,000, were delivered to the Group during December 2020 to January 2021 (the “Delivered Masks”) (see Note 25).

Upon receipt of the Delivered Masks, the Group carried out quality check on the masks through certain Hong Kong accredited laboratories and noted consistent failure in meeting the quality standard as stipulated in the Agreement. The Group has been actively negotiating with the Supplier in relation to the quality problem but the Supplier was unable to deliver masks up to the quality standard as stated in the Agreement.

On 29 January 2021, Wise Fine issued a writ of summons through its solicitors against the Supplier in the Court of First Instance of the High Court of Hong Kong (the “Court”). Wise Fine as plaintiff stated that the goods delivered by the Supplier under the Agreement failed to meet the agreed quality and/or standards under the Agreement, and claims against the Supplier of, inter alia, (i) a declaration that the Agreement was lawfully terminated upon the Supplier’s repudiatory breach; (ii) a declaration that the Agreement was lawfully rescinded on the ground of misrepresentation; and (iii) damages, interests and costs of HK\$9,083,000.

On 2 February 2021, Wise Fine received a writ of summons issued in the Court by the solicitors acting for the Supplier as plaintiff against Wise Fine as defendant. As stated in the claim filed against Wise Fine, the Supplier alleged that Wise Fine has breached the Agreement, and claims against Wise Fine, inter alia, the sum of HK\$9,750,000 plus damages, interests and costs. This allegation is mainly related to Wise Fine not settling a payable balance of the same amount relating to purchase of the Delivered Masks from the Supplier.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

31 CONTINGENT LIABILITIES *(Continued)*

On 18 March 2021, Wise Fine and the Supplier filed a consent summons to the Court for an order that the actions filed by Wise Fine and the Supplier mentioned above to be consolidated and thereafter be carried on as one action. On 19 March 2021, an order was granted for, inter alia, the consolidation of the actions. On 23 March 2021, the consolidated statement of claim was issued in the Court by Wise Fine, demanding, inter alia for lawful termination of the Agreement, damages for breach of contract or misrepresentation and an order that the Supplier indemnify Wise Fine from any and all loss and damage sustained by Wise Fine as a result of the defects in the goods supplied by the Supplier under the Agreement and further interest, costs and other reliefs, amounting to approximately HK\$9,083,000.

On 11 May 2021, Wise Fine received a consolidated defence and counterclaim from the Supplier in response to the consolidated statement of claim made by Wise Fine with claim amounts amounting to approximately HK\$27,186,000, including, among others, the claim on Delivered Masks of HK\$9,750,000 plus further damages, interests, costs and any other further reliefs.

Management believes that the allegations and claims from the Supplier are without merit and not substantiated. Management considers that the quality problems of the masks, as evidenced by certain testing reports prepared by several Hong Kong accredited laboratories, provided strong evidence that Wise Fine will win the court case eventually. Management considered that the Supplier has not fulfilled its obligations in the Agreement and it constituted a repudiatory breach of contract. Accordingly, management are of the view that no additional provision shall necessarily be made for the remaining claim amounts. Should the Group win the case in the end, the trade payables in relation to the Delivered Masks will be derecognised.

As the court case is still at an early stage, final outcome of the litigation and the actual financial impacts to the consolidated financial statements cannot be estimated with certainty. Nonetheless, should Wise Fine lose the legal case in full, Wise Fine would have to record additional loss from litigation of HK\$17,936,000, being the claim sum submitted by the Supplier for the undelivered committed masks plus legal costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

32 RELATED PARTY TRANSACTIONS

As at 31 March 2024, the major shareholders of the Company are ACAC Investment Limited, SCSC Holdings Limited and CCST Investment Limited, which owned 25%, 25% and 25% of the Company's issued shares respectively. The ultimate controlling parties of the Group are Mr. Chan Kam Chuen, Andrew, Mr. Chan Siu Cheung, Stephen and Mr. Chau Wing Kong, William, the directors of the Company, respectively.

