RC365 HOLDING PLC

DIRECTORS' REPORT
AND
CONDENSED FINANCIAL STATEMENTS

RC 365

FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2022

RC365 HOLDING PLC ("THE GROUP")
Half yearly report for the six months ended 30 September 2022
The CEO's report

<u>Overview</u>

The Group has completed two major acquisitions in June 2022 by acquiring the entire issued share capital of RCPAY Limited (Hong Kong) and Regal Crown Technology (Singapore) Pte Limited and a further acquisition post period end in November 2022 of RCPAY Limited (UK). These acquisitions offer an abundance of growth opportunities for the Group by expanding the presence in Hong Kong, Singapore, UK and other ASEAN countries and offering local and cross border payment solutions to existing and potential clients located in those regions.

The Group has enjoyed a stable growth in terms of revenue and the number of clients during the last 6 month. With the soft launch of the Catch AR in the last quarter, the Group has generated revenue and positive cash flow for this new service.

<u>Summary of Trading Results</u>

Revenue in the period was HKD7.9 million (2021: HKD2.7million), which represents an increase of 292%. The Group made a loss after tax of HKD3.0 million (2021: profit after tax of HKD0.5Million). The cash balance for the Group was HKD16.6 million (2021 : HKD11.4 million) represents an increase of 46%. The Group continued to adopt prudent cost control whilst exploring alternative revenue streams and business opportunities.

<u>Outlook</u>

The Group is actively exploring a number of opportunities by forming different types of business relationships with corporates located in United Kingdom, Singapore and Hong Kong.

The Group expects to introduce different marketing campaigns designed to promote the Company's Catch AR and Maid Maid Matching offerings in the coming 6 months, which the Board expects to provide opportunities for the continued growth for the Group's target markets.

The Group is exploring an opportunity to enter a co-operation agreement with a well-known Software and Application Development company in Hong Kong. The focus of such a co-operation agreement will be the development of an all-rounded Enterprise Resource Planning (ERP) software which can be sold to existing and potential clients. The ERP software is expected to encompass administrative, payroll, sale and purchase functions together with a payment function to enable subscriber to increase the effectiveness and efficiency of their operations. The Group expects to introduce the above services to Singapore and Malaysia market in Q1 of 2023.

RC365 HOLDING PLC ("THE GROUP")

Responsibility Statement

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepaid in accordance with IAS34 "Interim Financial Reporting";
b) The interim management account includes a fair review of the information required by DTR4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six month of the year); and
c) The interim management report includes a fair review of the information required by DTR4.2.8R (disclosure of related parties' transactions and changes therein).

Caution Statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Company's strategies and potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The condensed accounts have not been reviewed by the auditors.

Chi Kit LAW
Chief Executive Officer
Date: 23rd December 2022

Directors and Advisers

Directors

Chi Kit LAW	Executive Director and CEO
Timothy Wai Yiu TANG	Executive Director and CFO
Kwai Wah Sunny NG	Non Executive Director
Ajay Rajpal	Non Executive Director
Robert Cairn	Non Executive Director

Company Number
13289422

Company Secretary
MSP Corporate Services Limited

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WC2H 7DQ

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36 Upper Brook Street, London, W1k7QJ

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Interim Condensed Consolidated Financial Statements

RC365 Holdings Plc

For the six months ended 30 September 2022

Contents

Expressed in Hong Kong dollars (“HK$”)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 September 2022

	Notes	**Six months ended 30 September 2022** ***(unaudited)*** **HK$**	Six months ended 30 September 2021 *(unaudited)* HK$
Revenue	4	**7,924,000**	2,700,000
Cost of sales		**(5,524,354)**	-
Gross profit		**2,399,646**	2,700,000
Other income	5	**248,443**	11,207
Subcontracting fee paid		**(669,883)**	(300,000)
Staff costs		**(1,987,750)**	(1,123,537)
Depreciation on property, plant and equipment and right-of-use assets		**(313,249)**	(390,900)
Other operating expenses		**(2,587,316)**	(382,112)
Finance charges	6	**(80,337)**	(13,946)
(Loss)/ Profit before income tax	7	**(2,990,446)**	500,712
Income tax expense	9	**-**	-
(Loss)/ Profit for the period		**(2,990,446)**	500,712
(Loss)/ Profit per share – basic and diluted (HK$)	10	**(2.78 cents)**	0.67 cents
(Loss)/ Profit for the period		**(2,990,446)**	500,712
Other comprehensive expense, net of tax			
Items that may be reclassified subsequently to profit or loss:		**(396,559)**	-
Exchange differences on translation of financial statements of foreign operations		**(396,559)**	-
Total comprehensive (expense)/ income for the period		**(3,387,005)**	500,712

