



Grand Brilliance

Group Holdings Limited

君百延集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8372

ANNUAL REPORT
2023

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Hong Kong Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Hong Kong Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report, for which the directors (the “Directors”) of Grand Brilliance Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group” or “We”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Hong Kong Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading and deceptive; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Ms. Wong Bik Kwan Bikie
(Chairman and Chief Executive Officer)

Non-executive Directors

Dr. Miu Yin Shun Andrew
Mr. Chiu Man Wai

Independent non-executive Directors

Mr. Ng Leung Sing *SBS, JP*
Mr. Wong Lung Wo James
Mr. Chow Ming Po Aaron

AUDIT COMMITTEE

Mr. Wong Lung Wo James *(Chairman)*
Mr. Chow Ming Po Aaron
Dr. Miu Yin Shun Andrew

REMUNERATION COMMITTEE

Mr. Chow Ming Po Aaron *(Chairman)*
Mr. Wong Lung Wo James
Ms. Wong Bik Kwan Bikie

NOMINATION COMMITTEE

Mr. Ng Leung Sing *SBS, JP (Chairman)*
Mr. Chow Ming Po Aaron
Mr. Chiu Man Wai

COMPANY SECRETARY

Ms. Lee Ka Man

AUTHORISED REPRESENTATIVES

Ms. Wong Bik Kwan Bikie
Ms. Lee Ka Man

COMPLIANCE OFFICER

Ms. Wong Bik Kwan Bikie

AUDITOR

BDO Limited
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2901–2903 and 2905
29/F, The Octagon
6 Sha Tsui Road
Tsuen Wan
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

STOCK CODE

8372

COMPANY WEBSITE

www.grandbrilliancegroup.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors of the Group, I am pleased to present this annual report of the Group for the year ended 31 March 2023.

The global market is full of challenges in the Coronavirus Disease 2019 ("COVID-19") outbreak. As challenges bring opportunities, we strived harder to prepare ourselves and actively leverage our strength to diversify product portfolio, broaden customer base and introduce technology advance.

Looking ahead, while China and Hong Kong have lifted COVID-19 restrictions, we continue to be optimistic on the outlook of the medical and healthcare industry, attributable to the increase of aging population and rising healthcare awareness of the public in Hong Kong together with our automation solution to eliminate the medical manpower shortage crisis in Hong Kong. The Group is looking for suitable investment opportunities to diversify business and bring better investment return to the shareholders of the Company.

Last but not least, I wish to take this opportunity to express my sincere thanks to our customers, staff, business partners and shareholders for their unremitting confidence in and support for the Group. I would also like to extend by heartfelt appreciation to the Board for their efforts and contributions to the Group's expeditious business growth.

Wong Bik Kwan Bikie

Chairman and Chief Executive Officer

Hong Kong, 16 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

We are an established medical device distributor and one-stop medical device solutions provider with over 20 years of experience in the medical device market in Hong Kong.

BUSINESS REVIEW

For the year ended 31 March 2023, the Group continued to implement our business strategy to solidify our position as a major medical device distributor in Hong Kong. We have established an associate company which will facilitate and bring about the Group's future business development in developing and establishing autonomous mobile robot solutions in the healthcare industries in order to support and sustain the growth of our business and expand our business. The Group achieved its business growth through diversifying the product portfolio and enhancing our research and development ability.

During the year ended 31 March 2023, Hong Kong's economy was significantly affected by the COVID-19 outbreak, the number of visitor to Hong Kong had greatly reduced. The spending plans of our customers have been disrupted or postponed by the outbreak of COVID-19. The above situation has been improved when China and Hong Kong lifted COVID-19 restrictions during the year. The Group will further expand the product portfolio and enhance the customer services to enhance our one-stop medical device solutions services.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 6.6%, from approximately HK\$72.0 million for the year ended 31 March 2022 to approximately HK\$76.7 million for the year ended 31 March 2023. The increase was primarily attributable to the increase in revenue generated from medical equipment and consumables by the economic recovery from the lifted of COVID-19 restrictions.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK\$39.5 million for the year ended 31 March 2023, representing an increase by approximately HK\$3.2 million or 8.7%, as compared to approximately HK\$36.3 million for the year ended 31 March 2022. Gross profit margin increased from approximately 50.5% for the year ended 31 March 2022 to approximately 51.5% for the year ended 31 March 2023. The increase in gross profit margin was mainly due to the improvement in cost control of transportation costs.

Administrative and other operating expenses

Administrative and other operating expenses mainly included auditor's remuneration, advertising and marketing expenses, depreciation, Directors' remuneration, legal and professional fee, rent, rates and management fee for office and warehouses, recruitment costs, staff costs, travelling and entertainment expenses and other miscellaneous expenses.

Administrative and other operating expenses for the year ended 31 March 2023 amounted to approximately HK\$30.5 million, representing an increase by approximately HK\$1.3 million or 4.2%, as compared to approximately HK\$29.2 million for the year ended 31 March 2022. The increase was primarily attributable to the increase of rent, rates and management fee of the Group for the year ended 31 March 2023.

Income tax expenses

Income tax expenses for the year ended 31 March 2023 amounted to approximately HK\$1.8 million (2022: approximately HK\$1.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year

The Group's profit increased by approximately HK\$3.6 million from approximately HK\$4.0 million for the year ended 31 March 2022 to approximately HK\$7.6 million for the year ended 31 March 2023. The increase was primarily attribute to (i) increase in revenue; and (ii) one-off employment support scheme government grant for the year ended 31 March 2023.

DIVIDEND

The Board has declared the payment of an interim dividend of HK0.4 cent (2022: HK0.3 cent) per ordinary share in lieu of final dividend for the year ended 31 March 2023. It is expected that the interim dividend will be paid on or before Monday, 14 August 2023 to the shareholders of the Company whose name appear on the register of members on Friday, 7 July 2023.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

As at 31 March 2023, current assets amounted to approximately HK\$101.6 million (2022: approximately HK\$97.4 million). Current liabilities were approximately HK\$15.9 million (2022: approximately HK\$14.7 million).

Financial Resources

As at 31 March 2023, the Group had total cash and bank balances of approximately HK\$61.1 million (2022: approximately HK\$55.3 million).

As at 31 March 2023, the Group had trade receivables of approximately HK\$15.7 million (2022: approximately HK\$17.3 million).

Gearing Ratio

The gearing ratio of the Group as at 31 March 2023 was nil (2022: nil) as the Group had no material debt financing.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company since the listing. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2023, the Company's issued share capital was HK\$8,000,000 and the number of issued ordinary shares was 800,000,000 of HK\$0.01 each. Details of the Group's share capital are set out in note 26 to the consolidated financial statements in this annual report.

COMMITMENTS

As at 31 March 2023, the Group did not have any significant capital commitments (2022: nil).

SEGMENT INFORMATION

Segment information is disclosed in note 6 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 19 March 2018 (the “Prospectus”) and as set out in the announcement of the Company dated 24 November 2021 (the “Announcement”), the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2023.

SIGNIFICANT INVESTMENTS

As at 31 March 2023, there was no significant investment held by the Group (2022: nil).

CONTINGENT LIABILITIES

As at 31 March 2023, the Group had no material contingent liabilities (2022: nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with certain business transactions being settled in HK\$, United States dollars (“US\$”) or Euro. As HK\$ is pegged to US\$, the Directors do not expect any significant movement in the US\$/HK\$ exchange rate. The Group monitors its foreign currency exposure closely and will consider undertake foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group’s operating result.

CHARGE OF GROUP’S ASSETS

No pledged bank deposits was placed in bank to secure the banking facilities of the Group as at 31 March 2023 and 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group has a total of 41 employees (2022: 41 employees). Staff costs, including Directors’ remuneration, of the Group were approximately HK\$18.4 million for the year ended 31 March 2023 (2022: approximately HK\$18.2 million). Remuneration is determined with reference to factors such as comparable market salaries and work performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to employees with outstanding performance to attract and retain eligible employees to contribute to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS STRATEGIES AND ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 31 March 2023.

Business objectives as stated in the Prospectus

Actual business progress up to 31 March 2023

Further penetrate the medical device market and enhance the market share

The Group has been participating in various local and international trade shows, exhibitions including Hospital Authority Convention, Hong Kong International Medical and Healthcare Fair and Pediatric Society Annual Scientific Meeting.

The Group has re-designed and enhanced our website to include an e-commerce platform to serve our retail customers online.

The Group has purchased samples of medical devices for display in our showroom for our customers' inspection before ordering.

Expand the workforce

The Group has recruited and retained seven product representatives, two engineers, one warehouse staff, two R&D staff, one administration staff, two marketing staff and one accounting staff.

Selectively pursue opportunities for strategic acquisitions

The Group is in the process of identifying potential acquisition target with prudence.

Enhance the research and development and product development effort

The Group has recruited two software engineer to strengthen our product research and development capability and researching certain medical and healthcare automation solutions.

The Group has purchased some new hardware and software for research and development purpose.

Upgrade the information technology systems

The Group has purchased some new hardware and software and engaged an independent consultant to implement an enterprise resources planning system and upgrade the information technology infrastructure.

Maximise the warehouse space, establish the showroom and upgrade the functionality of office space

The Group has established a new showroom and installed racks to fully utilise the vertical space of our warehouses.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The actual net proceeds from the Share Offer, after deducting the listing-related expenses, were approximately HK\$31.2 million, compared to the estimated net proceeds of approximately HK\$33.1 million as disclosed in the Prospectus. The difference of HK\$1.9 million between the actual and estimated amount of the net proceeds has been adjusted in the same manner as stated in the Prospectus.

As set out in the Announcement, the Board resolved to change in the use of unutilised Net Proceeds as of 24 November 2021.

As at 31 March 2023, the net proceeds had been applied and utilised as follows:

| Intended use of proceeds | Unutilised proceeds as at 31 March 2022 | Utilised proceeds during the year ended 31 March 2023 | Unutilised proceeds as at 31 March 2023 | Expected timeline of full utilisation of the balance |
|--|---|---|--|---|
| | HK\$ million | HK\$ million | HK\$ million | |
| General working capital | 4.5 | 2.6 | 1.9 | By end of 30 June 2024 |
| Develop own brand autonomous mobile robot solution to reduce the medical manpower shortage | 7.0 | 3.0 | 4.0 | By end of 30 June 2024 |
| | 11.5 | 5.6 | 5.9 | |

The business objectives, future plans and planned use of proceeds as stated in the Prospectus and the Announcement were based on the best estimation and assumption of the future market conditions made by the Group at the time of preparing the Prospectus and the Announcement, while the proceeds were applied based on the actual development of the Group's business and the market.

The discrepancy between the planned use of the net proceeds and the actual use mainly arose as a result of the actual market conditions affecting the Group. The continuing trade conflict between the U.S. and the PRC, the PRC's gradual economic slowdown and the outbreak of coronavirus (COVID-19) epidemic have presented the Group with uncertainties and multiple challenges, rendering the need for the Group to be prudent in implementing its future plans as set out in the Prospectus and the Announcement.

The Group intends to apply the net proceeds in the manner as stated in the Prospectus and the Announcement. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

The unused net proceeds have been deposited in licensed banks in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Ms. Wong Bik Kwan Bikie (黃碧君女士) (“Ms. Wong”), aged 54, is the Chairman, chief executive officer (“CEO”) and executive Director. Ms. Wong is also a member of the Remuneration Committee and compliance officer of the Company. Ms. Wong founded the Group in November 1997. Ms. Wong was appointed as the Director on 5 July 2017 and was redesignated as the executive Director on 18 September 2017 and appointed as the Chairman and the CEO on 1 March 2018. Ms. Wong also serves as a director of all of the subsidiaries of the Company. Ms. Wong is responsible for overseeing management and strategic planning and development of the Group’s business operations. Ms. Wong is the spouse of Dr. Miu Yin Shun Andrew, the non-executive Director.

Ms. Wong has over 29 years of experience in the medical device industry in Hong Kong. She obtained a Diploma in General Nursing from The Hong Kong Hospital Services Department School of General Nursing in July 1990. She subsequently obtained a degree of Master of Business Administration in September 1999 from the University of South Australia.

Ms. Wong was bestowed with the “GBA Outstanding Women Entrepreneur Awards 2018” by the Hong Kong Small and Medium Enterprises Association and Metro Finance in December 2018, “Junzi Corporation Award” by The Hang Seng University of Hong Kong in October 2019 and was granted the “Chinese Role Model • 2019 Outstanding Women” by the Central Newsreel & Documentary Film Studio of China Central Television Ms. Wong is a Vice Chairperson of Yan Oi Tong and Greater Bay Area Hong Kong Women Entrepreneurs Association and a Vice President of Federation of Hong Kong Zhuhai Community.

NON-EXECUTIVE DIRECTORS

Dr. Miu Yin Shun Andrew (苗延舜醫生) (“Dr. Miu”), aged 56, was appointed as the non-executive Director on 18 September 2017. He is also a member of the Audit Committee. Dr. Miu is responsible for providing consultation on technical information on medical devices.

Dr. Miu obtained a degree of Bachelor of Medicine and Bachelor of Surgery from the Chinese University of Hong Kong in December 1990. He was awarded a fellowship by the Royal College of Surgeons of Edinburgh in July 1995, a fellowship in orthopaedic surgery by the Royal College of the Surgeons of Edinburgh in February 2000, a fellowship by the Hong Kong College of Orthopaedic Surgeons in March 2000, a fellowship in orthopaedic surgery by the Hong Kong Academy of Medicine (in orthopaedics) in May 2000, a first fellowship in rehabilitation of the Hong Kong College of Orthopaedic Surgeons in October 2004. He then obtained a degree of Master of Science in Sports Medicine and Health Science from the Chinese University of Hong Kong in November 2015.

Dr. Miu has extensive experience of over 31 years in the medical industry. He is the spouse of Ms. Wong. Dr. Miu has been practising as an orthopaedic specialist in Elite Clinic Limited since November 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chiu Man Wai (趙文煒先生) (“Mr. Chiu”), aged 54, was appointed as the non-executive Director on 18 September 2017. He is also a member of the Nomination Committee. Mr. Chiu is responsible for advising on matters relating to investors' relations to the Group.

Mr. Chiu obtained a degree of Bachelor of Arts in Mathematics from Oxford University in June 1990. He also obtained a degree of Master of Science in Mathematical Modelling and Numerical Analysis from Oxford University in October 1991.

Mr. Chiu has extensive experience of over 28 years in the financial industry. Prior to joining the Group, Mr. Chiu was an investment analyst of the research department of Worldsec International Limited from March 1993 to April 1996 and served as a director of the research department of BNP Paribas Equities Hong Kong Limited from April 1996 to March 2004.

Moreover, Mr. Chiu has served as a director of Abridge Enterprises Company Limited since April 2007, which is mainly engaged in the provision of financial and investment services. He has also been a director of Technic Investment Company Limited since February 2004, a company whose principal business is investment. In addition, he has been a director of United Builders Insurance Company Limited since May 1996, a company whose principal business is insurance advisory services.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Leung Sing SBS, JP (吳亮星先生) (“Mr. Ng”), aged 73, was appointed as the independent non-executive Director on 1 March 2018. He is also the chairman of the Nomination Committee.

Mr. Ng has served as a director in Bank of China (Hong Kong) Trustees Limited since August 2009, an organisation whose principal business is in the provision of trust services. He has also served as a director in Hong Kong Mortgage Corporation Limited from April 2014 to April 2018. He is also an independent non-executive director of SmarTone Telecommunications Holdings Limited (stock code: 315) and Nine Dragons Paper (Holdings) Limited (stock code: 2689), of which the shares are listed on the Hong Kong Stock Exchange.

Mr. Ng Leung Sing was an independent non-executive director of Hanhua Financial Holding Co., Ltd. (stock code: 3903), a company listed on the Hong Kong Stock Exchange until 16 October 2022.

In addition, he has served as a Hong Kong deputy to the 10th, 11th, 12th and 13th National People's Congress of the People's Republic of China (“PRC”) since March 2003. He was previously a member of the Legislative Council of Hong Kong from 1998 to 2004 and 2012 to 2016, and a member of the Provisional Legislative Council of Hong Kong from 1996 to 1998. Moreover, he held the position of the trustee in the Hong Kong Government Land Fund from 1988 to 1997. He served as a Chinese representative in Sino-British Land Commission from 1988 to 1997. Mr. Ng obtained a Diploma in Chinese Law from the University of East Asia, Macau (currently known as the University of Macau) in May 1987.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Lung Wo James (黃龍和先生) (“Mr. Wong”), aged 68, was appointed as the independent non-executive Director on 1 March 2018. He is also the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Wong obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in October 1977. Mr. Wong is currently a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a fellow of The Hong Kong Chartered Governance Institute (former known as Hong Kong Institute of Chartered Secretaries). He was admitted an associate of The Association of Certified Accountants in May 1980, The Hong Kong Society of Accountants in January 1982, The Taxation Institute of Hong Kong in June 1982 and a fellow of the Chartered Association of Certified Accountants in May 1985. Mr. Wong was also admitted an associate of The Institute of Chartered Secretaries and Administrators in September 1980 and was subsequently elected its fellow in October 2013.

From June 1980 to November 2005, Mr. Wong has served as various roles in HSBC Holdings plc (stock code: 005), of which the share is listed on the Hong Kong Stock Exchange, for credit, syndications, project finance, securities custody, corporate banking and branches management. Mr. Wong worked in Computershare Hong Kong Investor Services Limited (“Computershare Hong Kong”) from December 2005 to December 2017 with his last position as chief executive officer Asia. He has been appointed as a senior executive advisor by Computershare Hong Kong from January 2018 to June 2018. Computershare Hong Kong is currently a subsidiary of Computershare Limited (stock code: CPU) which is listed on the Australian Securities Exchange Limited and whose principal business is in the provision of registry service, employee share plan managers, shareholder identification and proxy solicitation solutions, governance services and global solutions.

Mr. Chow Ming Po Aaron (周明寶先生) (“Mr. Chow”), aged 50, was appointed as an independent non-executive Director on 21 June 2021. He is also the chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee.

Mr. Chow is a practicing solicitor in Hong Kong. Mr. Chow obtained his Bachelor of Laws degree and Postgraduate Certificate in Laws from the University of Hong Kong respectively in 1995 and 1996. Mr. Chow was admitted as a solicitor of the High Court of Hong Kong in 1998. Mr. Chow is one of the founders of Hau V. & Chow, a firm of solicitors in Hong Kong, and has been a partner of the firm since 2006. Mr. Chow currently serves as the legal adviser for the Hong Kong Pui Ching Alumni Association Limited and an honorary legal adviser for the Hong Kong Chinese Civil Servants’ Association. Mr. Chow was an independent non-executive director of Wan Leader International Limited, a company listed on the Hong Kong Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Ho Hoi Yin (何海燕小姐) (“Ms. Ho”), aged 42, General Manager of the Group. Ms. Ho joined the Group in March 2020 as Sales Manager and responsible to lead a consumables sales team to achieve the company targets. In 2021, Ms. Ho became general manager of Group and responsible for overseeing the daily sales operation with her direct subordinates in sales and operations teams. She is also responsible for developing sales strategies, data analysis, sales forecasting, hiring, training, and troubleshooting day to day issues. Ms. Ho obtained her Bachelor of Commerce in Marketing and Advertising from the Curtin University of Technology. Prior to joining the Group, Ms. Ho has over 11 years’ work experience in medical device industry. She worked as a Product Manager at Synapse Therapeutics Limited from 2011 to 2018.

Mr. Cheung Chong Chi (張創智先生) (“Mr. Cheung”), aged 45, Chief Financial Officer of the Group. Mr. Cheung joined the Group on 12 August 2019. He is primarily responsible for overseeing accounting, financial management, company secretarial and internal control matters of the Group.

Mr. Cheung graduated from the Chinese University of Hong Kong with a Degree of Bachelor of Business Administration in May 1999. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants.

Mr. Lee Chun Sing (李春成先生) (“Mr. Lee”), aged 53, is the business development manager of the Group. Mr. Lee joined the Group as a business operation manager in January 1998 and is primarily responsible for the overall management of business development and formulation of business strategies. Mr. Lee obtained a Victorian Certificate of Education from the Victorian Curriculum and Assessment Board in January 1990. He has over 23 years of working experience in the medical equipment industry. Prior to joining the Group, Mr. Lee worked as an electrical engineer in Shell Electric Manufacturing (Holdings) Company Limited (a company listed on the Main Board (stock code: 81), currently known as China Overseas Grand Oceans Group Limited) from November 1994 to June 1995.