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The following individuals and companies are related parties of the Group that had balances and/or transactions with the Group during the years ended 31 March 2024 and 2023.

| Name of related parties | Relationship with the Group |
|--------------------------------|--|
| Mr. Chan Kam Chuen, Andrew | Controlling Shareholder |
| Mr. Chan Siu Cheung, Stephen | Controlling Shareholder |
| Mr. Chau Wing Kong, William | Controlling Shareholder |
| Best Source Enterprise Limited | Controlled by Mr. Chan Kam Chuen, Andrew, Mr. Chau Wing Kong, William and Mr. Chan Siu Cheung, Stephen |

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related transactions during the years ended 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

32 RELATED PARTY TRANSACTIONS *(Continued)*

- (b) In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Operating lease rental paid to a related party – Best Source Enterprise Limited | 8,069 | 7,820 |

Sales of goods and rental expenses and income were based on terms mutually agreed with related parties and in the ordinary course of business.

(c) Key management compensation

Key management includes Executive Directors and the senior management of the Group.

Compensation of the key management personnel of the Group, including director's remunerations as disclosed in Note 10 to the consolidated financial statements, was as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 |
|--|------------------|------------------|
| Wages, salaries, bonuses and allowances | 3,801 | 3,710 |
| Pension costs – defined contribution plans | 79 | 79 |
| | 3,880 | 3,789 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

| <i>Note</i> | As at 31 March 2024 HK\$'000 | As at 31 March 2023 HK\$'000 | |
|---|---|---|----------------|
| ASSETS | | | |
| Non-current asset | | | |
| | Investments in subsidiaries | 76,212 | 76,212 |
| Current assets | | | |
| | Amounts due from subsidiaries | 98,047 | 97,241 |
| | Prepayments | – | 13 |
| | Cash and cash equivalents | 190 | 982 |
| | 98,237 | 98,236 | |
| | Total assets | 174,449 | 174,448 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| | Share capital | 4,000 | 4,000 |
| | Reserves (a) | 159,655 | 159,655 |
| | Retained earnings (a) | 10,794 | 10,793 |
| | Total equity | 174,449 | 174,448 |
| | Total equity and liabilities | 174,449 | 174,448 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Statement of financial position of the Company (Continued)

Note:

(a) Reserve movement of the Company

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------------|----------------------------------|-------------------|
| Balances at 1 April 2022 | 83,443 | 76,212 | 4,794 | 164,449 |
| Total comprehensive income | | | | |
| Profit for the year | – | – | 15,999 | 15,999 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends | – | – | (10,000) | (10,000) |
| Balances at 31 March 2023 | 83,443 | 76,212 | 10,793 | 170,448 |
| Balances at 1 April 2023 | 83,443 | 76,212 | 10,793 | 170,448 |
| Total comprehensive income | | | | |
| Profit for the year | – | – | 20,001 | 20,001 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends | – | – | (20,000) | (20,000) |
| Balances at 31 March 2024 | 83,443 | 76,212 | 10,794 | 170,449 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of the directors for the year ended 31 March 2024 are set out below:

| | Fees HK\$'000 | Salaries HK\$'000 | Discretionary bonuses HK\$'000 | Allowances and benefits in kind HK\$'000 | Employer's contribution to a retirement benefit scheme HK\$'000 | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK\$'000 | Total HK\$'000 |
|--|------------------|----------------------|--------------------------------------|---|--|--|-------------------|
| Year ended 31 March 2024 | | | | | | | |
| <i>Executive Directors</i> | | | | | | | |
| Mr. Chan Kam Chuen, Andrew (Chairman & CEO) | - | 972 | - | - | 18 | - | 990 |
| Mr. Chau Wing Kong, William | - | 751 | - | - | 18 | - | 769 |
| Mr. Chan Siu Cheung, Stephen | - | 751 | - | - | 18 | - | 769 |
| Ms. Tin Hau Ling, Janny | - | 144 | - | - | 7 | - | 151 |
| <i>Independent Non-executive Directors</i> | | | | | | | |
| Mr. Pang Koon Kwai | 144 | - | - | - | - | - | 144 |
| Mr. See Hung Yan, Peter | 144 | - | - | - | - | - | 144 |
| Mr. Chung Kwok Mo, John | 144 | - | - | - | - | - | 144 |
| | 432 | 2,618 | - | - | 61 | - | 3,111 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