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Financial Position
as at 30 September 2022

	Notes	As at 30 September 2022 *(unaudited)* HK$	As at 31 March 2022 *(audited)* HK$
ASSETS			
Non-current assets			
Property, plant and equipment	12	**353,550**	141,720
Right-of-use assets	13	**248,441**	507,754
		601,991	649,474
Current assets			
Deposit and prepayment	15	**110,865**	152,875
Trade and other receivables	15	**1,256,550**	1,044,492
Loan receivables	16	**3,000,556**	700,000
Cash and cash equivalents	17	**16,638,550**	23,416,761
		21,006,521	25,314,128
Current liabilities			
Trade and other payables	18	**151,326**	643,138
Borrowings	19	**5,674,470**	5,800,000
Lease liabilities	20	**252,018**	515,158
		6,077,814	6,958,296
Net current assets		**14,928,707**	18,355,832
Net assets		**15,530,698**	19,005,306
EQUITY			
Share capital	21	**11,500,995**	11,500,995
Share premium		**16,576,592**	16,576,592
Group reorganisation reserve		**662,873**	750,476
Translation reserve		**(932,795)**	(536,236)
Accumulated losses		**(12,276,967)**	(9,286,521)
Total equity		**15,530,698**	19,005,306

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 September 2022

	Share capital HK$	Share premium HK$	Translation reserve HK$	Group reorganisation reserve HK$	Accumulated losses HK$	Total HK$
At 31 March 2021 and at 1 April 2021 *(audited)*	**10,300,001**	**-**	**-**	**-**	**(5,389,105)**	**4,910,896**
Profit for the period	-	-	-	-	500,712	500,712
Share for share exchange	(2,203,751)	-	-	2,203,751	-	-
At 30 September 2021 *(unaudited)*	**8,096,250**	**-**	**-**	**2,203,751**	**(4,888,393)**	**5,411,608**
At 31 March 2022 and at 1 April 2022 *(audited)*	**11,500,995**	**16,576,592**	**(536,236)**	**750,476**	**(9,286,521)**	**19,005,306**
Loss for the period	-	-	-	-	(2,990,446)	(2,990,446)
Exchange difference on consolidation	-	-	(396,559)	-	-	(396,559)
Total comprehensive expense	-	-	(396,559)	-	(2,990,446)	(3,387,005)
Acquisition of subsidiaries under common control	-	-	-	(87,603)	-	(87,603)
At 30 September 2022 *(unaudited)*	**11,500,995**	**16,576,592**	**(932,795)**	**662,873**	**(12,276,967)**	**15,530,698**

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Cash Flows for the six months ended 30 September 2022

	Six months ended 30 September 2022 *(unaudited)* **HK$**	Six months ended 30 September 2021 *(unaudited)* HK$
Cash flows from operating activities		
(Loss)/ Profit before income tax	**(2,990,446)**	500,712
Adjustments for:		
Depreciation	**313,249**	390,900
Finance charges on lease liabilities	**80,337**	11,252
Operating cashflow before working capital changes	**(2,596,860)**	902,864
(Decrease)/ Increase in trade and other receivables	**1,114,598**	(2,937,100)
Decrease in deposit and prepayment	**42,011**	-
Increase in amount due from a director	**(1,238,178)**	-
Increase in loan receivables	**(2,300,556)**	-
(Decrease)/ Increase in trade and other payables	**(989,733)**	3,773,368
Net cash (used in)/ from operating activities	**(5,968,718)**	1,739,132
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(248,660)**	(72,000)
Net cash inflow for the acquisition of subsidiaries	**339,458**	-
Net cash from/ (used in) investing activities	**90,798**	(72,000)
Cash flows from financing activities		
Interest paid	**(79,608)**	(11,252)
Inception of bank borrowings	**-**	5,800,000
Repayment of bank borrowings	**(125,530)**	-
Rental paid for lease liabilities	**(285,800)**	(376,054)
Net cash (used in)/ from financing activities	**(490,938)**	5,412,694
Net (decrease)/ increase in cash and cash equivalents	**(6,368,858)**	7,079,826
Effect of exchange rate changes	**(409,353)**	-
Cash and cash equivalents at beginning of the period	**23,416,761**	4,305,203
Cash and cash equivalents at the end of the period	**16,638,550**	11,385,029