Mr. Lau Wai Man (劉偉民先生) (“Mr. Lau”), aged 36, is the manager in marketing, project and service engineering of the Group. Mr. Lau joined the Group in February 2015 and is primarily responsible for developing new business opportunities, and invention of new technology and marketing. Mr. Lau obtained a degree of Bachelor of Engineering in Medical Engineering from the University of Hong Kong in November 2008 and a degree of Master of Science in Biomedical Engineering from the Chinese University of Hong Kong in December 2009. Before joining the Group, Mr. Lau worked in AML Health Plus Limited, a company engaged in the manufacturing and export of medical and health care devices, from April 2010 to December 2014 where his last position was assistant marketing and project manager. Mr. Lau worked as a research assistant in the Prenatal Diagnostic Laboratory at Tsan Yuk Hospital under the University of Hong Kong from October 2009 to April 2010. He also worked as a junior research assistant in the Department of Medicine and Therapeutics of the Chinese University of Hong Kong from August 2008 to August 2009.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining robust corporate governance.

The Board believes that high standard of corporate governance is essential for the Group to enhance corporate value and accountability, safeguard shareholders' interests, set forth business development direction, develop internal controls and policies, and enhance transparency.

The Group has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix 15 to the GEM Listing Rules. The Board considers that the Group has complied with the all code provisions, except for code provision C.2.1 of the CG Code as mentioned below, for the financial year ended 31 March 2023.

CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it:

1. Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where staff have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term steady and sustainable growth, while having due considerations from environment, social and governance aspects.

Directors' Securities Trading Transactions

The Group has adopted a code of conduct set out in the "required standard of dealings" in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Group has made specific enquiries of all the Directors and the Directors have confirmed that they have been complying with the required standard of dealings and the related code of conduct regarding director's securities transactions.

As far as the Group is aware, the Directors and employees of the Group have not breached the required standard of dealings and the code of conduct.

CORPORATE GOVERNANCE REPORT

Board of Directors

There are currently six Directors, responsible for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board currently comprises the following Directors:

| | |
|----------------------------------|--|
| Ms. Wong Bik Kwan Bikie | Chairman, Chief Executive Officer and Executive Director |
| Dr. Miu Yin Shun Andrew | Non-executive Director |
| Mr. Chiu Man Wai | Non-executive Director |
| Mr. Ng Leung Sing <i>SBS, JP</i> | Independent non-executive Director |
| Mr. Wong Lung Wo James | Independent non-executive Director |
| Mr. Chow Ming Po Aaron | Independent non-executive Director |

Detailed biographical information of all Directors is contained in the “Biographical Details of Directors and Senior Management” section on pages 10 to 13.

For the financial year ended 31 March 2023, the Company has held four regular meetings at about quarterly intervals and one annual general meeting (“AGM”). The meetings were conducted either on in-person meetings and/or live tele-conference basis. The Company Secretary of the Company is responsible for maintaining full minutes of the Board meetings and Committee meetings which are open for inspection at any reasonable time on reasonable notice by any of our directors.

The attendance records of each Director and each member of the Board committees during the financial year ended 31 March 2023 are as follows:

| Members | Number of meetings attended/eligible to attend | | | | |
|--|--|----------------|-----------------|------------------------|----------------------|
| | AGM | Board meetings | Audit Committee | Remuneration Committee | Nomination Committee |
| <i>Executive Directors</i> | | | | | |
| Ms. Wong Bik Kwan Bikie | 1/1 | 4/4 | N/A | 1/1 | N/A |
| <i>Non-executive Directors</i> | | | | | |
| Dr. Miu Yin Shun Andrew | 1/1 | 4/4 | 5/5 | N/A | N/A |
| Mr. Chiu Man Wai | 1/1 | 4/4 | N/A | N/A | 1/1 |
| <i>Independent non-executive Directors</i> | | | | | |
| Mr. Ng Leung Sing <i>SBS, JP</i> | 1/1 | 4/4 | N/A | N/A | 1/1 |
| Mr. Wong Lung Wo James | 1/1 | 4/4 | 5/5 | 1/1 | N/A |
| Mr. Chow Ming Po Aaron | 1/1 | 4/4 | 5/5 | 1/1 | 1/1 |

CORPORATE GOVERNANCE REPORT

Our Board believes that it has achieved a balanced compositions, including but not limited to the following measurable objectives in terms of age, gender and length of services.

| Age group | No. of Directors in the category |
|-------------------------|---|
| Between 41–60 years old | 4 |
| Over 60 years old | 2 |

| Gender | No. of Directors in the category |
|---------------|---|
| Female | 1 |
| Male | 5 |

| Length of services | |
|---------------------------|---|
| 1 to 5 years | 1 |
| Over 5 years | 5 |

Except for that our Directors Dr. Miu Yin Shun Andrew and Ms. Wong Bik Kwan Bikie are in spousal relation, there are no other financial, business, family or other relevant relationships among our board members.

The Board, acting in the interest of the Group and its shareholders, is primarily responsible for overall strategic policy, business development, corporate governance, regulatory compliance and reporting, risk management, internal control systems, dividend policy, shareholders' relationship, accounting policies and financial statements, and other functions assigned to the Board in accordance with the Articles of Association (the "Articles of Association") of the Company.

The Board delegates the daily operations of the Group's business, execution of business development plan, implementation of risk management and internal controls to the management of the Group. The Board remains active in conducting regular reviews of the functions and performance of the management. The management of the Group must obtain the approval of the Board before entering into and arranging any significant transaction/contract.

For the financial year ended 31 March 2023, the Group has complied with the relevant GEM Listing Rules regarding (i) appointment of at least three independent non-executive Directors or to the level of one-third of the Board, among whom at least one independent non-executive Director has appropriate professional qualifications or accounting or related financial management expertise; and (ii) the majority of Audit Committee of the Group are independent non-executive Directors. As at the date of the annual report, each independent non-executive Director has made an annual independence confirmation and the Board is satisfied that all independent non-executive Directors are independent and comply with the independence guidelines of the GEM Listing Rules.

In accordance with the Articles of Association of the Company, at each AGM, one-third of the Directors (if their number is not multiples of three, the nearest but not less than one-third of the number) will retire on a rotation basis, while every Director shall retire at least once every three years at the AGM. A Director who retires on a rotating basis shall include a Director who wishes to retire and does not stand for re-election. Any other retiring Director shall be the Director with the longest term since the last re-election or appointment, if a number of Directors are re-elected on the same day, the Director to be retired shall be determined by drawing lots (unless otherwise agreed).

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code provides that the role of Chairman and chief executive officer should be separate and should not be performed by the same individual.

For the financial year ended 31 March 2023, the role of Chairman is performed by the CEO, Ms. Wong Bik Kwan Bikie. As the Chairman of the Board, Ms. Wong is responsible for the formulating, planning and directing the Group's overall strategy and always seeks for Board approval for any significant decisions and transactions.

Although Ms. Wong performs both roles, our Board has conducted an assessment and believed that the independence, effectiveness and functionality of the Board and the Group's operations has been and will be highly maintained together with independent check and balance measures in place as the Board has sufficient number of Directors who have diversified background and expertise.

Terms of appointment of non-executive directors

Dr. Miu Yin Shun Andrew has entered into an appointment letter for a term commencing from 17 September 2021, until his respective retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles of Association of the Company in force from time to time and can be terminated by either party by giving at least one month's notice in writing. Mr. Chow Ming Po Aaron has entered into an appointment letter for a term of three years commencing from 21 June 2021, Mr. Chiu Man Wai has entered into an appointment letter for a term of three years commencing from 17 September 2021 while Mr. Ng Leung Sing, *SBS, JP* and Mr. Wong Lung Wo James have respectively entered into an appointment letter for a term of three years commencing from 16 September 2022 subject to their respective retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles of Association of the Company in force from time to time, and subject to the relevant provisions of Companies Ordinance.

Board Committees

The Board has established three Board Committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Group. The terms of reference and assigned specific duties of the above committees are available on the GEM website and the Company's website.

All Directors (including independent non-executive Directors) bring valuable business experience, knowledge and expertise from different areas to the Board facilitating it to operate efficiently and effectively. All Directors have full and timely access to all information of the Group and to the services and advice of the Company Secretary and senior management. The Directors may, where appropriate, seek independent professional advice for performing their duties of the Group, at the expense of the Group. The Directors shall disclose the details of their other duties to the Group and the Board regularly reviews the contributions of the Directors in the discharge of their duties with the Group.

Audit Committee

The Board has complied with the provisions of the CG Code set out in Appendix 15 to the GEM Listing Rules and established the Audit Committee on 1 March 2018. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and on the Company's website.

The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely:

| | |
|-------------------------|--|
| Mr. Wong Lung Wo James | Chairman of Audit Committee & Independent non-executive Director |
| Mr. Chow Ming Po Aaron | Independent non-executive Director |
| Dr. Miu Yin Shun Andrew | Non-executive Director |

CORPORATE GOVERNANCE REPORT

The main responsibilities of the Audit Committee include, but not limited to:

- Making recommendations to the Board on the appointment, reappointment, resignation, dismissal and removal of the external auditors;
- Approving the remuneration and engagement terms of all services provided by the external auditors;
- Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process;
- Review of financial information of the Group, including the true and fairness of the quarterly, interim and annual financial statements, accounting policies and practice (or change in, if any), major judgmental areas, going concern consideration, compliance with accounting standards and GEM Listing Rules in relation to financial reporting;
- Reviewing the adequacy of resources, qualifications and experience of accounting staff, and their training programmes and budget of the Company's accounting and financial reporting function;
- Reviewing and monitoring the effectiveness and adequacy of the Group's risk management and internal control measures;
- Ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- Regularly report observations and make recommendations to the board (if any).

The Board as a whole acts as the corporate governance function of the Group, and holds the ultimate responsibilities for the following matters while the Board has delegates these duties to the Audit Committee.

- developing and reviewing the corporate governance policies and practices of the Company make recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of directors and senior management;
- reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct applicable to employees and directors; and
- reviewing the Company's compliance with the CG Code set out in Appendix 15 of the GEM Listing Rules and disclosure in the Corporate Governance Report.

For the financial year ended 31 March 2023, the Audit Committee has held five meetings, by means of live/teleconference, and performed its main duties, including (1) review and advise on the Group's annual reports and results announcements, the relevant accounting principles and practices adopted by the Group; (2) review the risk management and internal control procedures adopted by the Group, the internal control review report, and provide suggestions and comments thereon; and (3) review the effectiveness of the accounting function and internal audit function and provide suggestions and comments thereon.

In addition, the Audit Committee holds private meetings with external auditors in the absence of management to discuss the matters involved in the audit and other matters that the independent auditors wish to raise.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Board has complied with the provisions of the CG Code set out in Appendix 15 to the GEM Listing Rules and established the Remuneration Committee; and develop the terms of reference in writing on 1 March 2018.

The Remuneration Committee consists of two independent non-executive Directors and our CEO and executive Director namely:

| | |
|-------------------------|---|
| Mr. Chow Ming Po Aaron | Chairman of Remuneration Committee and Independent non-executive Director |
| Mr. Wong Lung Wo James | Independent non-executive Director |
| Ms. Wong Bik Kwan Bikie | CEO and Executive Director |

The Group adopts the remuneration committee model set out in E.1.2 (c) (ii) of Appendix 15 to the GEM Listing Rules.

The main duties of the Remuneration Committee include, but not limited to:

- make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration;
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; and
- ensure that no director or any of his associates is involved in deciding his own remuneration.

For the financial year ended 31 March 2023, the Remuneration Committee has held one meeting to review and make recommendations to the Board on the remuneration packages of individual executive Directors, the non-executive Directors, the independent non-executive Directors and senior management; and to review the bonus to senior management. There were no material matters relating to the share option schemes of the Company which required review or approval by the Remuneration Committee during the year.

Details of the senior management's emoluments by band are set out in note 12(c) to the consolidated financial statements.

Nomination Committee

The Board has complied with the provisions of the CG Code set out in Appendix 15 to the GEM Listing Rules and established the Nomination Committee on 1 March 2018. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

The Nomination Committee consists of two independent non-executive Directors and one non-executive Director, namely:

| | |
|----------------------------------|---|
| Mr. Ng Leung Sing <i>SBS, JP</i> | Chairman of Nomination Committee and Independent non-executive Director |
| Mr. Chow Ming Po Aaron | Independent non-executive Director |
| Mr. Chiu Man Wai | Non-executive Director |

The main responsibilities of the Nomination Committee include, but not limited to:

- reviewing the structure, size and composition (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually or when necessary;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships;

CORPORATE GOVERNANCE REPORT

- assessing the independence of the independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors;
- reviewing the board diversity policy, as appropriate and making recommendations on any required changes to the board for consideration;
- reviewing the measurable objectives under the board diversity policy and the progress of the attainment of the objectives, so as to ensure effective implementation; and make disclosure of its review results.

For the financial year ended 31 March 2023, the Nomination Committee has held one meeting to review the Board's composition, structure, size and diversity; and is of the view that the Board consisted of members with balanced and diversified attributes, such as gender, age, education background, professional qualifications, experience, skills and knowledge to discuss matter regarding the retirement and re-election of directors and succession planning for directors and to assess the independence of independent non-executive directors.

MECHANISM ON INDEPENDENT VIEWS TO THE BOARD

The Company recognises that board independence is critical to good corporate governance. The Board has established a mechanism to enable Directors to seek independent professional advice when exercising Directors' duties to ensure a strong independent element to the decision made by the Board which is key to an effective Board.

According to the mechanism, subject to the prior approval by the executive Director of the Company (which approval shall not be unreasonably withheld or delayed), the Directors may seek independent legal, financial or other professional advice from advisors independent of those advising the Company as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively, either on the Company's affairs or in respect of their fiduciary or other duties, at the Company's expense. In case of the Board is seeking independent professional advice, prior approval must be given by the executive Director of the Company (which approval shall not be unreasonably withheld or delayed).

The Board will review this mechanism on an annual basis to ensure the implementation and effectiveness of this mechanism.

Summary of board diversity policy (the "Policy")

The Company has adopted the Policy which is summarized as follows, including measurable objectives that the Company has set for implementing the Policy, and progress on achieving those objectives.

Policy Statement

The Company believes that board diversity is essential to achieve its strategic development and sustainable development.

In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments are based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board of directors (the "Board").

CORPORATE GOVERNANCE REPORT

Measurable Objectives

Selection of candidates of the Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time.

The ultimate decision is based on merit and contribution that the selected candidates can bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Board had achieved gender diversity of the Board since its listing. As at 31 March 2023, the members of the Board consist of five male members and one female member. The nomination committee will review annually the need for achieving higher gender diversity in the Company. Gender diversity at workforce levels (including our senior management) is disclosed in the Environmental, Social and Governance Report in this annual report.

Monitoring and Reporting

The Nomination Committee of the Company is responsible for reporting annually on the Board's composition under diversified perspectives, and monitoring the implementation of the Policy.

Review of the Policy

The Nomination Committee has reviewed the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will also discuss any revisions to the Policy that may be required, and recommend any such revisions to the Board for consideration and approval.

Disclosure of Policy

The Policy is published on the Company's website for public information.

Nomination Policy and Procedures

The Board has adopted a nomination policy setting out the selection criteria and procedures for the Nomination Committee to select and recommend suitable candidates for directorship in order to ensure the Board has a balanced and diversified skills, experience and perspectives.

The Nomination Policy requires Nomination Committee to consider a variety of factors, individually and collectively, in assessing the suitability of a proposed candidate, including but not limited to the following criteria:

- The Policy;
- Achievements, Professional qualification and experience appropriate to the business and compliance requirements of the Group;
- Sufficiency of time and interest commitment of the proposed candidates to the Group;
- Level of independence for the appointment of independent non-executive Director; and
- any other relevant and material factors as may be considered by the Nomination Committee.

The Board has also established nomination procedures for Directors' nomination pursuant to the GEM Listing Rules and the Company's Articles of Association as follows:

(a) Appointment of New Director

For proposed appointment of new Director, the Nomination Committee must call out a meeting and evaluate the proposed candidate based on the selection criteria mentioned above and make recommendations to the Board regarding whether the proposed candidates are qualified and appropriate for directorship.

CORPORATE GOVERNANCE REPORT

For directorship nomination proposed by Shareholders at the general meeting, the Nomination Committee should also evaluate such candidates in accordance to the same selection criteria and the Board should make recommendation to the Shareholders in respect of the proposed election of Director at the general meeting.

(b) Re-election of Director at general meeting

Retiring Directors are eligible for nomination by the Board to stand for re-election at the general meeting according to the Articles of Association of the Company.

The Nomination Committee and the Board should review the overall contribution, participation and performance of the retiring Director and the Board should then make recommendation to the Shareholders in respect of the proposed re-election of Director at the General Meeting.

DIRECTORS' TRAINING AND CONTINUOUS DEVELOPMENT

Each new Director is given formal, comprehensive and customised induction training at the time of first appointment to ensure their proper understanding of the Group's business and operations, and sufficient awareness of the Directors' duties and responsibilities under the GEM Listing Rules and related regulations. The Group also provides continuous briefings and training courses to Directors to keep them up to date on the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

The Company has received from all directors records of their continuous professional development training for the year ended 31 March 2023, details of which are set out below.

Participation of relevant continuing training courses regarding the latest regulatory requirements

| | |
|----------------------------------|---|
| Ms. Wong Bik Kwan Bikie | ✓ |
| Dr. Miu Yin Shun Andrew | ✓ |
| Mr. Chiu Man Wai | ✓ |
| Mr. Ng Leung Sing <i>SBS, JP</i> | ✓ |
| Mr. Wong Lung Wo James | ✓ |
| Mr. Chow Ming Po Aaron | ✓ |

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements for the financial year ended 31 March 2023, to reflect a true and fair financial position, results and cash flows of the Group for the year then ended, and the proper preparation of financial statements on an on-going basis in accordance with applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties that may affect the business of the Group or raise significant questions about the Group's ability to operate on an on-going basis.

AUDITOR'S STATEMENT AND REMUNERATION

The Directors acknowledged of their responsibility for preparing the financial accounts.

A statement by the Group's auditors on their reporting obligations in respect of the Group's financial statements for the year ended 31 March 2023 is set out in the "Independent Auditor's Report" section of this annual report.

For the financial year ended 31 March 2023, the remuneration of annual audit service provided by the auditor of the Company, BDO Limited, to the Group is HK\$590,000. Save as disclosed above, there was no other non-audit service provided by the auditor during the year ended 31 March 2023.

The Audit Committee has reviewed and approved the remunerations, service terms and independence of the auditors for the financial year ended 31 March 2023.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and its responsibility to continually review their effectiveness and adequacy.

The Group has established a risk management policy setting out the process of identification, evaluation and management of the principal risks affecting the business. Each division is responsible for identifying, assessing and managing risks within its divisions, identifying and assessing the principal risks on a quarterly basis with mitigation plans to manage those risks. The management is responsible for overseeing the risk management and internal control activities of the Group, attending quarterly meetings with each divisions to ensure principal risks are properly managed and new or changing risks are identified and documented. Lastly, the Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

For the financial year ended 31 March 2023, the Group has performed a risk assessment of its business and operations and, on that basis, have identified, evaluated and prioritised key risks from financial, operational compliance and risk management aspects. The Group is dedicated in designing and implementing controls and measures to manage the key risks to an acceptable and reasonable level, rather than eliminate them entirely.

The management has also confirmed to the Board and Audit Committee that there are no major deficiencies in the risk management and internal controls system of the Group.

The Group has engaged an independent professional internal control consultant firm (the "Internal Control Consultant") to review the entity level policies, risk assessment and internal control systems of major business processes of the Group for financial year ended 31 March 2023. The Internal Control Consultant performs the review, reports the relevant findings and recommendations to the Board and Audit Committee and follows up on management responses to the recommendations on an on-going basis. Overall, the Board considers the risk management and internal control system of the Group are effective and adequate.

The Group does not have an internal audit department and the Board has reviewed the need for an internal audit function and considered that it more cost-effective to appoint external independent professionals to independently review and continuously evaluate the group's internal monitoring systems and risk management systems, taking into account the size and nature of the Board. The Board will review the need for an internal audit function at least annually.