34 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remunerations of the directors for the year ended 31 March 2023 are set out below:

| | Fees HK\$'000 | Salaries HK\$'000 | Discretionary bonuses HK\$'000 | Allowances and benefits in kind HK\$'000 | Employer's contribution to a retirement benefit scheme HK\$'000 | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK\$'000 | Total HK\$'000 |
|--|------------------|----------------------|--------------------------------------|---|--|--|-------------------|
| Year ended 31 March 2023 | | | | | | | |
| <i>Executive Directors</i> | | | | | | | |
| Mr. Chan Kam Chuen, Andrew (Chairman & CEO) | - | 950 | - | - | 18 | - | 968 |
| Mr. Chau Wing Kong, William | - | 734 | - | - | 18 | - | 752 |
| Mr. Chan Siu Cheung, Stephen | - | 734 | - | - | 18 | - | 752 |
| Ms. Tin Hau Ling, Janny | - | 144 | - | - | 7 | - | 151 |
| <i>Independent Non-executive Directors</i> | | | | | | | |
| Mr. Pang Koon Kwai | 144 | - | - | - | - | - | 144 |
| Mr. See Hung Yan, Peter | 144 | - | - | - | - | - | 144 |
| Mr. Chung Kwok Mo, John | 144 | - | - | - | - | - | 144 |
| | 432 | 2,562 | - | - | 61 | - | 3,055 |

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Company or operating subsidiaries and no directors waived or agreed to waive any emolument during the years ended 31 March 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

34 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 March 2024 (2023: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 March 2024 (2023: Nil).

(c) Consideration provided to third parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended 31 March 2024 (2023: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 32, there were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 March 2024 (2023: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the Note 32, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2024 (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

35.1 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

35.1 Principles of consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transaction with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Gains or losses on disposals to non-controlling interests are also recorded in equity. When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

35.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Directors who make strategic decisions.

35.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other losses".

35.4 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

35.5 Financial assets

(a) Classification

The Group classifies its financial assets in those to be measured subsequently at fair value (either through OCI or through profit or loss) and those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

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

(c) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other losses" together with foreign exchange gains and losses.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details. For cash at banks, short-term bank deposits, deposits and other receivables, the Group applies the general approach, expected credit losses are assessed according to change in credit quality since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

35.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

35.7 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

35.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

35.9 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

35.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

35.10 Borrowings *(Continued)*

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

35.11 Borrowing costs

Borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

35.12 Employee benefits

(a) Pension obligations

The Group operates a number of Mandatory Provident Fund Schemes established under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its employee. These plans are funded by payments from employees and by the Group and the Group's contributions to the plans are expensed as incurred. The assets are held separately from those of the Group and managed by related independent professional fund managers.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

35.12 Employee benefits *(Continued)*

(d) Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

(e) Termination benefits

Termination benefits are payable when the employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer.

35.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions mainly comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

35.14 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

35.15 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

35.16 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

35.17 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

35.18 Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated statement of comprehensive income immediately.

FINANCIAL INFORMATION SUMMARY

RESULTS

| Results | Year ended 31 March | | | | |
|---------------------------------|----------------------------|----------|----------|----------|----------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 520,813 | 486,800 | 468,239 | 483,068 | 513,743 |
| Profit/(loss) before income tax | 40,994 | 32,664 | 890 | (2,977) | 856 |
| Income tax (expenses)/credit | (6,134) | (3,626) | 355 | 4,593 | 951 |
| Profit for the year | 34,860 | 29,038 | 1,245 | 1,616 | 1,807 |

| Assets, equity and liabilities | As at 31 March | | | | |
|---------------------------------------|-----------------------|----------|----------|----------|----------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| ASSETS | | | | | |
| Non-current assets | 80,774 | 71,163 | 77,859 | 100,094 | 140,328 |
| Current assets | 186,480 | 196,510 | 173,948 | 175,590 | 178,500 |
| Total assets | 267,254 | 267,673 | 251,807 | 275,684 | 318,828 |
| EQUITY AND LIABILITIES | | | | | |
| Total equity | 162,567 | 148,687 | 130,939 | 130,674 | 136,358 |
| Non-current liabilities | 25,400 | 15,875 | 18,488 | 26,025 | 39,351 |
| Current liabilities | 79,287 | 103,111 | 102,380 | 118,985 | 143,119 |
| Total liabilities | 104,687 | 118,986 | 120,868 | 145,010 | 182,470 |
| Total equity and liabilities | 267,254 | 267,673 | 251,807 | 275,684 | 318,828 |