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements
for the six months ended 30 September 2022

1. GENERAL INFORMATION

RC365 Holding Plc (the "Company") was incorporated as a private limited company on 24 March 2021 in the United Kingdom (the "UK") under the Companies Act 2006. The Company acted as a holding company and converted to a public limited company on 22 September 2021. The address of the registered office is Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF. The Company was listed on the Standard List of the London Stock Exchange ("LSE") on 23 March 2022.

The principal activity of the Company is to act as an investment holding company. The Company together with its subsidiaries (the "Group") are mainly engaged in provision of IT software development and Payment Solutions. There were no significant changes in the nature of the Group's principal activities during the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

On 31 December 2020, International Financial Reporting Standards ("IFRS") as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. RC365 Holding Plc adopted the UK-adopted International Accounting Standards in its Group and parent company financial statements for the current and comparative periods.

These Group and parent company financial statements were prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements of the Group and parent company have been prepared on accrual basis and under historical cost convention. The financial statements are presented in Hong Kong Dollars ("HK$"), which is the Group's functional and presentational currency, and rounded to the nearest dollar.

2.2 New Standards and Interpretations

No new standards, amendments or interpretations, effective for the first time for the period beginning on or after 1 April 2022 have had a material impact on the Group and the parent company.

Standards, amendments and interpretations that are not yet effective and have not been early adopted are as follows:

Standard	Impact on initial application	Effective date
IAS 1	Classification of liabilities as current or non-current	Not earlier than 1 January 2024
IAS 1	Disclosure of accounting policies	1 January 2023
IAS 8	Accounting estimates	1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17	Insurance contracts	1 January 2023

2.3 Going Concern

The Group meets its day to day working capital requirement through use of cash reserves and bank borrowings. The directors (the "Directors") have considered the applicable of the going concern basis in the preparation of the financial statements. This included review of forecasts which show that the Group should be able to sustain its operation within the level of its current debt and equity funding arrangements. The Directors have reasonable expectation that the Group has adequate resources to continue operation for the foreseeable future for the reason they have adopted to going concern basis in the preparation of financial statement.

The Group incurred a loss of HK$2,990,446 for the six months ended 30 September 2022. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company may be unable to realise its assets. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern. The COVID-19 pandemic has not constituted significant effect on the Group's results for the six months ended 30 September 2022.

After careful consideration of the matters set out above, the Directors are of the opinion that the Group will be able to undertake its planned activities for the period to 30 September 2023 from debt and/or equity fundings and have prepared the consolidated financial statements on a going concern basis.

2.4 Basis of consolidation

The Company acquired its 100% interest in Regal Crown Technology Limited ("RCT") on 31 August 2021 by way of a share for share exchange. This is a business combination involving entities under common control and the consolidated financial statements are issued in the name of the Group but they are a continuance of those of RCT. Therefore the assets and liabilities of RCT have been recognised and measured in these consolidated financial statements at their pre combination carrying values. The retained earnings and other equity balances recognised in the comparative figure of the consolidated financial statements are the retained earnings and other equity balances of the Company and RCT. The equity structure appearing in the comparative figure of these consolidated financial statements (the number and the type of equity instruments issued) reflect the equity structure of the Company including equity instruments issued by the Company to effect the consolidation. The difference between consideration given and net assets of RCT at the date of acquisition is included in a group reorganisation reserve.