Whistleblowing Policy

The Board has adopted a whistleblowing policy (the "Whistleblowing Policy"). The purpose of the Whistleblowing Policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful and unethical behavior.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairman of the Audit Committee of the Company. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 March 2023 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Anti-corruption Policy

The Board has adopted an anti-corruption policy (the “Anti-corruption Policy”). The Group is committed to achieve the highest standards of integrity and ethical behaviour in conducting business. The Anti-corruption Policy forms an integral part of the Group’s corporate governance framework. The Anti-corruption policy sets out the specific behavioural guidelines that the Group’s personnel and business partners must follow to combat corruption. It demonstrates the Group’s commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group’s practices, the Anti-corruption policy has been prepared as a guide to all employees of the Group and third parties dealing with the Group.

The Anti-corruption policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

PROCEDURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has adopted a policy on disclosure of inside information. If the information is believed as inside information, and must be disclosed, the management must:

- (a) Escalate to the CEO and present the information to the Board;
- (b) Prepare an announcement to the Stock Exchange disclosing the inside information if the announcement is important;
- (c) Send the announcement to the Stock Exchange without delay and send a copy of the announcement to all Directors.

If the information is believed not price sensitive, and need not be disclosed, the management must explain the reason for non-disclosure and record the information in the disclosure file.

COMPANY SECRETARY

The Company has engaged and appointed Ms. Lee Ka Man, a representative from an external secretarial services provider, as the company secretary of the Company. The primary contact person with the company secretary of the Company is Mr. Cheung Chong Chi, Chief Financial Officer. Ms. Lee is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She has over 17 years of experience in the fields of company secretarial and compliance. Ms. Lee has confirmed that she has taken no less than 15 hours of relevant professional training pursuant to Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS’ RIGHT

The Board and management are committed to meeting and communicating with shareholders through the AGM of the Group, listening to shareholder opinions and answering questions from shareholders about the group and its business. The Chairman of the Board, the Directors and senior management attend the AGM of the Group to answer questions from shareholders.

In accordance with Article 58 of the Articles of Association of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

The requisition must be in writing specifying the objects of the meeting, and be signed by the shareholder(s) concerned and deposited at the principal place of business of the Company in Hong Kong.

Shareholders may also make enquiries or recommendations to Directors, company secretary and management at the Shareholders' Meeting. They may do so by sending an e-mail to ir@grandbrilliance.com or by calling the Group (tel: +852 2425 0926).

INVESTORS' RELATIONSHIP

The Company has adopted the Shareholders Communication Policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Group has established various channels of communication with shareholders and public investors to ensure that they are well-informed with the latest news and developments of the Group. The Group provides shareholders with up-to-date information on the Group's development, financial performance and results, and major transactions/decisions through annual, interim and quarterly reports. All published information is uploaded to the Group's website at www.grandbrilliancegroup.com or GEM website www.hkgem.com.

During the year, the Board has reviewed the implementation and effectiveness of the shareholders' communication policy and was satisfied with the said policy and considered the overall communication with shareholders was effective.

CONSTITUTIONAL DOCUMENT

The Articles of Association of the Company remains unchanged from the date of listing to 31 March 2023.

DIVIDEND POLICY

The Company has adopted a dividend policy on 21 June 2019 pursuant to the relevant GEM Listing Rules, Company's Articles of Association and relevant rules and regulations.

Purpose

The dividend policy (the "Dividend Policy") aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits as dividend to the shareholders of the Company (the "Shareholders").

Principles and Guidelines

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

1. the actual and expected financial performance of the Group;
2. the capital and debt level of the Group;
3. the general market conditions;
4. the expected working capital requirements, capital expenditure requirements and future development plans of the Group;
5. retained earnings and distributable reserves of the Company and each of the members of the Group;
6. the liquidity position of the Group;

CORPORATE GOVERNANCE REPORT

7. any restrictions on dividend payouts imposed by any of the Group's lenders;
8. the statutory and regulatory restrictions which the Group is subject to from time to time; and
9. any other relevant factors that the Board may deem appropriate.

Form of Dividend

Subject to the Company's Articles of Association, dividends may be paid in cash or be satisfied wholly or partly in the form of allotment of shares of the Company. The Board may also consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations.

General Restrictions

The payment of dividend by the Company is subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association of the Company.

Approval

According to the Articles of Association of the Company, any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an AGM and must not exceed the amount recommended by the Board. The Board may from time to time pay the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.

Clarification

There is no assurance that dividends will be paid in any particular amount for any specific period. The Company may at its discretion not to declare dividend in consideration of various factors, such as maintaining or adjusting the capital structure and reserving sufficient capital to capture future business opportunities, etc.

Review

The Board will from time to time review the Dividend Policy and may exercise at its absolute and sole discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary.

Disclosure of dividend policy

This Dividend Policy is published on the Company's website for investors' information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Grand Brilliance Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group” or “we”) is principally engaged in supplying medical devices and providing medical device solutions including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance.

This Environmental, Social and Governance Report (the “ESG Report”) summarises the environmental, social and governance (“ESG”) initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

The Group believes sustainability is the key to achieving continuing success and has integrated this key concept into its business strategy. In order to pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operations and governance perspective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAIRMAN'S STATEMENT

Dear valued stakeholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the ESG Report of the Group, which demonstrates our growing commitment to improving our ESG performance.

The Group believes that sustainable development is vital to the environment and contributes to the long-term prosperity and development of the Group's business. Therefore, the Group strives to formulate a sound governance structure to effectively manage ESG matters related to the Group. The Board must assess the potential impact of ESG issues on the overall strategy of the Group, set out ESG management approach and strategy, and supervise the Group's ESG issues. Information about the Group's governance structure is stated in the section headed "SUSTAINABILITY GOVERNANCE".

To identify and prioritise major ESG issues that have a significant impact on our operations and stakeholders, we continuously communicate with internal and external stakeholders. The Board has delegated the ESG Working Group (the "Working Group") and hired an independent third party to conduct materiality assessment. Information about the stakeholder engagement channels and the materiality assessment conducted by the Group is stated in the sections headed "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT" respectively. In order to have a deeper understanding of stakeholders' expectations of the Group's sustainable development, the Group will further strengthen its communication with stakeholders and formulate relevant policies and measures based on their opinions to improve the Group's ESG performance.

As an enterprise that upholds corporate social responsibility, the Group acknowledges the importance of reducing its impact on the environment. To fulfil the Group's commitment to corporate social responsibility and allow the Group's stakeholders to better understand the Group's progress in improving ESG performance, the Group has set targets for ESG issues that are material to the Group. The Board and the Working Group use the ESG-related data collected to compare the Group's performance in different years to track the progress of ESG targets. To achieve these targets, the Group actively implements the principles of sustainable development and adopts relevant measures at operational levels. These targets and environmental protection measures can help raise the environmental awareness of employees and enhance the Group's ESG performance. With reference to the stakeholders' opinions, the Board discusses the Group's ESG issues at least once per year and adjusts the Group's ESG management approach where appropriate.

In closing, on behalf of the Board and the management team of the Group, I would like to express my sincere gratitude to our valued stakeholders for their persistent support, while also expressing my appreciation to our employees for their valuable contribution to the development of the Group. Looking forward, the Group will continue to deepen the integration of ESG concepts into its business strategy and management system, and operate its business in a more responsible and sustainable manner in order to create sustainable value for shareholders and pursue a sustainable future.

Wong Bik Kwan Bikie

Chairman and Chief Executive Officer

Hong Kong, 16 June 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY GOVERNANCE

The Group has established the Working Group to raise employees' awareness of ESG issues. The Working Group is comprised of senior management and general staff with adequate knowledge of ESG. Its members span across different business departments. They are responsible for executing the Group's ESG measures, collecting and analysing ESG data, giving suggestions to the Board on ESG issues and reviewing ESG-related matters across the Group's different departments.

With the assistance of the Working Group, the Board continuously evaluates and monitors the Group's ESG performance, risk, opportunities and targets. The members of the Working Group regularly discuss the effectiveness of the Group's policies and procedures and seek opportunities to improve the Group's ESG performance. The Working Group reports its findings to the Board at least once per year so that the Board can find solutions to manage the Group's ESG risks and opportunities.

SCOPE OF REPORTING

Unless specified otherwise, the ESG Report focuses on the Group's operation as a medical device distributor in Hong Kong, which represents the Group's major sources of revenue. The ESG key performance indicators ("KPIs") data is gathered and included companies and subsidiaries under the Group's direct operational control. The reporting scope of the ESG Report is consistent with the one for the year ended 31 March 2022 ("FY2022"). The KPIs are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosures when and where applicable.

REPORTING FRAMEWORK

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited. Information relating to the Group's corporate governance practices has been set out in the Corporate Governance Report of this annual report.

During the preparation for this ESG Report, the Group has applied the reporting principles in the ESG Reporting Guide as follows:

Materiality: Materiality assessment was conducted to identify material ESG issues, thereby adopting the confirmed material ESG issues as the focus for the preparation of the ESG Report. The materiality of ESG issues was reviewed and confirmed by the Board and Working Group. For further details, please refer to the sections headed "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT".

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes.

Consistency: This ESG Report will use consistent disclosure methodologies to allow for meaningful comparisons of ESG data in the future. If there are any changes in the calculation methods that may affect comparisons with previous reports, the Group will provide explanations for the corresponding data.

Balance: This ESG Report aims to provide a balanced representation of the Group's ESG performance. It avoids selections, omissions, or presentation formats that may appropriately influence a decision or judgment by readers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures being taken by the Group during the financial year ended 31 March 2023 (the “Reporting Period” or “FY2023”).

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback regarding our businesses and ESG aspects. In order to understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to shareholders and investors, employees, customers, suppliers and business partners, government and regulatory authorities and media, non-governmental organisations and the public.

In formulating operational strategies and ESG measures, we take into account the stakeholders’ expectations and strive to improve the Group’s performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community by utilising diversified key communication channels, shown as below:

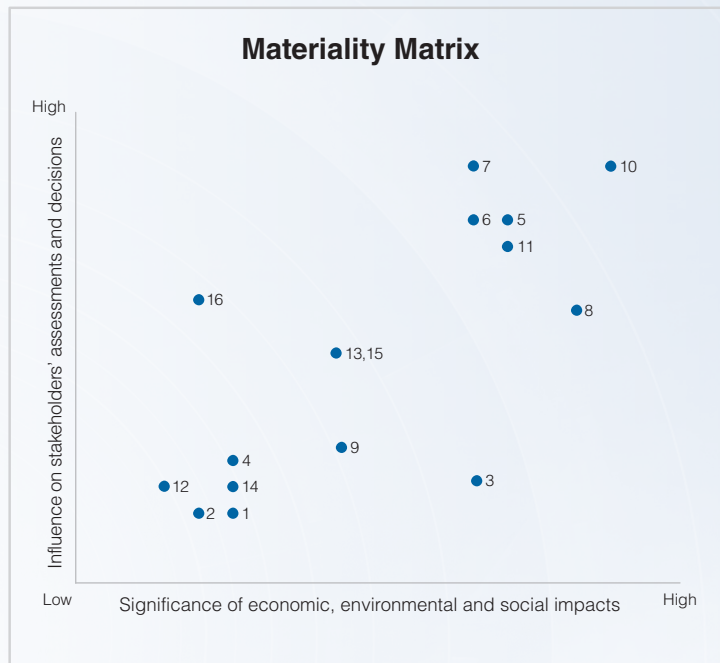
| Stakeholders | Key Communication Channels | Expectations and Concerns |
|--|--|---|
| Shareholders and investors | <ul style="list-style-type: none"> Financial reports Announcements and circulars General meetings and other shareholder meetings Company website | <ul style="list-style-type: none"> Corporate governance Financial performance Shareholder’s rights and interest Accurate, complete and timely information disclosure Business compliance |
| Employees | <ul style="list-style-type: none"> Regular performance review Training, seminars and briefing sessions Emails and notice boards | <ul style="list-style-type: none"> Employees’ compensation and benefits Health and safety working environment Career development |
| Customers | <ul style="list-style-type: none"> Service improving team Customer support hotline and email | <ul style="list-style-type: none"> High quality products and services Stable supplies of products Protect customers’ right |
| Suppliers and business partners | <ul style="list-style-type: none"> Regular meetings Supplier evaluation | <ul style="list-style-type: none"> Sustainable supply chain Fair and open procurement Stable business relationship Product safety Price competitiveness |
| Government and regulatory authorities | <ul style="list-style-type: none"> Company secretary Compliance manager On-site inspections Regulatory newsletters | <ul style="list-style-type: none"> Compliance with laws and regulations Environmental protection Contribution to society Corporate governance Product safety |
| Media, non-governmental organisations and the public | <ul style="list-style-type: none"> Community investment activities ESG reports Public welfare events | <ul style="list-style-type: none"> Involvement in communities Environmental protection awareness |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

We identified, assessed and disclosed ESG information that is material and relevant to our businesses and operations based on the above summarised expectations and concerns from our stakeholders, with reference to industry characteristics. The Group has compiled a questionnaire in accordance with the identified material ESG issues to collect information from relevant stakeholders. Stakeholders thoroughly assessed the materiality of each issues in terms of the level of influence on stakeholders' assessments and decisions as well as the level of significance of economic, environmental, and social impacts. The materiality assessment result is used to determine the focus of disclosure in the ESG Report and formulate the Group's ESG strategies.

The following is a matrix of the Group's material ESG issues included in the ESG Report:



| ESG Issues | | ESG Issues | |
|------------|------------------------------------|------------|-------------------------------------|
| 1 | Greenhouse Gas (“GHG”) Emissions | 9 | Supply Chain Management |
| 2 | Waste Management | 10 | Product Responsibility |
| 3 | Use of Resources | 11 | Customer Privacy Protection |
| 4 | Climate Change | 12 | Intellectual Property (“IP”) Rights |
| 5 | Employment | 13 | Advertising and Labelling |
| 6 | Health and Safety | 14 | Anti-corruption |
| 7 | Development and Training | 15 | Community Investment |
| 8 | Child and Forced Labour Prevention | 16 | Regulatory Compliance |

We understand the needs of and are committed to continuous evaluation of our ESG risk management and internal control systems. Accordingly, we have conducted and will continue with an on-going materiality assessment so as to further improve the related ESG concerns and data collection system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTACT US

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance which will help it continuously improve its sustainability performance. For any suggestions or opinions, questions or comments, please send to the Company through the communication channels as stated on the Company's website.

Reporting Mechanism

We welcome and provide channels for our stakeholders, including suppliers, customers and employees to report instances of suspected unethical act or potential breach of our policy. Suspected non-compliance may be reported to a manager, department head or senior executives.

Stakeholders may also submit enquiries or report suspected cases to our management through e-mailing info@grandbrilliance.com or by calling the Group (tel: +852 2425 0926).

A. ENVIRONMENTAL

A1. Emissions

The Group strives to protect the environment through the implementation of control and monitoring measures in its business activities and workplace. We are committed to promoting a green environment by introducing environmentally friendly business practices, educating our employees to enhance their awareness of environmental protection and complying with the relevant environmental laws and regulations.

As a corporation providing medical device distribution services, the Group's daily operations have limited impact on the environment while its emissions are limited to exhaust gas emissions, GHG emissions and waste disposal, which are mainly derived from the use of resources in its businesses in Hong Kong. With the aim of lowering the emissions of GHG, the Group focuses on nurturing and strengthening the employees' awareness of environmental protection in their daily work process, and actively implementing the Group's environmental protection measures.

In order to mitigate the environmental impact brought by the Group's operations, the Group has adopted and implemented the Corporate Social Responsibility Policy. This policy applies the waste management principles of "Reduce, Reuse, Recycle and Replace" as well as the emissions mitigation principle, with objectives of minimising the adverse environmental impacts and ensuring that the waste disposal or emissions being generated are conducted in an environmentally responsible manner.

Within its established Corporate Social Responsibility Policy, the Group is continually looking for different opportunities to pursue environmentally friendly initiatives and enhance its environmental performance by reducing energy consumption and the use of other resources.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant environmental laws and regulations in Hong Kong that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The relevant laws and regulations include, but are not limited to the Waste Disposal Ordinance (Cap. 354).

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Air Emissions

Air emissions from the Group's motor vehicles were the major sources of air pollutants within the Group. The Group has adopted several energy and resources conservation measures in achieving its goal of reducing pollution and use of energy, which include the following:

- Using fuels that comply with the environmental standards of the places where we operate for our vehicles;
- Refuelling at approved gasoline filling stations so as to ensure oil standard and quality;
- Encouraging our staff to utilise teleconferences and video conferences, to reduce air and GHG emissions related to transportation needed for meetings;
- Disposing of any vehicles that reached the useful life limit set by the authority; and
- Requiring drivers to turn off the engine and hand over the car key when waiting for loading and unloading.

The summary of air emissions performance was as follows:

| Indicators ¹ | Unit | FY2023 | FY2022 |
|------------------------------------|------|--------|--------|
| Nitrogen Oxides (NO _x) | g | 3,955 | 3,517 |
| Sulphur Oxides (SO _x) | g | 126 | 115 |
| Particulate Matter (PM) | g | 291 | 259 |

Note:

1. The calculation method and respective emission factors of air emissions were based on "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong Limited.

GHG Emissions

The principal GHG emissions of the Group were direct GHG emissions from the combustion of gasoline for the Group's vehicles (Scope 1), energy indirect GHG emissions from purchased electricity (Scope 2) and other indirect GHG emissions from business air travel and disposal of paper waste at landfills (Scope 3). The Group has set an emissions target of maintaining or reducing the total GHG emissions intensity in each of the years by the financial year ending 31 March 2030 ("FY2030"), using approximately 0.74 tonnes of carbon dioxide equivalent ("tCO₂e") per revenue in million in FY2022 as the baseline. During the Reporting Period, the Group's total GHG emissions intensity was approximately 0.82 tCO₂e per revenue in million (FY2022: approximately 0.74 tCO₂e per revenue in million), representing a year-on-year increase of approximately 10.81%. The increase in the Group's total GHG emissions intensity was mainly due to the Scope 3 GHG emissions for the Reporting Period newly included the GHG emissions from business air travel. The Group will continue its commitment to reduce its GHG emissions and actively adopts energy conservation measures as well as other initiatives to achieve the target, including:

- Actively adopting measures of environmental protection and energy conservation. Relevant measures are described in the sections headed "Air Emissions" and "Energy Management"; and
- Actively adopting paper saving measures in office. The relevant measures are described in the section headed "Waste Management".

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The summary of GHG emissions performance is as follows:

| Indicators ² | Units | FY2023 | FY2022 |
|---|---------------------------------------|--------|--------|
| Direct GHG emissions (Scope 1) — Gasoline consumption | tCO ₂ e | 23 | 21 |
| Energy indirect GHG emissions (Scope 2) — Purchased electricity | tCO ₂ e | 28 | 28 |
| Other indirect GHG emissions (Scope 3) — Business air travel and disposal of paper waste at landfills | tCO ₂ e | 12 | 4 |
| Total GHG emissions | tCO ₂ e | 63 | 53 |
| Intensity ³ | tCO ₂ e/revenue in million | 0.82 | 0.74 |

Notes:

- GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Bank Institute and the World Business Council for Sustainable Development, “How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange of Hong Kong Limited, the “Global Warming Potential Values” from the IPCC Fifth Assessment Report, 2015 (AR5) and the 2022 Sustainability Report published by the CLP Holdings Limited.
- During the Reporting Period, the total amount of the Group’s revenue was approximately HK\$76.7 million (FY2022: approximately HK\$72.0 million). The amount would also be used for calculating other intensity data.

Waste Management

Hazardous waste handling method

As the Group did not generate any hazardous wastes during the Reporting Period, the Group has not set any targets for hazardous waste management. However, it has established guidelines governing the management and disposal of hazardous waste. In case there is any hazardous waste produced, the Group must engage a qualified chemical waste collector to handle such wastes in order to comply with the relevant environmental laws and regulations.

Non-hazardous waste handling method

Although the Group only generated a minimal amount of non-hazardous waste, such as paper, that is mainly from office operation, the Group has placed great emphasis on waste reduction with the principle of “Reduce, Reuse, Recycle and Replace” to promote better utilisation of environmental resources.

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With the aim of minimising the environmental impact of non-hazardous waste that are generated from its business operations, the Group has developed relevant policies to promote resources conservation. The Group has set a waste generation target of maintaining or reducing the total non-hazardous waste intensity in each of the years by FY2030, using approximately 11.86 kg per revenue in million in FY2022 as the baseline. During the Reporting Period, the Group's total non-hazardous waste intensity was approximately 12.05 kg per revenue in million (FY2022: approximately 11.86 kg per revenue in million), representing a year-on-year increase of approximately 1.60%. The increase in the Group's total non-hazardous waste intensity was mainly due to the increase in business activities. The Group will continue its commitment to reducing its waste generation. The Group has implemented the following procedures to encourage employees to share responsibilities in waste management and minimise waste generations:

- Using double-sided printing or photocopying wherever possible;
- Recycling one-sided printed paper; and
- Placing "Green Message" reminders on office equipment.