On 28 June 2022, the Group acquired 100% equity interest of RCPay Ltd (Hong Kong) and Regal Crown Technology (Singapore) Pte Ltd from Mr. Law Chi Kit. As RCPay Ltd (Hong Kong), Regal Crown Technology (Singapore) Pte Ltd and the Group are under common control of Mr. Law Chi Kit before and after the acquisition, the acquisition and the business combination have been accounted for as a business combination under common control.

In the consolidated financial statements, the results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Profits and losses resulting from the inter-group transactions that are recognised in assets are also eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary.

2.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in 2.9) are stated at acquisition cost less accumulated depreciation and impairment losses. The acquisition cost of an asset comprises of its purchase price and any direct attributable costs of bringing the assets to the working condition and location for its intended use. Depreciation of assets commences when the assets are ready for intended use.

Depreciation on property, plant and equipment, is provided to write off the cost over their estimated useful life, using the straight-line method, at the following rates per annum:

Furniture & Fixtures	20% per annum
Leasehold Improvement	4% per annum
Office Equipment	20% per annum

The assets' depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

The gain or loss arising on the retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 charged to profit or loss during the financial period in which they are incurred.

2.7 Financial instruments

IFRS 9 requires an entity to address the classification, measurement and recognition of financial assets and liabilities.

i) Classification

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

• those to be measured at amortised cost.

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

The Company classifies financial assets as at amortised cost only if both of the following criteria are met:

• the asset is held within a business model whose objective is to collect contractual cash flows; and

• the contractual terms give rise to cash flows that are solely payment of principal and interest

ii) Recognition

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

iii) Measurement

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

Debt Instruments

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

2.7 Financial instruments (Continued)

(iv) Impairment

The Company assesses, on a forward looking basis, the expected credit losses associated with any debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses ("ECL") to be recognised from initial recognition of the receivables.

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

Financial liabilities

The Group's financial liabilities include lease liabilities, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.9 Lease

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2.9 Lease (Continued)

Measurement and recognition of leases as a lessee (Continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately.

2.10 Equity

- "Share capital" represents the nominal value of equity shares.

- "Share premium" represents the amount paid for equity shares over the nominal value.

- "Translation reserve" comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities to HK$.

- "Group reorganisation reserve" arose on the group reorganisation.

- "Accumulated losses" include all current period results as disclosed in the income statements.

No dividends are proposed for the period.

2.11 Revenue recognition

Revenue arises mainly from contracts for IT software development.

To determine whether to recognise revenue, the Group follows a 5-step process:
Step 1: Identifying the contract with a customer
Step 2: Identifying the performance obligations
Step 3: Determining the transaction price
Step 4: Allocating the transaction price to the performance obligations
Step 5: Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. 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.

Further details of the Group's revenue and other income recognition policies are as follows:

<u>Services income</u>
Revenue from IT software development is recognised over time as the Group's performance creates and enhances an asset that the customer controls. The progress towards complete satisfaction of a performance obligation is measured based on input method, i.e. the costs incurred up to date compared with the total budgeted costs, which depict the Group's performance towards satisfying the performance obligation.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

<u>Interest income</u>
Interest income is recognised on a time-proportion basis using the effective interest method.

2.12 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to income is presented in gross under other income in the condensed consolidated statement of profit or loss and other comprehensive income.

2.13 Impairment of non-financial assets

Property, plant and equipment (including right-of-use assets) and the Company's interests in subsidiaries are subject to impairment testing.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. 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.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from 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). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

Impairment loss is reversed if there has been a favourable change in the estimates used to determine the assets' recoverable amount and only to the extent that the assets' 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.

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit plan (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

2.14 Employee benefits (Continued)

Retirement benefits (Continued)

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under the MPF Scheme are limited to the fixed percentage contributions payable.

Short-term employee benefits

Liability for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

2.15 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and 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 the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:
- (i) the entity and the Group are members of the same group.
- (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) the entity and the Group 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 employees of either 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 the 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 parent of the Group.

Close family members of an individual are those family members who may expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Accounting for income taxes

Taxation comprises current tax and deferred tax.

Current tax is based on taxable profit or loss for the period. Taxable profit or loss differs from profit or loss as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.17 Earnings per ordinary share

The Company presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per ordinary share is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share is calculated by adjusting the earnings and number of ordinary shares for the effects of dilutive potential ordinary shares.