The summary of non-hazardous waste generation performance is as follows:

| Indicators | Units | FY2023 | FY2022 |
|--|-----------------------|--------|--------|
| Paper | kg | 924 | 854 |
| Total non-hazardous waste generation Intensity | kg/revenue in million | 12.05 | 11.86 |

Discharges into Water

The Group does not consume significant amounts of water in its business operations, and therefore its business activities did not generate material portion of discharges into water during the Reporting Period. The majority of the water supply and discharge facilities are provided and managed by the property management company.

A2. Use of Resources

The Group strives to use its resources effectively, not only because of cost consideration, but because it is also beneficial to the environment and can improve the workplace condition for the Group's employees. The Group is committed to the responsible use of resources in its business operations and has developed green office initiatives to promote resources conservation among our staff.

Energy Management

The Corporate Social Responsibility Policy has been developed to set energy conservation as one of the Group's fundamental policies. All employees must implement the adopted measures, including the purchase of energy-efficient products and services, and assume responsibility for the Group's overall energy efficiency. By building up an energy management system, we develop and regularly review our energy objectives and targets to continuously enhance the Group's energy performance. Unexpected high consumption of electricity will be investigated to find out the root cause and preventive measures will be taken. The Group has set an energy use efficiency target of maintaining or reducing the total energy consumption intensity in each of the years by FY2030, using approximately 2,056.04 kWh per revenue in million in FY2022 as the baseline. During the Reporting Period, the Group's total energy consumption intensity was approximately 2,013.49 kWh per revenue in million (FY2022: approximately 2,056.04 kWh per revenue in million), representing a year-on-year decrease of approximately 2.07%. The Group will continue its commitment to reducing its energy consumption. The green office and energy conservation measures are listed as below:

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- Turning off the air-conditioning system and idle equipment at night or when staff leave the office to reduce electricity usage;
- Turning off the lights when the office can be dominated by natural light;
- Adopting higher energy-efficiency office equipment in our workplace;
- Posting electricity saving reminder labels in common areas; and
- Encouraging our staff to participate in campaign or activities relating to the promotion of energy conservation.

The summary of energy consumption performance is as follows:

| Indicators | Units | FY2023 | FY2022 |
|---|------------------------|----------|----------|
| Direct energy consumption — Gasoline consumption ⁴ | kWh | 82,763 | 75,913 |
| Indirect energy consumption — Purchased electricity | kWh | 71,672 | 72,122 |
| Total energy consumption | kWh | 154,435 | 148,035 |
| Intensity | kWh/revenue in million | 2,013.49 | 2,056.04 |

Note:

4. During the Reporting Period, gasoline consumption was equivalent to approximately 8,540 litres (FY2022: approximately 7,833 litres). The unit conversion calculation is based on the conversion factors in “How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange of Hong Kong Limited and the “Energy Statistics Manual” issued by the International Energy Agency.

Water Consumption

During the Group’s operation, water consumption is minimal, and is mainly for cleaning and sanitation. However, the Group endeavours to encourage all employees and customers to develop the habit of conserving water consciously. The Group has set a water efficiency target of maintaining or reducing the total water consumption in each of the years by FY2030, using approximately 2 cubic meters in FY2022 as the baseline. During the Reporting Period, the Group did not record any water consumption (FY2022: approximately 2 cubic meters). As some of the expenditure related to water consumption was not incurred by the Group during the Reporting Period, the Group was unable to obtain the complete water consumption data during the Reporting Period. The Group was only able to obtain water consumption of an employee toilet which was not used during the Reporting Period. However, the Group will continue its commitment to reduce its water consumption. The Group has been strengthening its water-saving promotion, posting water-saving slogans, and guiding employees to use water reasonably.

Due to the Group’s business nature and its operation location, there was no significant issue regarding sourcing water that is fit for purpose.

Packaging Materials

The Group only consumed a limited amount of plastic films in its business and operation, and therefore it is considered immaterial.

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A3. The Environment and Natural Resources

Although the core business of the Group has limited impact on the environment and natural resources, as an ongoing commitment to good corporate social responsibility, the Group recognises the responsibility of minimising the negative environmental impacts of its operations in achieving sustainable development to generate long-term values to its stakeholders and the community.

The Group has set up the Corporate Social Responsibility Policy to work tirelessly to mitigate the environmental impacts of its activities through adopting industry best practices, targeted at reduction of natural resources consumption and effective emission management. We regularly assess our businesses' environmental risks, and adopt preventive measures to reduce those risks and ensure compliance with relevant laws and regulations.

Indoor Air Quality

Good indoor air quality is important as employees spend most of their time working at office. Indoor air quality in our workplace is regularly monitored and measured. Air pollutants, contaminants and dust particles are filtered out by air purifying equipment in the workplace, and regular cleaning of air conditioning system is conducted to ensure office's indoor air quality.

A4. Climate Change

The Group recognises that climate change has been affecting its stakeholders, business operations and communities in different aspects. The Group has formulated the Climate Change Policy to enhance its ability to respond to climate impacts and mitigate the risks and impacts of climate change on the Group, thereby helping the Group to adapt to and resist climate change. In FY2023, the Group paid close attention to the impact of climate change as described below.

Physical Risks

The increasing frequency and severity of extreme weather events such as extreme cold or extreme heat, storms, rainstorms and typhoons, could lead to an increased risk of power shortages, interrupt the supply chain and damage the Group's assets, disrupting the Group's operation. Climate change may lead to delay in shipment from our suppliers or to our customers and disruption on production of medical device, leading to increase in the cost of production, and higher price of medical devices, and resulting in reduced revenue, as well as increasing the cost of handling supply chain disruption and/or damaged sites. These events could also disrupt the work of employees and even cause casualties. As a countermeasure, the Group has formulated contingency arrangement to reduce or avoid losses when extreme weather events affect the Group's supply chain and/or operating sites. The Group will identify these risks and prioritise those that may have a significant impact to take precautionary measures in the first place. At the same time, the Group will examine the possibility of a change of business model to reduce or avoid these serious effects on business operations.

Transition Risks

To achieve sustainable development, governments are enacting climate-related legislation or tightening regulations to support the global vision of decarbonisation. The Stock Exchange of Hong Kong Limited has also required listed companies to enhance climate-related disclosures in their ESG reports, which may result in increased compliance costs. Failure to meet the climate change compliance requirements may expose the Group to risks of claims and lawsuits and the Group's corporate reputation may also decline.

The Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid reputational risks due to delayed response. In addition, in order to reduce the Group's environmental impact and to comply with the requirements of The Stock Exchange of Hong Kong Limited, the Group has set targets to reduce energy consumption and GHG emissions. The Group will continue to assess the effectiveness of the Group's actions to address climate change and enhance its resilience against climate-related issues.

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B. SOCIAL

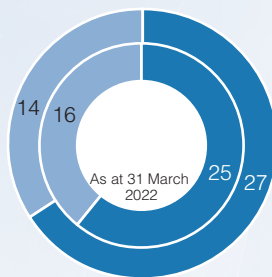
B1. Employment

Human resources are the foundation in supporting the development of the Group. Hence, the Group has adopted Human Resource Management Policy and procedures to fulfil its vision of people-oriented management and realise the full potential of employees. These policies cover recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity, etc.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations in Hong Kong that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The relevant laws and regulations include, but are not limited to, the Employment Ordinance (Cap. 57), the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the Minimum Wage Ordinance (Cap. 608).

As at 31 March 2023, the Group had a total of 41 (As at 31 March 2022: 41) employees. As at 31 March 2023, all employees were full-time employees located in Hong Kong. Further illustrations of our staff composition are as follows:

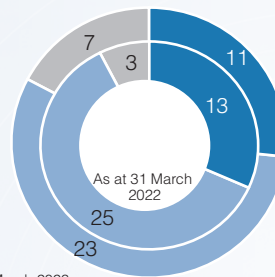
By Gender



As at 31 March 2023

■ Male ■ Female

By Age Group



As at 31 March 2023

■ 18-35 years old ■ 36-55 years old
■ 56 years old or above

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The Group's overall turnover rate⁵ during the Reporting Period was approximately 19.5% (FY2022: approximately 5.3%). The Group's turnover rate by gender, age group and geographical region⁶ was as follows:

| Indicators | Unit | FY2023 | FY2022 |
|-------------------------------|------|--------|--------|
| Overall turnover rate | % | 19.5 | 5.3 |
| By gender | | | |
| Male | % | 19.2 | 4.4 |
| Female | % | 20.0 | 6.7 |
| By age group | | | |
| 18–35 | % | 33.3 | 7.7 |
| 36–55 | % | 16.7 | 4.4 |
| 56 or above | % | – | – |
| By geographical region | | | |
| Hong Kong | % | 19.5 | 5.3 |

Notes:

- The calculation method of the overall turnover rate: $(\text{the total number of departures in the year} \div ((\text{the total number of employees at the beginning of the year} + \text{the total number of employees at the end of the year}) \div 2)) \times 100\%$.
- The calculation method of the employee turnover rate by category: $(\text{the number of departures in the category in the year} \div ((\text{the number of employees in the category at the beginning of the year} + \text{the total number of employees in the category at the end of the year}) \div 2)) \times 100\%$.

Recruitment, Promotion and Dismissal

We apply robust and transparent recruitment processes based on merit selection against the job criteria, and recruit individuals based on their experience, qualifications and expertise required for the position and potential to fulfil the Group's current and future needs.

Our basis for compensation and promotion are job-related skills, qualifications and performances, ensuring that we treat and evaluate employees and applicants in a fair way and compensate employees relative to the industry and local labour markets in which we operate, which consists of competitive level of fixed and variable compensation.

Unreasonable dismissal under any circumstances is forbidden in the Group. Dismissal process will only be preceded with a reasonable basis and a warning letter must be sent prior to the dismissal. Official dismissal will only be considered when the employee fails to correct the problems after receiving warning letter.

Employee Welfare

The Group determines the employee's remuneration based on factors such as qualification, contribution and years of experience. Remuneration packages include holidays, annual leave, medical scheme, dental scheme, group insurance, mandatory provident fund and discretionary bonus. The key principle of the Group's remuneration policy is to remunerate employees in a manner that is market competitive. The Group regularly carries its staff evaluation to assess their performance.

In addition, the Group has formulated policies for determining the working hours and rest periods for employees following local employment laws.

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Diversity, Equal opportunity and Anti-discrimination

The Group is committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. With the aim of ensuring fair and equal protection for all employees, the Group has zero-tolerance for sexual harassment or abuse in the workplace in any form. The Group is dedicated to providing equal opportunity in all aspects of employment and maintaining workplace that is free from discrimination against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status and sexual orientation. During the Reporting Period, we pride ourselves on approximately 40% of our middle and senior management being female. The Group will continue to strive for providing equal opportunity and ensure a diverse and sustainable workforce in the face of a demographic environment.

B2. Health and Safety

We are committed to providing and maintaining a safe and healthy environment for all our employees. The Group has established relevant policies on the prevention and remediation of safety accidents, and detection of potential safety hazards in workplace, so as to maintain a safe working environment. During the Reporting Period, the Group recorded no lost days due to work injury (FY2022: Nil). No work-related fatalities occurred between 1 April 2020 and 31 March 2023.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations in Hong Kong that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. The relevant laws and regulations include, but are not limited to, the Occupational Safety and Health Ordinance (Cap. 509) and the Employees' Compensation Ordinance (Cap. 282).

Occupational Health and Safety

The Group follows the occupational health and safety guidelines recommended by the Labour Department and the Occupational Safety and Health Council.

Human Resource Department takes responsibilities for offices' occupational health and safety and relevant promotions and monitoring. It is responsible for monitoring and reviewing the safety and security management system periodically, and performing regular checking in the office to ensure the safety of employees. Moreover, we have provided a first aid box in the office and the supplies inside are regularly replenished. The Group acknowledges the relatively long time spent in front of computers by its employees working in the office and its potential harm to health. Therefore, the Group reminds its employees to pay attention to their work posture and encourages them to take their eyes off the computer and take a short break regularly. The Group's health and safety policy has been listed in its Staff Handbook, all accidents and health or safety problems are required to be reported to management as soon as possible.

On top of current practice, the Group has designed and implemented on-site and mechanical safety training to minimise the possibilities of significant occupational safety and health impacts. The Group is formulating occupational safety education and training for employees to enhance their safety awareness by introducing training course based on health and safety rules and regulations as stipulated in the Occupational Safety and Health Ordinance.

Other Health and Safety Measures

In the face of the Coronavirus Disease 2019 ("COVID-19") pandemic, the Group is highly conscious of the potential health and safety impacts brought to its employees. The Group has strengthened the sanitation of its operations to ensure a healthy and safe working environment. In addition, the Group has provided its employees with disinfection supplies like surgical masks, protective gowns and protective glasses subject to their needs. During the Reporting Period, the Group complied with public health and safety measures implemented by the local government to prevent the spread of the virus. The Group also sent out guidelines to employees advising on reporting measures in case of outbreak of the COVID-19 among employees and related family members.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3. Development and Training

Employee Development

The Group regards its staff as the most important asset and resource. The Group recognises the valuable contribution of its talents to the continued success of the Group. The Group is committed to inspiring its human capital towards delivering excellence. This is achieved through the development of training strategy that focuses on creating value and serving the needs of its customers, talents and society. In light of this, the Group provides regular training, development programmes and training sponsorship for its employees.

To ensure the effectiveness of the training programmes, the Group has developed relevant policies for controlling the related training procedures. A training plan is developed by the management based on the requirements of various departments and employees. Training content is regularly updated to ensure contents are relevant to stakeholders' changing needs such as laws and regulations, market trend, product trend and customer behaviour change. The Group encourages and supports employees to participate in personal and professional training to fulfil the needs of the Group's development. The Group also encourages the culture of sharing knowledge and experience. Meanwhile, the Group provides on-the-job training to enhance its staff's professional knowledge and expertise, as well as some external training courses and seminars. For example, during the Reporting Period, the Group's employees participated in a distributor sales meeting and training invitation by a medical device company in Singapore. The Group strives to keep its employees up-to-date with the industry trend and product development and accommodate the needs of different stakeholders, including customers and suppliers, better.

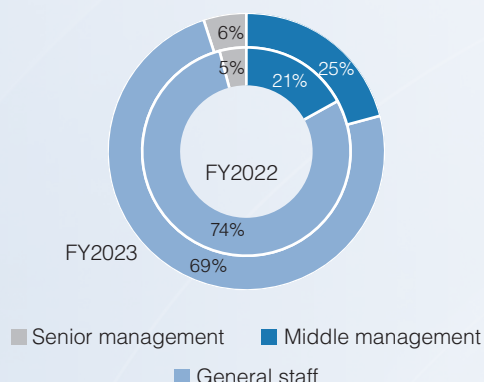
The Group believed that participating in exhibitions, tradeshow, or conventions, can help its employees to have better comprehension of the latest industry and market trends. The Group has been participating in various local and international trade shows and exhibitions including Hospital Authority Convention, Hong Kong International Medical and Healthcare Fair and Paediatric Society Annual Scientific Meeting in the past years. The Group will continue to be active in exhibitions, tradeshow and other industry events after the COVID-19 pandemic is stabilised and mass gathering event is resumed.

During the Reporting Period, the percentage of total employees trained⁷ was approximately 39% (FY2022: 100%). During the Reporting Period, the Group's average training hours completed per employee⁸ were approximately 9.0 hours (FY2022: approximately 9.9 hours). Training activities included but were not limited to safety regulations, performance management, business ethics and equipment and consumable training provided by suppliers.

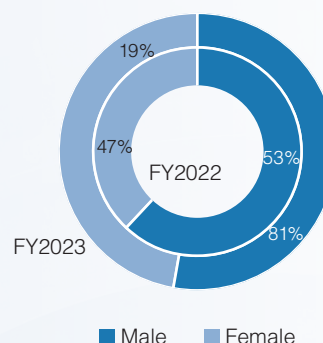
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Further illustrations of our training composition⁹ are as below:

By Employee Category



By Gender



The average training hours completed per employee¹⁰ were as follows:

| Indicators | Unit | FY2023 | FY2022 |
|---|-------|--------|--------|
| Average training hours completed per employee | hours | 9.0 | 9.9 |
| By employee category | | | |
| Senior management | hours | 3.4 | 2.0 |
| Middle management | hours | 26.4 | 11.1 |
| General staff | hours | 5.1 | 10.0 |
| By gender | | | |
| Male | hours | 10.9 | 11.4 |
| Female | hours | 5.3 | 7.6 |

Notes:

- The calculation method of the percentage of total employees trained: (the total number of employees trained in the year ÷ the total number of employees at the end of the year) × 100%.
- The calculation method of the average training hours completed per employee: the total training hours in the year ÷ the total number of employees at the end of the year.
- The calculation method of the percentage of employees trained by category: (the number of employees trained in the category in the year ÷ the total number of employees trained in the year) × 100%.
- The calculation method of the average training hours completed per employee by category: the training hours of employees in the category in the year ÷ the number of employees in the category at the end of the year.

We believe that a harmonious working environment could enhance the Group's performance. The Group has promoted team spirit, strengthened the interdepartmental communication and enhanced the work efficiency at workplace.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4. Labour Standards

Child and Forced Labour Prevention

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with local laws and conducts recruitment based on the Employment Ordinance (Cap. 57). During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to preventing child and forced labour in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, Employment Ordinance (Cap. 57).

The Group has established a recruitment process to check the background of candidates and the formal reporting procedures to deal with any exceptions, and conducts regular reviews and inspections to prevent child and forced labour in operation. Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' personal data. The Human Resources Department also ensures identity documents are carefully checked.

To prevent of forced labour, all employees enter into labour contracts on a voluntary and fair basis and are free to leave their position with proper notifications. The rights and responsibilities of employees, including code of conduct, working hour and remuneration, are listed in the employment agreement which every employee, has to sign before entering the Group, and the Staff Handbook, to ensure employees acknowledge their rights and prevent any form of forced labour. The Group's employees work overtime on a voluntary basis.

If child labour or forced labour is found to be employed as a result of a breach of the recruitment process, the Group will immediately stop the work of the child labour or forced labour and provide the necessary assistance for the affected individuals.

B5. Supply Chain Management

Suppliers of the Group's operation are primarily focused on supplying medical devices and providing medical device solutions, whereas suppliers of its medical devices services mainly comprised medical device manufacturers, technicians and quality inspectors, etc. The Group has maintained long-term and stable relationships with major suppliers and business partners. All suppliers and business partners are evaluated carefully and are subjected to regular monitoring and assessment. During the Reporting Period, the Group had a total of 53 suppliers (FY2022: 46). During the Reporting Period, all the Group's 53 suppliers met the standard in the Group's regular supplier performance evaluation or complied with the Group's Purchasing Policy. The Group's number of suppliers by geographical region was as below:

| Indicators | Unit | FY2023 | FY2022 |
|-------------------------------|--------|--------|--------|
| Total number of suppliers | number | 53 | 46 |
| By geographical region | | | |
| Mainland China | number | 22 | 19 |
| France | number | 4 | 4 |
| Germany | number | 5 | 5 |
| Hong Kong | number | 3 | – |
| Malaysia | number | 3 | 3 |
| Singapore | number | 1 | – |
| The United States | number | 15 | 15 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental and Social Risks of Supply Chain

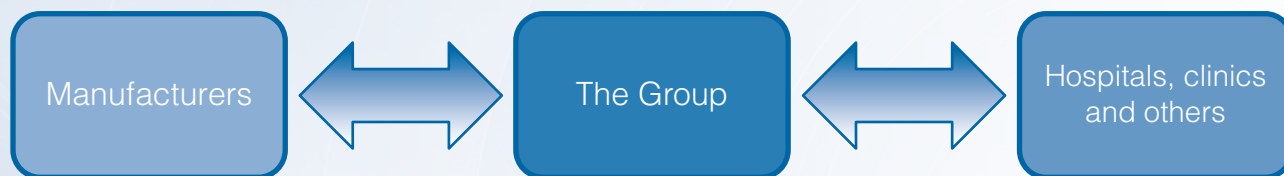
In view of the increasing environmental concerns in society, the Group is aware of the importance of managing environmental and social risks of its supply chain. The Group has embedded environmental and social considerations in the procurement process and supplier communication. The Group will continue to monitor its supply chain regarding the environmental and social standards. Besides the above management procedures, we have formulated the related policies to clearly classify the suppliers and business partners who deal with the Group, in order to manage the potential environmental and social risks along the supply chain.

We have also formulated the Purchasing Policy to ensure that the suppliers could be selected in a transparent and fair way. The Group should not differentiate or discriminate in the treatment of certain suppliers. The procedures include measures to prevent all kinds of business bribery and conflict of interest such as, the avoidance of employees' personal interests directly or indirectly in or given by the suppliers.

Suppliers Selection

Unless the customers specify, the Group selects its suppliers from its internal list of approved suppliers which is reviewed and updated periodically based on various factors such as track record, pricing, product quality, market reputation, timeliness of delivery, financial conditions and after-sales services.

The Group serves as a bridge between its overseas suppliers of medical devices and its customers to manage the pre-market and post-market matters of the relevant medical devices, such that any updated medical device information can be disseminated to the relevant parties while feedback can be collected and delivered to the manufacturers for actions:



Our quality management rest on:

- Efficient communication channels;
- Application for listing medical devices;
- Keeping detailed distribution records;
- Prompt feedback handling;
- Maintenance and repair service arrangements; and
- Product alerts, modifications and recalls.

The Group is continuously performing assessment on its suppliers' performance, pricing competitiveness and compliance status through close communications and monitoring over daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Green Procurement

The Group is committed to supporting local economies by prioritising procurement from local suppliers to reduce the carbon footprint from transportation. The Group continuously monitors the policies implemented by the local government in the location where it operates. If the information on environmentally friendly products or services are found published by official organisations, the Group will seriously consider adopting the recommendations of official organisations, to purchase goods and services that have less impact on the environment. If any of our suppliers commit any material violations of laws and regulations, we will consider terminating our contract with them. The Group regularly monitors the Purchasing Policy to ensure its effectiveness.

B6. Product Responsibility

The Group attaches great importance to product quality and corporate reputation, actively ensuring its product and service quality through internal controls, and is committed to supplying quality products that meet the international standards. We also maintain close communication with customers to ensure we understand and meet their needs and expectation. We hope to understand customer's satisfaction, in order to continuously improve our products and services, so as to achieve customer satisfaction.

If any complaint is received, the Group will investigate the relevant issue and follow up with the customer to ensure that the complaint is being handled in a timely manner. During the Reporting Period, the Group did not have any recalled products due to safety and health reasons (FY2022: Nil). During the Reporting Period, the Group did not receive any complaints in relation to products and services (FY2022: Nil).

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress in Hong Kong. The relevant laws and regulations include, but are not limited to, Trade Descriptions Ordinance (Cap. 362), the Trade Marks Ordinance (Cap. 559), the Copyright Ordinance (Cap. 528) and the Personal Data (Privacy) Ordinance (Cap. 486).

Product Quality and Safety

The Group pays high attention to the quality and safety of its services and products. The Group has a stringent quality assurance process across all operation-related departments and it strives to provide a pleasant user experience for its customers. The Group has designed and implemented certain measures to ensure its services and products meet a high standard of quality and safety and, that the risk of its product liability is contained. Our key measures include, but are not limited to:

- Procuring from approved suppliers only, certifications of the suppliers will be checked regularly;
- Carrying out quality checks on all products arriving our warehouse, only products that have passed the quality check can be sent to the customer;
- Requiring suppliers to provide proof of disinfection for single-use disposable medical equipment;
- Appointing designated staff and engineers to inspect our medical devices and equipment on a regular basis;
- Regularly reviewing our inventory levels for slow-moving inventory, obsolescence or declines in market values;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Accepting reasonable returns or exchanges for minor defective products after careful examination;
- Offering warranty (generally in one year term) on products to our customers; and
- Established mechanism to report obsolete or expired products to senior executives.

As a risk transfer measure, we have procured insurance over our product liability. The Group continuously assesses the reasonable sufficiency and cost-effectiveness of such insurance policy and coverage. In addition, the suppliers may be required to indemnify us against any liabilities, losses and damages on account of any infringement by the products of any patent or trademark or any property damage or personal injury arising solely out of any defect in suppliers' manufacture, materials or workmanship of any products.

The Group carefully manages and monitors the quality of products. All products the Group sells are properly labelled to help the Group to keep track of its products. If there are quality issues with the products sold by the Group, the Group promptly identifies the source of defects and the defective batch of products through its tracking system. When necessary, the products will be recalled to rectify the issues and prevent recurrence in the future. The Group also provide repair services for the products sold by the Group. We have established a guideline to standardise the related procedures. When a request from a customer is received, the designated staff should get in touch with the customer within a certain period of time, understand the conditions, analyse the problem and suggest solutions. The record of the whole inspection and repair process should be kept.

IP Rights

The Group believes that its branding and IP rights are critical to its success. The Group believes that many of its customers are attracted to it because of its strong brand names and reputation. The continuing success and growth of both of the Group's business of supplying medical devices and providing medical device solutions services therefore depend on its ability to protect and promote its brands, trademarks, copyrights and other IP rights. During the Reporting Period, there were no disputes or infringements in connection with our IP rights pending or threatened against the Group which could have a material adverse effect on its operations or financial performance.

Customer Privacy Protection

The Group is committed to strengthening the protection of customers' privacy. The Group's employees are trained to maintain the confidentiality of its customers' information. The Group also has a data backup system through which its back-up data is stored in different locations to reduce the risk of data loss. We have also implemented firewall, anti-virus and anti-spam solutions for our IT systems to prevent leakage of confidential information, which are upgraded constantly. The Group regularly reviews the effectiveness of its information security controls to meet its privacy and data protection obligations.

Advertising and Labelling

The Group strictly complies with laws and regulations including the Trade Descriptions Ordinance (Cap. 362), continues to adopt fair marketing practices and ensures all products that it sells are properly labelled. The Group has regulated the conduct of marketing personnel in the process of product sales and contract signing, strictly prohibiting the dissemination of misleading and ambiguous product information and excessive commitment, and protecting customers' information rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-corruption

The Group does not tolerate any corruption, fraud and all other behaviours violating work ethics. The Group values and upholds integrity, honesty and fairness in its business.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering. The relevant laws and regulations include, but are not limited to, the Prevention of Bribery Ordinance (Cap. 201) and the Competition Ordinance (Cap. 619). During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees (FY2022: Nil).

The Group provides anti-corruption training for the Directors and staff at least once per year. The relevant anti-corruption training covers legal knowledge and integrity behaviours in the workplace. Where appropriate, the Group delivers online anti-corruption training to Director and staff. The anti-corruption training helps to encourage a clean and honest style of work, so that employees can be strict with themselves and fulfil their duties. During the Reporting Period, the Directors and employees of the Group received a total of approximately 4 hours (FY2022: 4 hours) and 38 hours (FY2022: 38 hours) of anti-corruption training respectively.

All Directors and staff of the Group are expected to carry out their work in an honest and ethical manner as outlined by the Code of Conduct. The Group regularly reviews the Code of Conduct regularly to ensure its effectiveness in preventing corruption.

Anti-bribery

The Group has established the Anti-bribery Guidelines to forbid the employees to solicit or accept an advantage in connection with his or her employment without permission of Directors, or make any payment or offer of payment or advantage that he or she knows with reasonable certainty will be given to any related parties to comply with the relevant laws and regulations. According to the Anti-bribery Guidelines, the Group has designed and implemented certain key anti-bribery measures including:

- Inviting at least three suppliers to bid for deals that involve a large amount;
- According to our approval matrix, material transactions must be approved by different work personnel and the senior management; and
- Prohibiting the use of business opportunities or authority to gain personal benefits or advantages.

Anti-fraud

The Group has also established the Anti-fraud Policy to detect and prevent fraud within the Group. By implementing the fraud risk assessment mechanism, the Group is able to dictate the frequency of risk assessment and apply relative investigation procedures so as to minimise the fraud risk to an acceptable level.

Whistle-blowing Policy

The Group has also implemented the Whistle-blowing Policy which allows all employees as well as independent third parties (e.g. customers, suppliers, contractors, etc.) who deal with the Group to report any possible improprieties, misconducts, malpractices or irregularities in matters of financial reporting, internal control or other matters to the Board or the audit committee anonymously. The Group will handle the reports and complaints with care and will treat the whistle-blowers' concerns fairly and properly. Any person who is found to have victimized or retaliated against those who have raised concerns under this policy will be subjected to disciplinary sanctions. The Board and the audit committee will supervise and review the implementation and effectiveness of the Whistle-blowing Policy on a regular basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8. Community Investment

Community Participation

The Group is committed to supporting the public by means of social participation and contribution as part of its strategic development. As mentioned in our Corporate Social Responsibility Policy, the Group's community investment focuses on areas including education, and elderly care. To nurture corporate culture and strengthen practices of corporate citizenship, we embrace human capital into the social management strategies so as to sustain our corporate social responsibility and support the Group's strategic development. Our employees are encouraged to donate to recognised charitable institutions in order to help the grass-root community or those in need, so that they can receive proper education and medical care. During the Reporting Period, the Group participated in community investment focusing on the following aspect:

- *Empowering Women*

The Group upholds the value of gender equality and is dedicated to contributing to women empowerment in different aspects. During the Reporting Period, the Group has sponsored HKD\$35,000 to Greater Bay Area ("GBA") Hong Kong Women Entrepreneur Association as the annual membership fee, to support their work on appreciating women's leadership.

- *Caring Underprivileged Group*

The Group recognises the needs of underprivileged groups in the community, and it has always been actively involved in philanthropic activities by leveraging its own resource. During the Reporting Period, the Group's employees have volunteered in 2 community activities. 25 of our employees have participated in the lucky bag distribution for elderlies organised by St. James' Settlement Territory. In the activity, the employees visited elderlies and distributed lucky bag with different materials inside to them, the total hours of participation are 62.5 hours. The Group's employees have also volunteered in the St. James' Settlement Territory-wide Flag Day to raise money for St. James' Settlement Territory as selling flag on the street, 15 employees have volunteered for 67.5 hours in the event.

- *Industry Development*

As a medical device supplier who engages overseas suppliers of medical devices, the Group believes that facilitating trade and business relations among countries is beneficial for global economic development. Therefore, the Group not only engages overseas business partners in its operations but is also actively participating in activities organised by chambers of commerce in Hong Kong. During the Reporting Period, the Group has sponsored HKD\$7,000 for the Christmas dinner of the Italian Chamber of Commerce in Hong Kong.

Furthermore, the Group received several awards from different organisations during the Reporting Period, assuring its effort to achieve sustainable development while contributing to the community:

- Caring Company 2022/2023 from The Hong Kong Council of Social Service;
- HKSAR 25th Anniversary Enterprise Outstanding Contribution Awards Health Industry from Metro Broadcast Corporation Ltd; and
- Social Capital Builder Logo Award 2022-2024 from Home and Youth Affairs Bureau.

The Group also acknowledges the importance of awards in motivating companies and individuals to excel in various areas, and thus leading to individual growth as well as progress for the entire industry and society. Therefore, the Group appreciates the hosts of awards by financially supporting them. During the Reporting Period, the Group has sponsored HKD\$42,000 to Metro Broadcast Corporation Ltd, the organiser of the HKSAR 25th Anniversary Enterprise Outstanding Contribution Awards and GBA Outstanding Women Entrepreneur Award, in acknowledgement of its recognition of outstanding corporates and women entrepreneurs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED (1)

Mandatory Disclosure Requirements Sections

| | |
|----------------------|---|
| Governance Structure | CHAIRMAN'S STATEMENT; SUSTAINABILITY GOVERNANCE; STAKEHOLDER ENGAGEMENT; MATERIALITY ASSESSMENT |
| Reporting Principles | REPORTING FRAMEWORK |
| Reporting Boundary | SCOPE OF REPORTING |

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED (2)

Subject Areas,

Aspects, General

Disclosures and KPIs Descriptions Sections/Declarations

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. | A1. Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | A1. Emissions — Air Emissions |
| 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). | A1. Emissions — GHG Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | A1. Emissions — Waste Management (Not applicable and explained) |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | A1. Emissions — Waste Management |
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | A1. Emissions — GHG Emissions |
| 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. | A1. Emissions — Waste Management |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas,

Aspects, General

| Disclosures and KPIs | Descriptions | Sections/Declarations |
|---|--|--|
| Aspect A2: Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | A2. Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | A2. Use of Resources — Energy Management |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | A2. Use of Resources — Water Consumption |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them | A2. Use of Resources — Energy Management |
| 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. | A2. Use of Resources — Water Consumption |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | A2. Use of Resources — Packaging Materials (Not applicable and explained) |
| Aspect A3: The Environment and Natural Resources | | |
| General Disclosure | Policies on minimising the issuer's significant impacts on the environment and natural resources. | A3. The Environment and Natural Resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | A3. The Environment and Natural Resources |
| 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. | A4. Climate Change |
| 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. | A4. Climate Change — Physical Risks; A4. Climate Change — Transition Risks |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

| Disclosures and KPIs | Descriptions | Sections/Declarations |
|--|---|---|
| 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. | B1. Employment |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | B1. Employment |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | B1. Employment |
| 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. | B2. Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | B2. Health and Safety |
| KPI B2.2 | Lost days due to work injury. | B2. Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | B2. Health and Safety — Occupational Health and Safety; B2. Health and Safety — Other Health and Safety Measures |
| Aspect B3: Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | B3. Development and Training — Employee Development |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | B3. Development and Training — Employee Development |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | B3. Development and Training — Employee Development |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

| Disclosures and KPIs | Descriptions | Sections/Declarations |
|---|--|--|
| Aspect B4: Labour Standards | | |
| 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. | B4. Labour Standards — Child and Forced Labour Prevention |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | B4. Labour Standards —Child and Forced Labour Prevention |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | B4. Labour Standards —Child and Forced Labour Prevention |
| Aspect B5: Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | B5. Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | B5. Supply Chain Management |
| 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. | B5. Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | B5. Supply Chain Management — Environmental and Social Risks of Supply Chain |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | B5. Supply Chain Management — Green Procurement |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

| Disclosures and KPIs | Descriptions | Sections/Declarations |
|--|---|--|
| 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. | B6. Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | B6. Product Responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | B6. Product Responsibility |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | B6. Product Responsibility — IP Rights |
| KPI B6.4 | Description of quality assurance process and recall procedures. | B6. Product Responsibility — Product Quality and Safety |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | B6. Product Responsibility — Customer Privacy Protection |
| 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 | B7. Anti-corruption |
| 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. | B7. Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistleblowing procedures, how they are implemented and monitored. | B7. Anti-corruption — Anti-bribery B7. Anti-corruption — Anti-fraud B7. Anti-corruption — Whistle-blowing Policy |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | B7. Anti-corruption |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General

| Disclosures and KPIs | Descriptions | Sections/Declarations |
|--|--|---|
| 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. | B8. Community Investment — Community Participation |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | B8. Community Investment — Community Participation |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | B8. Community Investment — Community Participation |

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 32 of the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and the analysis of the Group's performance for the year ended 31 March 2023 as well as outlook/prospects of the Group's business are provided in the sections "Chairman's Statement" on page 4, and "Management Discussion and Analysis" on pages 5 to 9 of this annual report.

Description of key risk factors and uncertainties that the Group is facing is provided in Management Discussion and Analysis on pages 5 to 9 of this annual report and in note 5 to the consolidated financial statements while the financial risk management objectives and policies of the Group can be found in note 35 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 120 of the annual report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders and environmental policy are contained in the Directors' Report on pages 55 to 64 of the annual report and in the Environmental, Social and Governance Report on pages 27 to 54 respectively.

SEGMENTAL INFORMATION

An analysis of the Group's revenue from operations by geographical locations of customers for the year ended 31 March 2023 is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2023 and its consolidated financial position as at that date are set out in the consolidated financial statements on pages 69 and 70 of this annual report respectively.

The Board declared payment of an interim dividend of HK0.4 cent (2022: HK0.3 cent) per ordinary share, in lieu of final dividend, for the year ended 31 March 2023.

DIRECTORS' REPORT

CLOSURE OF THE REGISTER OF MEMBERS

(A) Entitlement to Interim Dividend

For the purpose of determining Shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 5 July 2023 to Friday, 7 July 2023, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Friday, 7 July 2023. In order to qualify for the entitlement of the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 4 July 2023.

(B) Entitlement to Attend and Vote at the AGM

For the purpose of determining Shareholders' entitlement to attend and vote at the forthcoming AGM to be held on Friday, 15 September 2023, the register of members of the Company will be closed from Tuesday, 12 September 2023 to Friday, 15 September 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 September 2023.

DONATIONS

No donations were made by the Group during the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Prospectus, is set out on page 120 in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group are set out in note 27 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

As at 31 March 2023, the distributable reserves of the Company amounted to approximately HK\$78.8 million.

Under the Companies Law of the Cayman Islands, subject to the provisions of Articles of Association of the Company, the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2023, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 32.9% and 7.3%, respectively, of the Group's total revenue for the financial year. Purchases from the Group's five largest suppliers accounted for approximately 73.2% of the Group's total purchases for the financial year and the purchase from the largest supplier included therein amounted to approximately 26.3%.

None of the Directors, or any of his or her close associates (as defined under the GEM Listing Rules) or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers during the financial year.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Director

Ms. Wong Bik Kwan Bikie (*Chairman and Chief Executive Officer*)

Non-executive Directors

Dr. Miu Yin Shun Andrew

Mr. Chiu Man Wai

Independent non-executive Directors

Mr. Ng Leung Sing *SBS, JP*

Mr. Wong Lung Wo James

Mr. Chow Ming Po Aaron

Pursuant to Article 84(1) of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Ms. Wong Bik Kwan Bikie and Mr. Chiu Man Wai will retire by rotation at the 2023 AGM, and being eligible, will offer themselves for re-election.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled under the Articles of Association of the Company to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him or her as a Director in the execution or discharge of his or her duty.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

DIRECTORS' SERVICE CONTRACTS

The executive Director entered into a service contract with the Company on 1 March 2021 for an initial term of three years commencing 1 March 2021. The service contract is subject to termination in accordance with her terms. The service contract may be renewed in accordance with the Articles of Association of the Company and the applicable GEM Listing Rules. Mr. Chiu Man Wai has entered into an appointment letter for a term of three years commencing from 17 September 2021, Mr. Chow Ming Po Aaron has entered into an appointment letter for a term of three years commencing on 21 June 2021, Mr. Ng Leung Sing, *SBS, JP* and Mr. Wong Lung Wo James have respectively entered into an appointment letter for a term commencing from 16 September 2022. Dr. Miu Yin Shun Andrew has entered into an appointment letter for a term commencing from 17 September 2021, until his respective retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles of Association of the Company in force from time to time and can be terminated by either party by giving at least one month's notice in writing.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 10 to 13 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

REMUNERATION POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes commissions, discretionary bonus and other merit payments), taking into account factors such as their experience, level of responsibility, individual performance, the profit performance of our Group and general market conditions.

The remuneration of the Directors is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to the business.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of the Directors and the senior management of the Company) and review the remuneration policy of the Group.

DIRECTORS' REPORT

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building a good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, mandatory provident funds, bonuses and a share option scheme. The management regularly reviews its employee's remuneration packages to ensure they are up to prevailing market standard.

The Group has established long term business relationships with its major suppliers and customers for over years. The Group will endeavor to maintain its established relationship with these existing suppliers and customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

The Group believes sustainability is the key to achieve continuing success and has integrated this key concept into its business strategy. In order to pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operations and governance perspective.

RETIREMENT BENEFITS PLAN

Particulars of retirement benefits plan of the Group for the year ended 31 March 2023 are set out in note 4m(ii) to the consolidated financial statements.