2.18 Segment reporting

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

All operations and information are reviewed together so that at present there is only one reportable operating segment

In the opinion of the Directors, during the period the Group operated in the single business segment of IT software development.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 2, Directors have made the following judgement that might have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are also discussed below.

<u>Depreciation</u>

The Group depreciates the property, plant and equipment on a straight-line basis at the rate 4 to 20% per annum commencing from the date the property, plant and equipment are placed into productive use. The estimated useful lives that the Group places the property, plant and equipment into use reflect the Director's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

<u>Discount rate of lease liabilities and right-of-use assets determination</u>

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets, the terms and conditions of the leases, at the commencement date and the effective date of the modification. The Group's rate is referenced to the bank borrowing's interest rate in Hong Kong.

4. REVENUE

The Group is engaged in provision of IT software development and Payment Solutions

5. OTHER INCOME

	30 September 2022 (unaudited) HK$	30 September 2021 (unaudited) HK$
Government subsidy (note)	**243,200**	-
Sundry income	**5,012**	11,191
Interest income	**231**	16
	248,443	11,207

Note: During the six months ended 30 September 2022, the Group received funding support amount HK$243,200 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. FINANCE CHARGES

	30 September 2022 (unaudited) HK$	30 September 2021 (unaudited) HK$
Finance charges on lease liabilities	**729**	13,946
Interest on bank borrowings	**79,608**	-
	80,337	13,946

7. (LOSS)/ PROFIT BEFORE INCOME TAX

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

	30 September 2022 (unaudited) HK$	30 September 2021 (unaudited) HK$
Auditor's remuneration	**-**	-
Subcontracting fee paid	**669,883**	300,000
Depreciation		
- Property, plant and equipment	**36,830**	10,084
- Right-of-use assets	**276,419**	380,816

8. DIRECTOR'S EMOLUMENTS

Details of director's emoluments are set out as follows:

	30 September 2022 (unaudited) HK$	30 September 2021 (unaudited) HK$
Fees	**-**	-
Other emoluments	**681,382**	100,000
	681,382	100,000

9. INCOME TAX EXPENSE

	30 September 2022 (unaudited) HK$	30 September 2021 (unaudited) HK$
Tax expense for the period	**-**	-

No provision for UK corporation tax has been made as the Company has no assessable profits for taxation purpose during the period (2021: Nil).

No provision for Hong Kong Profits Tax has been made as the Hong Kong subsidiaries have no assessable profits. (2021: the Hong Kong subsidiary has available tax losses brought forward from prior years to offset the assessable profits generated during the period).

No provision for Singapore corporation tax has been made as the Singapore subsidiary has no assessable profits.

10. EARNINGS PER SHARE

	30 September 2022 (unaudited) HK$	30 September 2021 (unaudited) HK$
(Loss)/ Profit attributable to equity shareholders	**(2,990,446)**	500,712
Weighted average number of ordinary share	**107,534,590**	75,000,000
(Loss)/ Profit per share in HK$:		
Basic	**(2.78 cents)**	0.67 cents
Diluted	**(2.78 cents)**	0.67 cents

There were no potential dilutive ordinary shares in existence during the six months ended 30 September 2022 and 2021, and hence diluted earnings per share is the same as the basic earnings per share.

11. EMPLOYEE BENEFIT EXPENSES (including directors' emoluments)

	30 September 2022 (unaudited) HK$	30 September 2021 (unaudited) HK$
Staff costs		
Salaries and other benefits	**1,864,012**	1,029,337
Pension costs - defined contribution plan	**123,738**	94,200
Depreciation – right-of-use assets	**63,469**	380,816
Staff benefit	**2,051,219**	1,504,353