MANAGEMENT CONTRACTS

During the financial year, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as the share option scheme as set out in section headed "Share Option Scheme", at no time during the financial year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, or any of the Company's subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2023, the interests and short positions of the Directors and chief executive of the Company in the 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 shall have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which shall be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which shall be required to notify the Company and the Hong Kong Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, were as follows:

Long position in the shares of the Company and associated corporations

| Name of Director/ chief executive | Name of Group member/associated corporation | Nature of Interest | Number of shares | Number of underlying shares | Aggregate Interest | Approximate percentage of shareholding |
|--------------------------------------|---|--------------------------------------|-----------------------------|-----------------------------------|-----------------------|--|
| Ms. Wong (Note 1) | The Company | Interest in a controlled corporation | 568,028,001 | – | | |
| | | Beneficial owner | – | 7,980,000 | | |
| | | | 568,028,001 | 7,980,000 | 576,008,001 | 72.00% |
| | B&A Success | Beneficial owner | 100 shares of US\$1.00 each | – | – | 100% |
| Dr. Miu (Note 2) | The Company | Interest of spouse | 568,028,001 | 7,980,000 | 576,008,001 | 72.00% |
| Mr. Chiu (Note 3) | The Company | Interest in a controlled corporation | 9,620,000 | – | 9,620,000 | 1.20% |
| | Infinite Crystal Limited | Beneficial owner | 900 shares of US\$1.00 each | – | – | 100% |
| Mr. Chow | The Company | Beneficial owner | 7,810,000 | – | 7,810,000 | 0.98% |

Notes:

- The shares are registered in the name of B&A Success Limited ("B&A Success"), the entire issued share capital of which is legally and beneficially owned by Ms. Wong. Under the SFO, Ms. Wong is deemed to be interested in the same number of shares held by B&A Success.
- Dr. Miu is the spouse of Ms. Wong. Under the SFO, Dr. Miu is deemed to be interested in the same number of shares deemed to be held by Ms. Wong.
- The shares are registered in the name of Infinite Crystal Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Chiu. Under the SFO, Mr. Chiu is deemed to be interested in the same number of shares held by Infinite Crystal Limited.

DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2023, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong 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 which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2023, so far as the Directors are aware, other than the Directors or chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and chief executive's interest and short positions in shares, underlying shares or debentures of the Company or any associated corporation" above, the following persons had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5.0% or more of the issued voting shares of any member of the Group:

Long position in the shares of the Company

| Name of shareholders | Nature of Interest | Total number of shares | Approximate percentage of shareholding |
|----------------------|--------------------|------------------------|--|
| B&A Success | Beneficial owner | 568,028,001 | 71.00% |

Saved as disclosed above and so far as is known to the Directors, the Directors were not aware of any other persons other than the Directors or chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 31 March 2023 which required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Share Option Scheme") on 1 March 2018. 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 80,000,000 shares, being 10% of the total number of shares in issue at the time dealings in the shares first commenced on the Hong Kong Stock Exchange. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1.0% of the shares in issue as at the date of grant.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme will enable the Group to reward the employees, Directors and other selected participants for their contributions to the Group. The Board may, at its discretion, grant an option to the eligible participants to subscribe for shares at an exercise price and subject to the other terms of the Share Option Scheme.

DIRECTORS' REPORT

The subscription price for shares under the Share Option Scheme will be a price determined by the Board and shall be the highest of (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted. The remaining life of the scheme is approximately 5 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 under the Share Option Scheme for the holding of an option before it can be exercised. 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 (without limitation) 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.

A nominal consideration of HK\$1.0 is payable on acceptance of the grant of an option.

The number of options available for grant under the Share Option Scheme as at 1 April 2022 and 31 March 2023 is 50,480,000.

A total of 71,940,000 Shares are available for issue under the Share Option Scheme, representing 8.99% of the total issued capital of the Company as at the date of this Annual Report.

Details of Share Options granted and their movements during the year ended 31 March 2023 are as follows:

| | Date of Grant | Exercise price per Share HK\$ | Number of Shares issuable under the options | | | | as at 31/3/2023 | Vesting and exercise period |
|-------------------------------|---------------|----------------------------------|---|---------------------------|-----------------------------|--------------------------|-----------------|-----------------------------|
| | | | as at 01/04/2022 | granted during the period | exercised during the period | lapsed during the period | | |
| Directors | | | | | | | | |
| Ms. Wong | 18/04/2019 | 0.12 | 7,980,000 | – | – | – | 7,980,000 | Note 1 |
| Employees of the Group | | | | | | | | |
| In aggregate | 18/04/2019 | 0.12 | 13,480,000 | – | – | – | 13,480,000 | Note 1 |
| | | | 21,460,000 | – | – | – | 21,460,000 | |

Notes:

1. (i) up to 40% of the Share Options are exercisable on or after 18 April 2019;
 - (ii) up to 70% of the Share Options are exercisable on or after 18 April 2020;
 - (iii) all the remaining Share Options are exercisable on or after 18 April 2021;
- and in each case, not later than 17 April 2024.

Save as disclosed above, no options were granted, exercised, forfeited, cancelled or lapsed during the year ended 31 March 2023.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and Directors of the Company's subsidiaries, or any of their respective associates, as defined in the GEM Listing Rules, had interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group (other than being a director of the Company and/or its subsidiaries and their respective associates) during year ended 31 March 2023.

DEED OF NON-COMPETITION

Ms. Wong Bik Kwan Bikie and B&A Success (collectively the "Controlling Shareholders") have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 1 March 2018. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders during the year.

RELATED PARTY TRANSACTIONS

Save as disclosed in note 31 to the consolidated financial statements, no other related party transactions were conducted by the Group during the year.

CONNECTED TRANSACTIONS

The rental expenses paid to Solaire International Limited as disclosed in note 31 "related party transactions" to the consolidated financial statements for the year ended 31 March 2023 constituted a connected transaction as defined in Chapter 20 of the GEM Listing Rules.

The transaction is a de minimis transaction in accordance with GEM Listing Rules 20.74(1) fully exempt from the reporting, annual review, announcement, circular (including independent financial advice) and shareholders' approval requirements.

There are no other non-exempt connected transactions during the year.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in note 31 to the consolidated financial statements, no Director or Controlling Shareholder had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party and subsisted as at 31 March 2023 or during the financial year.

USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the Listing are set out in the section headed "Management Discussion and Analysis" of this annual report.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 26 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the public float as required under the GEM Listing Rules during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

INDEPENDENT AUDITOR

The financial statements of the Company for the year ended 31 March 2023 were audited by BDO Limited. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO Limited as auditor of the Company.

No change in auditors of the Company since the date of listing.

EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent event after the report period and up to the date of this annual report.

ON BEHALF OF THE BOARD

Grand Brilliance Group Holdings Limited

Wong Bik Kwan Bikie

Chairman and Chief Executive Officer

Hong Kong, 16 June 2023

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF GRAND BRILLIANCE GROUP HOLDINGS LIMITED

(君百延集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Grand Brilliance Group Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 69 to 119, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“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 (“HSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Assessing the net realisable value of inventories

(Refer to Notes 4(h), 5(ii) and 21 to the consolidated financial statements)

As at 31 March 2023, the Group held inventories with a broad product range which comprised mainly medical consumables and also medical equipment and instruments with an aggregate carrying value of approximately HK\$22,153,000.

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BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Assessing the net realisable value of inventories *(Continued)*

Changes in customers' preferences and demand and market trend could result in inventories on hand no longer being sold or being sold at a discount below their cost. Estimating future demand of medical devices and the related selling prices is inherently subjective and uncertain as it involves management's judgement in identifying slow moving and obsolete inventories and estimation of the extent of markdown needed to sell those inventories.

We identified the assessment of the net realisable value of inventories as a key audit matter because of the significance of inventories to the consolidated financial statements of the Group and due to significant estimation and judgement made by the management in assessing net realisable value.

Our procedures in relation to assessing the net realisable value of inventories included:

- Reviewing and assessing management's process and control on identification of slow moving and obsolete inventories and estimation of the net realisable value of these inventories;
- Evaluating the Group's provision policy on inventories and assessing whether the inventory provision at the end of the reporting period was determined on a basis consistent with the Group's inventory provision policy;
- Assessing, on a sample basis, whether items in the inventory ageing analysis prepared by the management were classified within the appropriate ageing brackets by tracing to the underlying records including purchase invoices and our prior year records;
- Evaluating the Group's inventory provision balance for slow moving items with reference to nature of the items, their historical sales and sales subsequent to the end of the reporting period;
- Evaluating accuracy of inventory provision by evaluating the historical reversal of write-down of inventories; and
- Testing the arithmetic accuracy of inventory provision calculation.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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 directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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.

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 directors, 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.

BDO Limited

Certified Public Accountants

Lee Ming Wai

Practising Certificate Number P05682

Hong Kong, 16 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|-------------------|------------------|
| Revenue | 7 | 76,701 | 71,978 |
| Cost of revenue | | (37,189) | (35,631) |
| Gross profit | | 39,512 | 36,347 |
| Other income | 8 | 1,475 | 26 |
| Other gains or losses | | 417 | (326) |
| Distribution and selling expenses | | (1,209) | (1,197) |
| Administrative and other operating expenses | | (30,470) | (29,232) |
| Share of results of associates | | (196) | – |
| Finance costs | 9 | (152) | (140) |
| Profit before income tax | 10 | 9,377 | 5,478 |
| Income tax expense | 11 | (1,815) | (1,430) |
| Profit for the year and total comprehensive income attributable to owners of the Company | | 7,562 | 4,048 |
| | | HK cent(s) | HK cent(s) |
| Earnings per share attributable to owners of the Company | | | |
| Basic and diluted earnings per share | 14 | 0.95 | 0.51 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 731 | 1,057 |
| Interests in associates | 16 | 1,385 | 780 |
| Other asset | 17 | 2,690 | 2,690 |
| Financial assets at fair value through profit or loss | 18 | 3,187 | 2,880 |
| Deposits | | 832 | 597 |
| Right-of-use assets | 19 | 4,673 | 4,830 |
| Deferred tax assets | 20 | 109 | 68 |
| | | 13,607 | 12,902 |
| Current assets | | | |
| Inventories | 21 | 22,153 | 22,442 |
| Financial assets at fair value through profit or loss | 18 | 773 | 409 |
| Trade and other receivables, deposits and prepayments | 22 | 17,630 | 19,132 |
| Tax recoverable | | – | 103 |
| Cash and cash equivalents | 23 | 61,085 | 55,336 |
| | | 101,641 | 97,422 |
| Current liabilities | | | |
| Trade and other payables | 24 | 10,943 | 11,380 |
| Contract liabilities | 25 | 760 | 954 |
| Tax payable | | 420 | – |
| Lease liabilities | 19 | 3,766 | 2,400 |
| | | 15,889 | 14,734 |
| Net current assets | | 85,752 | 82,688 |
| Total assets less current liabilities | | 99,359 | 95,590 |
| Non-current liabilities | | | |
| Lease liabilities | 19 | 688 | 2,081 |
| Net assets | | 98,671 | 93,509 |
| CAPITAL AND RESERVES | | | |
| Share capital | 26 | 8,000 | 8,000 |
| Reserves | 27 | 90,671 | 85,509 |
| Total equity | | 98,671 | 93,509 |

On behalf of the directors

Wong Bik Kwan Bikie
Chairman and Executive Director

Wong Lung Wo James
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

| | Share capital (note 26) HK\$'000 | Share premium* (note 27) HK\$'000 | Merger reserve* (note 27) HK\$'000 | Share option reserve* (note 28) HK\$'000 | Retained earnings* (note 27) HK\$'000 | Total HK\$'000 |
|---|--|---|--|--|---|-------------------|
| At 1 April 2021 | 8,000 | 52,499 | 1,500 | 1,006 | 30,047 | 93,052 |
| Profit and total comprehensive income for the year | - | - | - | - | 4,048 | 4,048 |
| Recognition of equity-settled share-based payment (note 28) | - | - | - | 9 | - | 9 |
| Dividend declared (note 13) | - | - | - | - | (3,600) | (3,600) |
| At 31 March 2022 and 1 April 2022 | 8,000 | 52,499 | 1,500 | 1,015 | 30,495 | 93,509 |
| Profit and total comprehensive income for the year | - | - | - | - | 7,562 | 7,562 |
| Dividend declared (note 13) | - | - | - | - | (2,400) | (2,400) |
| At 31 March 2023 | 8,000 | 52,499 | 1,500 | 1,015 | 35,657 | 98,671 |

* The total of these equity accounts as at the end of the reporting periods represent "Reserves" in the consolidated statement of financial position

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 9,377 | 5,478 |
| Adjustments for: | | | |
| Bank interest income | | (438) | (11) |
| Dividend income | | (15) | (10) |
| Changes in fair value of financial assets at fair value through profit or loss | | (152) | (16) |
| Loss on early termination of lease | | – | 79 |
| Depreciation of property, plant and equipment | | 389 | 615 |
| Depreciation of right-of-use assets | | 3,977 | 3,637 |
| Finance costs | | 152 | 140 |
| Equity-settled share-based payment expenses | | – | 9 |
| Share of results of associates | | 196 | – |
| (Reversal)/Provision of loss allowance for trade receivables | | (79) | 87 |
| Write-down of inventories | | 653 | – |
| (Reversal)/Provision of allowance for inventories | | (51) | 713 |
| Operating profit before working capital changes | | 14,009 | 10,721 |
| (Increase)/Decrease in deposits | | (235) | 103 |
| Increase in inventories | | (313) | (2,051) |
| Decrease/(Increase) in trade and other receivables, deposits and prepayments | | 1,581 | (9,689) |
| Decrease in trade and other payables | | (857) | (1,140) |
| Decrease in contract liabilities | | (194) | (612) |
| Cash generated from/(used in) operations | | 13,991 | (2,668) |
| Income tax paid | | (1,333) | (666) |
| Net cash generated from/(used in) operating activities | | 12,658 | (3,334) |
| Cash flows from investing activities | | | |
| Bank interest received | | 438 | 11 |
| Dividend income received | | 15 | 10 |
| Purchase of property, plant and equipment | | (63) | (784) |
| Acquisition of financial assets at fair value through profit or loss | | (340) | (2,417) |
| Acquisition of an associate | | (560) | (780) |
| Net cash used in investing activities | | (510) | (3,960) |
| Cash flows from financing activities | | | |
| Repayment of principal portion of lease liabilities | 30 | (3,847) | (3,842) |
| Interest paid on lease liabilities | 30 | (152) | (140) |
| Dividend paid | 30 | (2,400) | (3,600) |
| Net cash used in financing activities | | (6,399) | (7,582) |
| Net increase/(decrease) in cash and cash equivalents | | 5,749 | (14,876) |
| Cash and cash equivalents at beginning of the year | | 55,336 | 70,212 |
| Cash and cash equivalents at end of the year | | 61,085 | 55,336 |
| Analysis of the balances of cash and cash equivalents | | | |
| Bank balances and cash | | 61,085 | 55,336 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

Grand Brilliance Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability under the Companies Law, Cap. 22 of the Cayman Islands on 5 July 2017. Its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 29 March 2018. The address of the Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is situated at Units 2901–2903 and 2905, 29/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred hereafter as the “Group”) are principally engaged in supplying medical devices and providing medical device solutions including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance.

The Company’s parent is B&A Success Limited (“B&A Success”), a company incorporated in the British Virgin Islands (“BVI”). In the opinion of the directors, B&A Success is also the ultimate parent of the Company.

The financial statements for the year ended 31 March 2023 were approved and authorised for issue by the directors on 16 June 2023.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs — effective on 1 April 2022

The following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective from current year, have been adopted by the Group.

| | |
|---|---|
| Amendments to HKAS 16 | Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 9 Financial Instruments and HKFRS 16 Leases |

None of the new or revised standards and interpretation that are effective from 1 April 2022 have had a material effect on the Group’s financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|--|--|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current ² |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| HK Interpretation 5 (2022) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ² |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities Arising from a Single Transaction ¹ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |

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

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

³ Effective date to be determined

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. They consider that these new or revised HKFRSs are not expected to have a material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. BASIS OF PREPARATION

(a) Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with HKFRSs which collective term include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and its major subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Subsidiaries

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

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

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

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis as follows:

| | |
|---|--|
| Furniture, fixtures, moulds and equipment | 20% |
| Leasehold improvements | Over the shorter of the remaining lease terms or 20% |
| Motor vehicles | 30% |

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4(n)).

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Other asset

Other asset represents club membership held for long-term purposes and are with an indefinite useful life. Other asset acquired separately is initially recognised at cost and subsequently carried at cost less accumulated impairment losses.

Other asset with indefinite useful life is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired, by comparing its carrying amount with its recoverable amount (see note 4(n)). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing

(i) The Group as lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

Right-of-use asset is recognised at cost which comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures right-of-use assets applying a cost model. Under cost model, the right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

Lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

(ii) The Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of the underlying assets are classified as operating leases. The Group evaluates the terms and conditions of the lease arrangements for medical devices, such as whether lease term constitutes a major part of the economic life of the medical devices and whether the present value of the minimum lease payments amounts to substantially all the fair value of the medical devices, to determine if the Group retains substantially all the significant risks and rewards incidental to ownership of these medical devices such that the lease arrangements are to be accounted for as operating leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(g) Financial instruments

(i) Financial assets

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

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

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

The Group classifies its financial assets in the following measurement categories:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income; and
- Financial assets at fair value through profit or loss.

The classification is generally based on two criteria:

- the business model under which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

The subsequent measurement of financial assets depends on their classification as follows:

Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

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

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Changes in fair value and interest income are recognised in profit or loss.

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets

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

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

The Group measures loss allowances for trade receivables using HKFRS 9 *Financial Instruments* simplified approach and has calculated ECLs based on lifetime ECLs. For trade receivables which are not assessed for ECLs individually, the Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with note 4(o).

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Recognition of revenue and other income

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15 *Revenue from Contracts with Customers*.

The recognised revenue and other income as the following basis:

- (i) Revenue from sales of medical consumables, medical instruments and medical equipment other than those mentioned in note (ii) below are recognised at point in time when the goods are delivered and have been accepted by the customers. Generally there is only one performance obligation in the contract.
- (ii) Revenue from sales of medical equipment subject to installation generally includes only one performance obligation and is recognised at point in time when the customer has accepted the goods after the installation services have been rendered.
- (iii) Revenue from rendering of maintenance services is recognised over time during the contractual period of the maintenance services.
- (iv) Revenue from leasing of medical devices is recognised over time based on the terms of the relevant rental agreement.
- (v) Interest income is recognised on time-proportion basis using effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Recognition of revenue and other income *(Continued)*

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

(k) Income taxes

Income taxes comprise current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

(m) Employee benefits

(i) Short-term employee benefits

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

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 end of the reporting period.

Non-accumulating compensated absence such as sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement plan

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. The MPF Scheme is administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The Group has no further payment obligations once the contributions have been paid. Contributions to the MPF Scheme are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, interests in associates and other asset are subject to impairment testing. Other assets with indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(o) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

(q) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Provisions and contingent liabilities

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

Where it is not probable that an outflow of resources embodying economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of resources embodying economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of resources embodying economic benefits is remote.

(s) Share-based employee compensation

The Group operates equity-settled share-based compensation plans to remunerate its employee and directors.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Share-based compensation is recognised as an expense in full at the grant date when the share options granted vest immediately, with the corresponding increase in share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

(t) Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Impairment of non-financial assets

Management assesses impairment by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. When an impairment trigger exists and in the case of other asset with indefinite use life that is required to be tested for impairment annually, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgments, the directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgments would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts.

(ii) Allowance for inventories

The Group performs regular review to identify obsolete or expired inventories which require write-down or write-off. In addition, management carries out inventory review at the end of the reporting period and makes allowance for slow moving and obsolete items. A considerable amount of judgment and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Management reviews the inventory aging analysis at the end of the reporting period to identify slow-moving inventories that are no longer saleable due to changes in customers' preferences and demand and market trend. Management estimates the net realisable value for such inventories based primarily on the current market conditions and historical selling experience. During the year, inventory write-down amounted to HK\$653,000 (2022: nil) and the Group reversed inventory allowance by HK\$51,000 (2022: recognised inventory allowance of HK\$713,000).

(iii) Impairment loss on receivables (including trade and other receivables)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the historical default rates for the groups of customers categorised for similar risk characteristic as reflected by their background and type. The provision matrix is initially based on the Group's historical observed default rates which are adjusted for forward-looking information. Forward looking information is determined with reference to the market available information of the comparable companies and the expected economic conditions and industry outlook. At the end of the reporting period, the historical observed default rates are updated and changes in the forward looking estimates are analysed and updated when necessary. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in note 35(a) to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

Key sources of estimation uncertainty (Continued)

(iv) Incremental borrowing rate

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

6. SEGMENT INFORMATION

(a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker, i.e. directors of the Company who are used to make strategic decisions.

During the reporting period, the directors assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in supplying medical devices and providing medical device solutions including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance. Therefore, the Group has only one operating segment that qualifies as reportable segment under HKFRS 8 *Operating Segment*.