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK$	**Leasehold improvement HK$**	**Furniture & fixtures HK$**	**Total HK$**
Cost				
At 1 April 2021	300,053	240,400	80,134	620,587
Addition	72,000	-	-	72,000
Disposal	-	(240,400)	(80,134)	(320,534)
At 31 March 2022 (audited)	372,053	-	-	372,053
Addition	188,951	-	59,709	248,660
At 30 September 2022 (unaudited)	**561,004**	**-**	**59,709**	**620,713**
Accumulated Depreciation				
At 1 April 2021	220,962	55,260	78,111	354,333
Charge for the period	9,371	9,616	1,313	20,300
Elimination on written off	-	(64,876)	(79,424)	(144,300)
At 31 March 2022 (audited)	230,333	-	-	230,333
Charge for the period	32,579	-	4,251	36,830
At 30 September 2022 (unaudited)	**262,912**	**-**	**4,251**	**267,163**
Net Book Value				
At 30 September 2022 (unaudited)	**298,092**	**-**	**55,458**	**353,550**
At 31 March 2022 (audited)	141,720	-	-	141,720

13. RIGHT-OF-USE ASSETS

Lease assets	HK$
Cost	
As at 1 April 2021 and 31 March 2022 (audited)	**1,523,265**
Additions from acquisition of subsidiaries under common control	461,391
Termination of lease	(1,523,265)
At 30 September 2022 (unaudited)	**461,391**
Accumulated Depreciation	
At 1 April 2021	**253,878**
Charge for the period	761,633
At 31 March 2022 (audited)	1,015,511
Charge for the period	276,419
Termination of lease	(1,078,980)
At 30 September 2022 (unaudited)	**212,950**
Net Book Value	
At 30 September 2022 (unaudited)	**248,441**
At 31 March 2022 (audited)	507,754

14. INTERESTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 September 2022 are as follows:

Name of subsidiary	Place / country of incorporation and operations	Particulars of issued and paid-up share / registered capital	Percentage of interest held by the Company directly	Principal activities
Regal Crown Technology Limited	Hong Kong	HK$10,300,001	100%	IT software development
RCPay Ltd (Hong Kong) ("RCPay HK")	Hong Kong	HK$10,000	100%	Prepaid card consultancy services and licensed money service operation
Regal Crown Technology (Singapore) Pte Ltd ("RC Singapore")	Singapore	SGD100,000	100%	IT consultancy and consultancy management services

15. TRADE AND OTHER RECEIVABLES AND DEPOSIT AND PREPAYMENT

	30 September 2022 (unaudited) HK$	31 March 2022 (audited) HK$
Trade receivables	**-**	680,000
Amount due from a director	**1,238,178**	-
Other receivables	**-**	364,492
Due from related companies	**18,372**	-
Deposit and prepayment	**110,865**	152,875
	1,367,415	1,197,367

Amount due from a director is unsecured, interest free and has no fixed term of repayment.

The Directors of the Group considered that the fair values of trade and other receivables and deposit and prepayment are not materially different from their carrying amounts because these balances have short maturity periods on their inception. As at 30 September 2022 and 31 March 2022, no ECL has been provided for trade and other receivables and deposit and prepayment.

16. LOAN RECEIVABLES

	30 September 2022 (unaudited) HK$	31 March 2022 (audited) HK$
Receivables within one year	**3,000,556**	700,000

The loans to independent third parties are unsecured, bearing interest at 0.1% (31 March 2022: 0.1%) per annum and repayable in February 2023 (31 March 2022: February 2023). The Directors consider that the fair values of the loan receivables are not materially different from their carrying amounts.

17. CASH AND CASH EQUIVALENTS

	30 September 2022 (unaudited) HK$	31 March 2022 (audited) HK$
Cash and bank balances	**16,638,550**	23,416,761

18. TRADE AND OTHER PAYABLES

	30 September 2022 (unaudited) HK$	31 March 2022 (audited) HK$
Trade payables	**6,428**	408,000
Accrued charges and other payables	**144,898**	151,567
Receipt in advance	**-**	19,000
Amount due to a director	**-**	64,571
	151,326	643,138

The amount due to a director is unsecured, interest free and have no fixed term of repayment.

All amounts are short-term and hence the carrying values of trade and other payables are considered not materially different from their fair values.

19. BORROWINGS

	30 September 2022 (unaudited) HK$	31 March 2022 (audited) HK$
Bank loans - secured:	**5,674,470**	5,800,000
Presented by:		
Repayable on demand or within one year	**505,588**	505,588
Repayable after one year with repayment on demand clause	**5,168,882**	5,294,412
	5,674,470	5,800,000
Less: Amount shown under current liabilities	**(5,674,470)**	(5,800,000)
Non-current liabilities	**-**	-

Bank borrowings are variable interest bearing borrowings which carry interest at 2.5% below Prime Rate per annum. At 30 September 2022 and 31 March 2022, the banking facilities were secured by the guarantee given by Mr. Law Chi Kit, the ultimate controlling party of the Company.

20. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the lease liabilities:

	30 September 2022 (unaudited) HK$	31 March 2022 (audited) HK$
Total minimum leases payments:		
Due within one year	**255,382**	520,000
Due in the second to fifth years	**-**	-
	255,382	520,000
Future finance charges on lease liabilities	**(3,364)**	(4,842)
Present value of lease liabilities	**252,018**	515,158
Present value of liabilities:		
Due within one year	**252,018**	515,158
Due in the second to fifth years	**-**	-
	252,018	515,158
Less: Portion due within one year included under current liabilities	**(252,018)**	(515,158)
Portion due after one year included under non-current liabilities	**-**	-

The Group has entered into lease arrangements for staff quarter, car parking space and office with contractual period of two years. The Group makes fixed payments during the contract periods. At the end of the lease terms, the Group does not have the option to purchase the properties and the leases do not include contingent rentals.

During the six months ended 30 September 2022, the lease arrangement for staff quarter has been terminated.

21. SHARE CAPITAL

	30 September 2022 (unaudited) HK$	31 March 2022 (audited) HK$
Issued and fully paid:		
At the beginning of the period	**11,500,995**	10,300,001
Issue of shares	**-**	3,404,745
Group reorganisation – share exchange	**-**	(2,203,751)
At the end of the period	**11,500,995**	11,500,995

On 31 August 2021, in addition to the 100 ordinary shares of £0.01 issued in RC365 Holding Plc, 74,999,900 ordinary shares of £0.01 each were allotted and issued as consideration for the entire issued share capital of Regal Crown Technology Limited via a share-for-share exchange. Such exercise resulted in a transfer of share capital of HK$2,203,751 to the group reorganisation reserve.

On admission to the Standard List of LSE on 23 March 2022, 32,534,590 shares with nominal value of £0.01 each were issued.

22. BUSINESS COMBINATION UNDER COMMON CONTROL

a) Acquisition of RCPay HK

On 28 June 2022, the Group acquired 100% equity interest in RCPay HK at a cash consideration of £1 from the ultimate controlling party. As the Group and RCPay HK are under the common control of Mr. Law Chi Kit before and after the acquisition, the business combination has been accounted as a business combination under common control.

The Group elects to account for the common control combination using the pooling-of-interest method and the results of RCPay HK are consolidated by the Group from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The difference between the cash consideration and the carrying amount of the net assets of RCPay HK at the completion date is recognised in group reorganisation reserve amounting to HK$24,792.

Details of the carrying amounts of the assets and liabilities of RCPay HK at the date of acquisition are as follows:

	At 28 June 2022 HK$
Right-of-use assets	461,391
Trade and other receivables	73,600
Cash and cash equivalents	63,362
Trade and other payables	(107,335)
Lease liabilities	(466,216)
Net assets of RCPay HK	24,802
Merger reserve recognised	(24,792)
	10

Net cash inflow arising on the acquisition:

Consideration	(10)
Cash and cash equivalents acquired	63,362
	63,352

22. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

b) Acquisition of RC Singapore

On 28 June 2022, the Group acquired 100% equity interest in RC Singapore at a cash consideration of £1 from the ultimate controlling party. As the Group and RC Singapore are under the common control of Mr. Law Chi Kit before and after the acquisition, the business combination has been accounted as a business combination under common control.

The Group elects to account for the common control combination using the pooling-of-interest method and the results of RC Singapore are consolidated by the Group from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The difference between the cash consideration and the carrying amount of the net liabilities of RC Singapore at the completion date is recognised in group reorganisation reserve amounting to HK$112,395.