(b) Geographical segment information

The Company is an investment holding company and the principal place of the Group’s operations is in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong. All of the Group’s revenue are derived from and most of the Group’s non-current assets (other than deferred tax and financial assets) are located in Hong Kong. As a result, no separate segmental analysis is presented.

(c) Disaggregation of revenue from contracts with customers

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Timing of revenue recognition | | |
| Over time | 2,201 | 1,394 |
| At a point in time | 74,344 | 70,395 |
| | 76,545 | 71,789 |

(d) Information about major customers

For the year ended 31 March 2023, no revenue from customers which represented 10% or more of the Group’s revenue. For the year ended 31 March 2022, revenue from one customer amounted to HK\$7,648,000 which represented 11% of the Group’s revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. REVENUE

The Group is principally engaged in supplying medical devices and providing medical device solutions including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance. Revenue derived from the principal activities comprises the following:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Revenue from contracts with customers: | | |
| Sales of medical devices and products | | |
| Medical consumables | 55,061 | 53,699 |
| Medical equipment | 17,476 | 14,251 |
| Medical instruments | 1,807 | 2,445 |
| | 74,344 | 70,395 |
| Rendering of maintenance services | 2,201 | 1,394 |
| | 76,545 | 71,789 |
| Revenue from other source: | | |
| Rental income from leasing medical devices | 156 | 189 |
| | 76,701 | 71,978 |

8. OTHER INCOME

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Bank interest income | 438 | 11 |
| Government grants (<i>note</i>) | 1,022 | – |
| Dividend income | 15 | 10 |
| Sundry income | – | 5 |
| | 1,475 | 26 |

Note: The Group was granted subsidies of HK\$814,000 under the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region for supporting the payroll of the Group’s employees during the year ended 31 March 2023. The Group has complied with the requirements set out in the ESS for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

9. FINANCE COSTS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-------------------------------|------------------|------------------|
| Interest on lease liabilities | 152 | 140 |

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Auditor's remuneration | 590 | 590 |
| Cost of inventories recognised as expense [#] | | |
| — Carrying amount of inventories sold | 36,587 | 34,918 |
| — Write-down of inventories | 653 | — |
| — (Reversal of allowance)/Allowance for inventories | (51) | 713 |
| | 37,189 | 35,631 |
| Changes in fair value of financial assets at fair value through profit or loss | (152) | (16) |
| Depreciation of property, plant and equipment* (note 15) | 389 | 615 |
| Depreciation of right-of-use assets* (note 19) | 3,977 | 3,637 |
| Employee costs (including directors' emoluments (note 12(a))) | | |
| — Salaries, allowances and other benefits | 17,882 | 17,661 |
| — Contributions to defined contribution retirement plan ^{<} | 496 | 505 |
| — Equity-settled share-based payment expenses (note 28) | — | 9 |
| | 18,378 | 18,175 |
| Loss on early termination of lease | — | 79 |
| Exchange (gain)/loss, net | (186) | 176 |
| Research and development expenditure [^] | 2,481 | 2,066 |

[#] Included in cost of revenue

^{*} Included in administrative and other operating expenses

[^] Included in research and development expenditure are staff costs amounted to approximately HK\$2,468,000 (2022: HK\$2,003,000) which are included in the employee costs above

[<] For the year ended 31 March 2023, no forfeited contribution in respect of the defined contribution retirement plans were utilised by the Group to reduce the contribution payable to the plans (2022: nil). As at 31 March 2023, no forfeited contribution under these plans is available to reduce future contribution (2022: nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

11. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Current tax for the year | | |
| — Hong Kong Profits Tax | 1,856 | 1,431 |
| Over-provision in respect of prior years | — | (10) |
| | 1,856 | 1,421 |
| Deferred tax (<i>note 20</i>) | (41) | 9 |
| | 1,815 | 1,430 |

The Group has no income subject to taxation in the Cayman Islands, the British Virgin Islands and United Kingdom. The Company and its Hong Kong incorporated subsidiaries are subject to Hong Kong Profits Tax, which is calculated at tax rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The income tax expense for the year can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax | 9,377 | 5,478 |
| Tax calculated at applicable Hong Kong Profits Tax rate | 1,547 | 904 |
| Income tax on concessionary rate | (165) | (165) |
| Tax effect of revenue not taxable for tax purposes | (223) | (24) |
| Tax effect of expenses not deductible for tax purposes | 319 | 737 |
| Tax effect of tax losses not recognised | 337 | — |
| Over-provision in respect of prior years | — | (10) |
| Others | — | (12) |
| Income tax expense | 1,815 | 1,430 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors are set out as follows:

| | Fees HK\$'000 | Salaries, allowances and other benefits HK\$'000 | Discretionary bonuses HK\$'000 | Pension scheme contribution HK\$'000 | Equity settled share-based payment expenses (Note 28) HK\$'000 | Total HK\$'000 |
|--|------------------|--|--------------------------------------|---|--|-------------------|
| Year ended 31 March 2023 | | | | | | |
| <i>Executive director</i> | | | | | | |
| Ms. Wong Bik Kwan Bikie ("Ms. Wong") | – | 2,992 | 1,211 | 22 | – | 4,225 |
| <i>Non-executive directors</i> | | | | | | |
| Dr. Miu Yin Shun Andrew | 120 | – | – | – | – | 120 |
| Mr. Chiu Man Wai | 120 | – | – | – | – | 120 |
| <i>Independent non-executive directors</i> | | | | | | |
| Mr. Ng Leung Sing <i>SBS, JP</i> | 120 | – | – | – | – | 120 |
| Mr. Wong Lung Wo James | 120 | – | – | – | – | 120 |
| Mr. Chow Ming Po Aaron | 120 | – | – | – | – | 120 |
| | 600 | 2,992 | 1,211 | 22 | – | 4,825 |
| Year ended 31 March 2022 | | | | | | |
| <i>Executive director</i> | | | | | | |
| Ms. Wong | – | 2,958 | 1,208 | 20 | 4 | 4,190 |
| <i>Non-executive directors</i> | | | | | | |
| Dr. Miu Yin Shun Andrew | 120 | – | – | – | – | 120 |
| Mr. Chiu Man Wai | 120 | – | – | – | – | 120 |
| <i>Independent non-executive directors</i> | | | | | | |
| Mr. Ng Leung Sing <i>SBS, JP</i> | 120 | – | – | – | – | 120 |
| Mr. Wong Lung Wo James | 120 | – | – | – | – | 120 |
| Mr. Chow Ming Po Aaron <i>(note (i))</i> | 93 | – | – | – | – | 93 |
| Mr. Chan Ping Keung <i>(note (ii))</i> | 56 | – | – | – | – | 56 |
| | 629 | 2,958 | 1,208 | 20 | 4 | 4,819 |

Notes:

- (i) Mr. Chow Ming Po Aaron has been appointed as an independent non-executive director on 21 June 2021.
- (ii) Mr. Chan Ping Keung retired as an independent non-executive director on 17 September 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2023 included 1 director (2022: 1 director) of the Company whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining 4 (2022: 4) highest paid individuals for the year ended 31 March 2023 are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and other benefits | 2,660 | 2,516 |
| Discretionary bonuses | 868 | 734 |
| Contributions to defined contribution retirement plan | 72 | 70 |
| Equity-settled share-based payment expenses | – | 3 |
| | 3,600 | 3,323 |

The emoluments of the above non-director highest paid individuals were within the following bands:

| | 2023 Number of individuals | 2022 Number of individuals |
|--------------------------------|----------------------------------|----------------------------------|
| Nil to HK\$1,000,000 | 2 | 4 |
| HK\$1,000,001 to HK\$1,500,000 | 2 | – |

During the year, no emoluments were paid by the Group to the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2022: nil). In addition, none of the directors or the highest paid individuals waived or agreed to waive any emoluments during the year (2022: nil).

The discretionary bonus is determined with reference to the performance of director and individuals of the Group.

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

| | 2023 Number of individuals | 2022 Number of individuals |
|--------------------------------|----------------------------------|----------------------------------|
| Nil to HK\$1,000,000 | 2 | 4 |
| HK\$1,000,001 to HK\$1,500,000 | 2 | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

13. DIVIDENDS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|------------------|------------------|------------------|
| Interim dividend | 2,400 | 3,600 |

The dividend for the years ended 31 March 2023 and 2022 amounting to HK\$2,400,000 and HK\$3,600,000 respectively represented interim dividend declared by the Company to its shareholders.

Subsequent to the end of the reporting period, an interim dividend of HK0.4 cent (2022: HK0.3 cent) per ordinary share, totally amounting to HK\$3,200,000 (2022: HK\$2,400,000) in respect of the year ended 31 March 2023 has been declared by the directors. The interim dividend declared after the year ended 31 March 2023 was not recognised as a liability as at 31 March 2023 as it had not been approved by the board of directors of the Company as at 31 March 2023.

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings per share is based on the following data:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Earnings | | |
| Profit for the year attributable to owners of the Company | 7,562 | 4,048 |
| | '000 | '000 |
| Weighted average number of ordinary shares in issue | | |
| Weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings per share | 800,000 | 800,000 |

For the purpose of calculating diluted earnings per share for the years ended 31 March 2023 and 2022, no adjustment has been made as the exercise of the outstanding share options has an anti-dilutive effect of the basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. PROPERTY, PLANT AND EQUIPMENT

| | Furniture, fixtures, moulds and equipment HK\$'000 | Leasehold improvements HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|--|---------------------------------------|-------------------------------|-------------------|
| Cost | | | | |
| As at 31 March 2021 and 1 April 2021 | 1,944 | 1,111 | 2,020 | 5,075 |
| Additions | 557 | 227 | – | 784 |
| As at 31 March 2022 and 1 April 2022 | 2,501 | 1,338 | 2,020 | 5,859 |
| Additions | 63 | – | – | 63 |
| At 31 March 2023 | 2,564 | 1,338 | 2,020 | 5,922 |
| Accumulated depreciation | | | | |
| At 31 March 2021 and 1 April 2021 | 1,300 | 1,068 | 1,819 | 4,187 |
| Charge for the year | 333 | 81 | 201 | 615 |
| At 31 March 2022 and 1 April 2022 | 1,633 | 1,149 | 2,020 | 4,802 |
| Charge for the year | 303 | 86 | – | 389 |
| At 31 March 2023 | 1,936 | 1,235 | 2,020 | 5,191 |
| Net carrying amount | | | | |
| At 31 March 2023 | 628 | 103 | – | 731 |
| At 31 March 2022 | 868 | 189 | – | 1,057 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. INTERESTS IN ASSOCIATES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Cost of investments in associates | 1,581 | 780 |
| Share of post-acquisition loss and other comprehensive expense | (196) | – |
| | 1,385 | 780 |

Details of the Group's associates are as follows:

| Name of Company | Date of incorporation/ place of incorporation and operation | Particulars of issued shares | Percentage of equity interests | Principal activities |
|---|---|--|--------------------------------------|---|
| Sonne Techmetics Limited (note (a)) | 19 August 2021/ Hong Kong | US\$500,000 (equivalent to approximately HK\$3,900,000) | 20% | Provision of autonomous mobile robots solutions for healthcare industries; sourcing of original equipment manufacturer; and research and development |
| Ark Space Limited ("Ark Space") (note (b)) | 1 August 2016/ Hong Kong | HK\$981,028 | 16.1% | Supply chain solution |

The above associates are accounted for using equity method in the consolidated financial statements.

Notes:

- (a) Sonne Techmetics Limited is owned as to 40% by Ms. Wong, an executive director and the controlling shareholder of the Company.
- (b) On 1 October 2022, Sonne International Company Limited ("Sonne International"), a subsidiary of the Company entered into a shareholder agreement (the "Shareholder Agreement") with the shareholders of Ark Space, pursuant to which Sonne International subscribed 75 shares, representing 7.5% equity interest of Ark Space, and was granted a call option (the "Call Option") by Ark Space to subscribe for 322 shares of Ark Space to be allotted at the predetermined exercise price. The call option exercisable within a period of about four years since the date of the Shareholder Agreement. In addition, Sonne International was granted a put option by a shareholder of Ark Space (the "Put Option"), whereby Sonne International has the right to require the shareholder to purchase 75 shares of Ark Space at HK\$500,000. The Put Option is exercisable for a period of 30 calendar days from the last day of the call option period. On 31 January 2023, Sonne International exercised the Call Option to subscribe for 103 shares, representing 8.6% equity interest of Ark Space at that date, at a consideration of HK\$480,000 of which HK\$420,000 was outstanding as at 31 March 2023. The Group held less than 20% equity interests of Ark Space. In the opinion of the directors, the Group is in a position to exercise significant influence over Ark Space through its representation in the board of directors and the potential voting right which is currently exercisable in Ark Space. The Call Option and the Put Option are accounted for as financial assets at fair value through profit or loss and their fair values as at 31 March 2023 were HK\$42,000 and HK\$137,000 respectively (note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the associates

Sonne Techmetics Limited

The following illustrates the summarised financial information in relation to Sonne Techmetics Limited for the year ended 31 March 2023 with comparative information extracted from its management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group.

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| As at 31 March | | |
| Current assets | 3,123 | 3,900 |
| Net assets | 3,120 | 3,900 |
| Share of net assets by the Group | 624 | 780 |
| Include in the above assets | | |
| Cash and cash equivalents | 3,123 | 3,900 |
| Year ended 31 March | | |
| Loss for the year | (780) | —* |
| Total comprehensive income | (780) | —* |
| Share of total comprehensive income by the Group | (156) | — |

* Result and total comprehensive income for the year ended 31 March 2022 amounted to HK\$272.

Ark Space

The financial year end date of Ark Space is 31 December. For the purpose of applying the equity method of accounting, the audited consolidated financial statements of the associate for the year ended 31 December 2022 have been used as the Group considers that it is impracticable for the associate to prepare a separate set of audited financial statements as of 31 March 2023.

The following illustrates the summarised financial information in relation to Ark Space for the year ended 31 December 2022 extracted from its audited financial statements which have been adjusted to account for the share subscription on 31 January 2023 and to ensure consistency in accounting policies adopted by the Group.

| | 2023 HK\$'000 |
|--|------------------|
| As at 31 December | |
| Current assets | 1,586 |
| Non-current assets | 55 |
| Current liabilities | 1,863 |
| Net assets | 1,094 |
| Share of net assets by the Group | 176 |
| Year ended 31 December | |
| Revenue | 1,825 |
| Loss for the year | (253) |
| Total comprehensive income | (253) |
| Share of total comprehensive income by the Group | (40) |
| Goodwill arising from acquisition of Ark Space | 663 |

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For the year ended 31 March 2023

17. OTHER ASSET

Other asset represents club membership held by the Company for long-term investment purposes. Club membership is tested for impairment annually by comparing its carrying amount with its recoverable amount. For the purpose of impairment testing, the carrying amount of other asset is allocated to the CGU which is the Group as a whole engaging in supplying medical devices and providing medical device solutions.

Recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses the cash flow projections based on the financial budgets approved by management covering a two-year period with 1% (2022: 1%) growth rate. The growth rate is determined based on management's expectations for the market development and is not expected to exceed the average long-term growth rate for the relevant industry. Discount rate used of 24% (2022: 22%) is pre-tax and reflect specific risks relating to the relevant business. Apart from the considerations described in determining value-in-use of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. In the opinion of the directors, club membership worth at least its carrying value at the end of the reporting period.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Unlisted investments: | | |
| — Equity securities | 1,950 | 1,950 |
| — Call Option of Ark Space (note 16(b)) | 42 | – |
| — Put Option of Ark Space (note 16(b)) | 137 | – |
| — Club debenture | 1,100 | 930 |
| | 3,229 | 2,880 |
| Listed equity securities held for trading | 731 | 409 |
| | 3,960 | 3,289 |
| Analysed as: | | |
| Non-current | 3,187 | 2,880 |
| Current | 773 | 409 |
| | 3,960 | 3,289 |

The fair values of the unlisted investments as at 31 March 2023 and 2022 were determined by Asset Appraisal Limited (“Asset Appraisal”), an independent professional valuer.

Details of the fair value measurement for the financial assets at fair value through profit or loss are set out in note 34(b). The Group does not intend to dispose of the unlisted investments in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases a number of office premise and warehouses in Hong Kong. The leases of buildings comprise only fixed payments over the lease terms. Some of the leases contain early termination option, which is not reflected in the measurement of lease liabilities.

At 31 March 2023, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising early termination option because it was considered reasonably certain that the Group would not exercise its right to terminate the lease. Total lease payments of HK\$1,158,400 (2022: HK\$930,000) are potentially avoidable if the Group were to exercise the options at the earliest opportunity.

Right-of-use assets

| | Buildings HK\$'000 |
|---|------------------------------|
| Cost | |
| At 31 March 2021 and 1 April 2021 | 9,245 |
| Additions | 4,627 |
| Written off arising from early termination of lease | (2,317) |
| At 31 March 2022 and 1 April 2022 | 11,555 |
| Lease modification | 3,820 |
| At 31 March 2023 | 15,375 |
| Accumulated depreciation | |
| At 31 March 2021 and 1 April 2021 | 4,150 |
| Charge for the year | 3,637 |
| Written off arising from early termination of lease | (1,062) |
| At 31 March 2022 and 1 April 2022 | 6,725 |
| Charge for the year | 3,977 |
| At 31 March 2023 | 10,702 |
| Net carrying amount | |
| At 31 March 2023 | 4,673 |
| At 31 March 2022 | 4,830 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities

| | 31 March 2023 | | 31 March 2022 | |
|--------------------------------------|---|--|---|--|
| | Present value of future lease payment HK\$'000 | Total future lease payment HK\$'000 | Present value of future lease payment HK\$'000 | Total future lease payment HK\$'000 |
| Maturity analysis: | | | | |
| Within 1 year | 3,766 | 3,853 | 2,400 | 2,483 |
| After 1 year but within 2 years | 688 | 691 | 1,660 | 1,694 |
| After 2 years but within 5 years | – | – | 421 | 423 |
| | 4,454 | 4,544 | 4,481 | 4,600 |
| Less: total future interest expenses | | (90) | | (119) |
| | | 4,454 | | 4,481 |
| Analysed as: | | | | |
| Non-current | | 688 | | 2,081 |
| Current | | 3,766 | | 2,400 |
| | | 4,454 | | 4,481 |

The maturity analysis of lease liabilities is disclosed in note 35(d) to the financial statements.

The analysis of expense items in relation to leases recognised in profit or loss is as follow:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Depreciation expense of right-of-use assets | 3,977 | 3,637 |
| Interest on lease liabilities (note 9) | 152 | 140 |
| Expenses relating to short-term leases | 1,515 | 1,228 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

20. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised and movements during the year are as follows:

| | Depreciation in excess of related depreciation allowance |
|--|---|
| | HK\$'000 |
| At 31 March 2021 and 1 April 2021 | 77 |
| Charged to profit or loss for the year (<i>note 11</i>) | (9) |
| At 31 March 2022 and 1 April 2022 | 68 |
| Credited to profit or loss for the year (<i>note 11</i>) | 41 |
| At 31 March 2023 | 109 |

As at 31 March 2023, the Group had unused tax losses of HK\$7,137,000 (2022: HK\$5,111,000) available for offset against future profits. The tax losses are subject to the final assessment of Hong Kong Inland Revenue Department. No deferred tax assets have been recognised in respect of these tax losses due to the unpredictability of future profit streams. These tax losses have no expiry date.

21. INVENTORIES

| | 2023 | 2022 |
|-----------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Medical consumables | 16,340 | 18,311 |
| Medical equipment and instruments | 5,813 | 4,131 |
| | 22,153 | 22,442 |

During the year ended 31 March 2023, reversal of allowance for inventories of HK\$51,000 was recognised in cost of revenue as a result of the underlying inventories being sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------------|------------------|------------------|
| Trade receivables | 17,156 | 18,842 |
| Less: Allowance for impairment | (1,453) | (1,532) |
| Trade receivables, net | 15,703 | 17,310 |
| Other receivables | 405 | 191 |
| Deposits and prepayments | 1,522 | 1,631 |
| | 17,630 | 19,132 |

The credit period granted to customers ranged from 0 to 30 days.

As at 31 March 2023 and 2022, the allowance for impairment on trade receivables has been recognised in accordance with the simplified approach, i.e. lifetime ECLs set out in HKFRS 9. Details of the movement in loss allowance on trade receivables are set out in note 35(a).

The ageing analysis of the trade receivables (net), based on invoice date, as of the end of the reporting period is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------|------------------|------------------|
| 0–30 days | 9,691 | 8,135 |
| 31–60 days | 4,948 | 1,881 |
| 61–90 days | 536 | 2,046 |
| Over 90 days | 528 | 5,248 |
| | 15,703 | 17,310 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

23. CASH AND CASH EQUIVALENTS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---------------------------|------------------|------------------|
| Cash at banks and on hand | 61,085 | 55,336 |

Cash at banks earns interest at floating rate based on daily bank deposits rates.

24. TRADE AND OTHER PAYABLES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------|------------------|------------------|
| Trade payables | 5,969 | 7,107 |
| Accruals and other payables | 4,974 | 4,273 |
| | 10,943 | 11,380 |

The credit period granted by suppliers ranged from 0 to 90 days.

The ageing analysis of the trade payables, based on invoice date, as of the end of the reporting period is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------|------------------|------------------|
| 0–30 days | 3,236 | 4,454 |
| 31–60 days | 723 | 963 |
| 61–90 days | 485 | 960 |
| Over 90 days | 1,525 | 730 |
| | 5,969 | 7,107 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

25. CONTRACT LIABILITIES

The movement in contract liabilities during the year is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Balance as at 1 April | 954 | 1,566 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | (954) | (1,566) |
| Increase in contract liabilities as a result of receipt in advance from sales of medical devices and products and rendering of maintenance services | 760 | 954 |
| Balance as at 31 March | 760 | 954 |

The contract liabilities mainly relate to the advance consideration received from customers for (i) sales of medical devices and products and (ii) rendering of maintenance services. The Group will recognise the expected revenue in future when such performance obligation is satisfied, which is expected to occur in the next 12 months.

The Group has applied the practical expedient to its sales contracts for medical devices and products and rendering of maintenance services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of medical devices and products; and for rendering of maintenance services that had an original expected duration of one year or less.

26. SHARE CAPITAL

| Ordinary shares | Number of shares | Amount HK\$'000 |
|---|---------------------|--------------------|
| Authorised: Ordinary shares of HK\$0.01 each | | |
| At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 | 8,000,000,000 | 80,000 |
| Issued and fully paid: Ordinary shares of HK\$0.01 each | | |
| At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 | 800,000,000 | 8,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

27. RESERVES

The Group

Details of the movements of the Group's reserves for the years ended 31 March 2023 and 2022 are presented in the consolidated statement of changes in equity. The nature of the reserves within equity is as follows:

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares issued, less expenses incurred in connection with the issue of the shares.

Merger reserve

Merger reserve arose from combining the financial statements of the companies now comprising the Group under the reorganisation for the listing purpose.

Retained earnings

Retained earnings is the cumulated net profits and losses recognised in profit or loss.

The Company

The movement of the Company's reserves during the years ended 31 March 2023 and 2022 are as follows:

| | Share premium HK\$'000 | Share option reserve HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 |
|---|------------------------------|--|----------------------------------|-------------------|
| As at 1 April 2021 | 70,308 | 1,006 | 8,776 | 80,090 |
| Profit and total comprehensive income for the year | – | – | 4,035 | 4,035 |
| Recognition of equity-settled share-based payment (<i>note 28</i>) | – | 9 | – | 9 |
| Dividend declared (<i>note 13</i>) | – | – | (3,600) | (3,600) |
| As at 31 March 2022 and 1 April 2022 | 70,308 | 1,015 | 9,211 | 80,534 |
| Profit and total comprehensive income for the year | – | – | 683 | 683 |
| Dividend declared (<i>note 13</i>) | – | – | (2,400) | (2,400) |
| As at 31 March 2023 | 70,308 | 1,015 | 7,494 | 78,817 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

28. SHARE-BASED PAYMENTS

The Company has adopted a share option scheme (the “Share Option Scheme”) on 1 March 2018. 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 80,000,000 shares, being 10% of the total number of the Company’s shares in issue at the time dealings in the shares first commenced on the Stock Exchange. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1.0% of the Company’s shares in issue as at the date of grant. In addition, the Company may not grant any option if the number of shares which may be issued upon exercise of the all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Group exceeds 30% of the Company’s shares in issue from time to time.

The Share Option Scheme is valid and effective for a period of 10 years commencing on 1 March 2018. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The directors consider that the Share Option Scheme will enable the Group to reward the employees, directors and other selected participants for their contributions to the Group. The board of directors may, at its discretion, grant an option to the eligible participants to subscribe for shares at an exercise price and subject to the other terms of the Share Option Scheme.

A nominal consideration of HK\$1.0 is payable on acceptance of the grant of an option.

On 18 April 2019, the Group granted 39,500,000 share options to certain eligible participants under the Share Option Scheme to subscribe at an exercise price of HK\$0.12 per share for a total of 39,500,000 ordinary shares of the Company. A total of 39,000,000 were accepted by the grantees.

The share options granted on 18 April 2019 have a validity period of 5 years from 18 April 2019 to 17 April 2024, both dates inclusive, subject to the vesting conditions as stated in the offer letters to the grantees. No share options can be exercised until the relevant share options have been unconditionally vested.

For the year ended 31 March 2022, HK\$9,000 was recognised in the consolidated statement of comprehensive income in relation to share options granted by the Company. No such expense was recognised for the current year.

Movements of the share options granted under the Share Option Scheme are as follows:

| | Number of share option | | Weighted average exercise price | |
|-------------------------|------------------------|------------|---------------------------------|--------------|
| | 2023 | 2022 | 2023 HK\$ | 2022 HK\$ |
| Outstanding at 1 April | 21,460,000 | 21,460,000 | 0.12 | 0.12 |
| Lapsed | – | – | – | – |
| Outstanding at 31 March | 21,460,000 | 21,460,000 | 0.12 | 0.12 |
| Exercisable at 31 March | 21,460,000 | 21,460,000 | 0.12 | 0.12 |

Note: The weighted average remaining contractual life of share options outstanding as at 31 March 2023 is 1.05 years (2022: 2.05 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|-------------------------------|-------|------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current asset | | | |
| Investment in a subsidiary | | 17,809 | 17,809 |
| Current assets | | | |
| Prepayments | | 199 | 203 |
| Amounts due from subsidiaries | | 68,879 | 71,064 |
| Cash and bank balances | | 696 | 204 |
| | | 69,774 | 71,471 |
| Current liabilities | | | |
| Other payables | | 766 | 746 |
| Net current assets | | 69,008 | 70,725 |
| Net assets | | 86,817 | 88,534 |
| CAPITAL AND RESERVES | | | |
| Share capital | 26 | 8,000 | 8,000 |
| Reserves | 27 | 78,817 | 80,534 |
| Total equity | | 86,817 | 88,534 |

On behalf of the directors

Wong Bik Kwan Bikie
Chairman and Executive Director

Wong Lung Wo James
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

| | Dividend payable (note 13) | | Lease liabilities (note 19) | |
|--|-------------------------------|------------------|--------------------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| At 1 April | – | – | 4,481 | 4,872 |
| Changes from financing cash flows: | | | | |
| Capital element of lease payment | – | – | (3,847) | (3,842) |
| Interest element of lease payment | – | – | (152) | (140) |
| Dividend paid | (2,400) | (3,600) | – | – |
| | (2,400) | (3,600) | 482 | 890 |
| Other change: | | | | |
| Lease modification | – | – | 3,820 | – |
| Recognition of lease liabilities during the year | – | – | – | 4,627 |
| Written off arising from early termination of leases | – | – | – | (1,176) |
| Interest incurred for the year | – | – | 152 | 140 |
| Dividend declared | 2,400 | 3,600 | – | – |
| As at 31 March | – | – | 4,454 | 4,481 |

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with its related parties during the year:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Rental paid to a related company (note (i)) | 1,088 | 1,066 |
| Purchase from an associate | 53 | – |
| Compensation of key management personnel (note (ii)) | | |
| — Fees | 600 | 629 |
| — Salaries, allowances and other benefits | 8,318 | 8,008 |
| — Contributions to defined contribution retirement plan | 112 | 108 |
| — Equity-settled share-based payment expenses | – | 9 |
| | 9,030 | 8,754 |

Notes:

- (i) The Group entered into a lease agreement of warehouse with Solaire International Limited ("Solaire"). Solaire is held by Ms. Wong, Chairman, Chief Executive Officer and Executive Director of the Company. The transaction was conducted in accordance with terms mutually agreed between the Group and Solaire.
- (ii) The compensation represents the remuneration paid and payable to the directors and other members of key management during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

32. SUBSIDIARIES

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

| Name of Company | Place and date of incorporation and type of legal entity | Place of operations | Issued and paid up capital | Equity interest held by the Company | | Principal activities |
|--|---|---------------------|--|-------------------------------------|------------|--|
| | | | | Directly | Indirectly | |
| A&A Brilliance Limited | The BVI/ 4 July 2017/ Limited liability company | Hong Kong | 100 shares of United States dollars ("US\$")1 each | 100% | – | Investment holding |
| Solar-Med Limited | Hong Kong/ 15 October 1997/ Limited liability company | Hong Kong | 1,500,000 ordinary shares of HK\$1,500,000 | – | 100% | Sourcing of medical devices and provision of after-sale services |
| Sonne International Company Limited | Hong Kong/ 11 March 2009/ Limited liability company | Hong Kong | 1 ordinary share of HK\$1 | – | 100% | Sourcing of medical devices and development of healthcare products |
| Sonne Technology International Limited | Hong Kong/ 4 July 2016/ Limited liability company | Hong Kong | 1 ordinary share of HK\$1 | – | 100% | Trademark holding |
| Sonne (UK) Limited | United Kingdom/ 26 August 2016/ Limited liability company | Hong Kong | 1 ordinary share of 1 Great British Pound | – | 100% | Trademark holding |
| Solar Service Engineering Holdings Limited | The BVI/ 12 March 2019/ Limited liability company | Hong Kong | 100 shares of US\$1 each | – | 100% | Investment holding |
| Solar Service Engineering Limited | Hong Kong/ 10 May 2019/ Limited liability company | Hong Kong | 1 ordinary share of HK\$1 | – | 100% | Provision of maintenance services |

33. CAPITAL MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

Management regards total equity in the consolidated statement of financial position as capital for capital management purpose. The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debt.

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For the year ended 31 March 2023

33. CAPITAL MANAGEMENT (Continued)

The total equity to total assets ratio at the end of the reporting period is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|------------------------------------|------------------|------------------|
| Total equity | 98,671 | 93,509 |
| Total assets | 115,248 | 110,324 |
| Total equity to total assets ratio | 0.86:1 | 0.85:1 |

34. SUMMARY OF FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the carrying amounts of each of the categories of financial instruments:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Financial assets | | |
| <i>Financial assets at fair value through profit or loss</i> | 3,960 | 3,289 |
| <i>Financial assets at amortised cost</i> | | |
| — Deposits | 832 | 597 |
| — Trade and other receivables and deposits | 16,675 | 18,187 |
| — Cash and cash equivalents | 61,085 | 55,336 |
| | 82,552 | 77,409 |
| Financial liabilities | | |
| <i>Financial liabilities at amortised cost</i> | | |
| — Trade and other payables | 10,943 | 11,380 |
| Other financial instruments | | |
| — Lease liabilities | 4,454 | 4,481 |

(a) Financial assets/liabilities not measured at fair value

Financial instruments not measured at fair value include trade and other receivables and deposits, cash and bank balances and trade and other payables. Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. SUMMARY OF FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(b) Financial assets measured at fair value

The Group's listed equity securities, unlisted equity securities and club debenture disclosed in note 18 are measured at fair value at the end of the reporting period.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| At 31 March 2023 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| — Listed equity securities | 731 | — | — | 731 |
| — Unlisted equity securities (note (i)) | — | — | 1,950 | 1,950 |
| — Unlisted Call Option of Ark Space (note (ii)) | — | — | 42 | 42 |
| — Unlisted Put Option of Ark Space (note (ii)) | — | — | 137 | 137 |
| — Club debenture (note (iii)) | — | 1,100 | — | 1,100 |
| | 731 | 1,100 | 2,129 | 3,960 |
| At 31 March 2022 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| — Listed equity securities | 409 | — | — | 409 |
| — Unlisted equity securities (note (i)) | — | — | 1,950 | 1,950 |
| — Club debenture (note (ii)) | — | 930 | — | 930 |
| | 409 | 930 | 1,950 | 3,289 |

There were no transfers between levels of the fair value hierarchy during the reporting periods.

Notes:

- (i) The fair value of the unlisted equity securities embedded with a conversion option as at 31 March 2023 and 2022 were estimated with reference to the valuation carried out by Asset Appraisal, using the option pricing model under equity allocation approach and backsolve method making reference to most recent transaction price. The option pricing model under equity allocation approach is based on main inputs, such as 100% (2022: 100%) equity value through a backsolve analysis, risk-free rate of 3.7% (2022: 2.5%), expected volatility of 44.6% (2022: 41.5%) and expected time to expiration.
- (ii) The fair values of the unlisted Call Option and Put Option of Ark Space as at 31 March 2023 were determined by Asset Appraisal, using Black-Scholes Options Pricing Model. The Black-Scholes Options Pricing Model is based on main inputs, such as risk-free rate of 3.7%, expected volatility of 47.5% and dividend yield of 0%.
- (iii) The fair values of the club debenture as at 31 March 2023 and 2022 were estimated with reference to the valuations carried out by Asset Appraisal, using sales comparison approach. In the sales comparison approach, value is estimated for the assets appraised through analysis of market price information of comparable club debenture with reference to the prices quoted in the second hand market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

35. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which comprise credit risk, market risk (including interest rate risk and foreign currency risk), and liquidity risk. The Group's overall risk management 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 by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors of the Company identify and evaluate risks regularly and formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) Credit risk

Credit risk of the Group mainly arises from bank balances and trade and other receivables and deposits. The carrying amounts of these balances on the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

In respect of trade and other receivables and deposits, it is the Group's policy to deal only with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties. Also, management reviews regularly the recoverable amount of trade and other receivables and deposits to ensure that adequate impairment provision is made for irrecoverable amount.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated individually or collectively using a provision matrix by reference to previous default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The ECLs also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle the trade receivables. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2023 and 2022:

| | Expected loss rate (%) | Gross carrying amount HK\$'000 | Loss allowance HK\$'000 |
|---|------------------------------|---|-------------------------------|
| Trade receivables subject to collective assessment | | | |
| Not yet past due | 0.19% | 9,709 | 18 |
| Past due for less than 30 days | 0.19% | 4,959 | 9 |
| Past due for 30 days or more but less than 60 days | 0.19% | 531 | 1 |
| Past due for 60 days or more but less than 90 days | 0.39% | 257 | 1 |
| Past due for 90 days or more but less than 365 days | 2.13% | 282 | 6 |
| Trade receivables subject to individual assessment | 100% | 1,418 | 1,418 |
| At 31 March 2023 | | 17,156 | 1,453 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

| | Expected loss rate (%) | Gross carrying amount HK\$'000 | Loss allowance HK\$'000 |
|---|------------------------------|---|-------------------------------|
| Trade receivables subject to collective assessment | | | |
| Not yet past due | 0.23% | 8,146 | 19 |
| Past due for less than 30 days | 0.42% | 1,896 | 8 |
| Past due for 30 days or more but less than 60 days | 0.46% | 1,954 | 9 |
| Past due for 60 days or more but less than 90 days | 0.64% | 2,830 | 18 |
| Past due for 90 days or more but less than 365 days | 2.31% | 2,598 | 60 |
| Trade receivables subject to individual assessment | 100% | 1,418 | 1,418 |
| At 31 March 2022 | | 18,842 | 1,532 |

Receivables that were not yet past due related to a range of customers for whom there was no recent history of default. Receivables that were past due related to customers with long business relationship and have good settlement record with the Group. Based on past experience, management believes that there has not been a significant change in their credit quality since inception.

The movements in loss allowance of trade receivables during the years ended 31 March 2023 and 2022 are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| As at 1 April | 1,532 | 1,445 |
| (Reversal)/Provision of allowance for impairment | (79) | 87 |
| As at 31 March | 1,453 | 1,532 |

In respect of other receivables and deposits, the balances are considered to have low credit risk as the counterparties have a low risk of default and have no past due records and there have been no significant change in credit risk. Loss allowance for these balances is measured at an amount equal to 12-month ECLs. No loss allowance was recognised as the amount of ECLs for these balances is insignificant.

In respect of bank balances, the credit risk is limited because deposits are placed with reputable banks with high quality external credit ratings. There was no recent history of default of cash and cash equivalents from such financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

The Group has concentration of credit risk as the trade receivables due from the Group's two largest debtors accounted for 38% (2022: 39%) of the Group's total trade receivables at the end of the reporting period. The directors of the Company considered that do not impose a significant credit risk to the Group having regard to the background of these customers and the past collection experience and no actual loss incurred against trade receivables due from these customers.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits.

The Group's bank balances expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider that the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

(c) Foreign currency risk

Foreign currency risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency.

The functional currencies of the Company and its subsidiaries are mainly HK\$. The Group operates in Hong Kong with certain of its business transactions being settled in HK\$, US\$ and EURO ("EUR"). The Group is thus exposed to currency risk arising from fluctuation in exchange rates of foreign currencies, primarily US\$ and EUR against the functional currencies of the relevant group entities.

Management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

The net carrying amounts of the Group's major financial assets and financial liabilities denominated in a currency other than the functional currencies of the group entities in net position as at 31 March 2023 and 2022 are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|----------------------------|------------------|------------------|
| Net monetary assets | | |
| EUR | 6,033 | 3,166 |
| US\$ | 13,417 | 13,077 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign currency risk (Continued)

Sensitivity analysis

As HK\$ is pegged to US\$, exposure in respect of US\$ is considered insignificant. The following table illustrates the approximate change in the Group's profit for the year and retained earnings in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure, i.e. EUR at the end of the reporting period.

| | Increase in profit for the year and retained earnings | |
|-----------------------|---|------------------|
| | Year ended 31 March | |
| | 2023 HK\$'000 | 2022 HK\$'000 |
| EUR appreciated by 5% | 252 | 132 |

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group entities would have the same magnitude on profit for the year and retained earnings but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting periods and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of the reporting period does not reflect the exposure during the respective periods.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, lease liabilities and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

35. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

The following tables summarise the remaining contractual maturities of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

| | Carrying amount HK\$'000 | Total contractual undiscounted cash flow HK\$'000 | Within 1 year or on demand HK\$'000 | After 1 year but within 2 years HK\$'000 | After 2 years but within 5 years HK\$'000 |
|--------------------------|-----------------------------|--|--|---|--|
| At 31 March 2023 | | | | | |
| Trade and other payables | 10,943 | 10,943 | 10,943 | – | – |
| Lease liabilities | 4,454 | 4,544 | 3,853 | 691 | – |
| | 15,397 | 15,487 | 14,796 | 691 | – |
| At 31 March 2022 | | | | | |
| Trade and other payables | 11,380 | 11,380 | 11,380 | – | – |
| Lease liabilities | 4,481 | 4,600 | 2,483 | 1,694 | 423 |
| | 15,861 | 15,980 | 13,863 | 1,694 | 423 |

36. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued by a bank in favour of the customers of certain tender contracts. Details of these guarantees at the end of the reporting period are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Aggregate value of the surety bonds issued in favour of customers | 1,192 | 1,084 |

The surety bonds are required for the entire period of the relevant tender contracts. As at 31 March 2023, majority of the tender contracts are expected to be completed by 2025 (2022: year 2024).

As assessed by the directors, it is highly not probable that the bank would claim the Group for losses in respect of the guarantee contracts as it is highly unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts. Accordingly, the management did not expect these guarantees to have significant impact on the financial statements.

FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for last five financial years as extracted from the financial statements of the Groups are summarised below:

RESULTS

| | Year ended 31 March | | | | |
|--|---------------------|------------------|------------------|------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| Revenue | 76,701 | 71,978 | 70,241 | 67,227 | 58,045 |
| Profit before income tax | 9,377 | 5,478 | 9,357 | 11,903 | 8,246 |
| Income tax expense | (1,815) | (1,430) | (1,498) | (2,337) | (1,638) |
| Profit for the year attributable to owners of the Company | 7,562 | 4,048 | 7,859 | 9,566 | 6,608 |
| Total comprehensive income attributable to owners of the Company | 7,562 | 4,048 | 7,859 | 9,566 | 6,608 |

ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| Total assets | 115,248 | 110,324 | 112,010 | 104,887 | 91,188 |
| Total liabilities | 16,577 | 16,815 | 18,958 | 16,405 | 10,076 |
| Total equity | 98,671 | 93,509 | 93,052 | 88,482 | 81,112 |