Details of the carrying amounts of the assets and liabilities of RC Singapore at the date of acquisition are as follows:

	At 28 June 2022 HK$
Trade and other receivables	14,879
Cash and cash equivalents	276,116
Trade and other payables	(403,380)
Net liabilities of RC Singapore	(112,385)
Merger reserve recognised	112,395
	10

Net cash inflow arising on the acquisition:

Consideration	(10)
Cash and cash equivalents acquired	276,116
	276,106

23. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 September 2022, the Group early terminated the financial lease arrangement in respect of a staff quarter, resulted in a decrease in the right-of-use assets and lease liabilities of HK$444,285 and HK$451,231, respectively.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

24.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	30 September 2022 (unaudited) HK$	31 March 2022 (audited) HK$
Financial assets		
Financial assets at amortised costs		
- Trade receivables	**-**	680,000
- Other receivables	**-**	364,492
- Due from a director	**1,238,178**	-
- Due from related companies	**18,372**	-
- Deposit and prepayment	**110,865**	152,875
- Loan receivables	**3,000,556**	700,000
- Cash and cash equivalents	**16,638,550**	23,416,761
	21,006,521	25,314,128
Financial liabilities		
Financial liabilities at amortised cost		
- Trade payables	**6,428**	408,000
- Accrued charges and other payables	**144,898**	151,567
- Receipt in advance	**-**	19,000
- Amounts due to a director	**-**	64,571
- Leases liabilities	**252,018**	515,158
- Borrowings	**5,674,470**	5,800,000
	6,077,814	6,958,296

24.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in the functional currency of respective subsidiaries.

24.3 Interest rate risk

The Group has no significant interest-bearing assets. Cash at bank earns interest at floating rates based on daily bank deposits rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interest to minimize the fair value interest rate risk. The Group currently does not have hedging policy. However, the Directors monitor interest rate exposure and will consider necessary action when significant interest rate exposure is anticipated.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

24.3 Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings. The analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to Directors and represents Directors' assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's pre-tax loss for the period would increase/decrease by HK$56,745 (profit for the year ended 31 March 2022: decrease/ increase HK$58,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

24.4 Credit risk

The Group's exposure to credit risk mainly arises from granting credit to customers and other counterparties in the ordinary course of its operations. The Group's maximum exposure to credit risk for the components of the condensed consolidated statement of financial position at 30 September 2022 refers to the carrying amount of financial assets as disclosed in note 24.1.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

24.4 Credit risk (Continued)

The exposures to credit risk are monitored by the Directors such that any outstanding debtors are reviewed and followed up on an ongoing basis. The Group's policy is to deal only with creditworthy counterparties. Payment record of customers is closely monitored. Normally, the Group does not obtain collateral from debtors.

Trade receivables

The Group has applied the simplified approach to assess the ECL as prescribed by HKFRS 9. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due days. In calculating the ECL rates, the Group considers historical elements and forward looking elements. Lifetime ECL rate of trade receivables is assessed minimal for all ageing bands as there was no recent history of default and continuous payments were received. The Group determined that the ECL allowance in respect of trade receivables for the period ended 30 September 2022 and year ended 31 March 2022 is minimal as there has not been a significant change in credit quality of the customers.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, other receivables, amount due from a director, amounts due from related companies, loan receivables and cash and cash equivalents.

The Directors are of opinion that there is no significant increase in credit risk on deposits, other receivables, amount due from a director, amounts due from related companies, loan receivables and cash and cash equivalents since initial recognition as the risk of default is low after considering the factors as following:

- any changes in business, financial or economic conditions that affects the debtor's ability to meet its debt obligations;
- any changes in the operating results of the debtor;
- any changes in the regulatory, economic, or technological environment of the debtor that affects the debtor's ability to meet its debt obligations.

The Group has assessed that the ECL for deposits, other receivables and loan receivables are minimal under the 12-months ECL method as there is no significant increase in credit risk since initial recognition. The credit risk with director and related parties is considered limited. The Directors have assessed the financial position of the director and these related parties and there is no indication of default.

The credit risk for cash and cash equivalents are considered negligible as the counterparties are reputable banks with high quality external credit ratings.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

24.5 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's prudent policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short term and longer term.

Analysed below are the Group's remaining contractual maturities for its non-derivative financial liabilities as at the reporting date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group is required to pay. Where settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

	Carrying amount HK$	Within 1 year or on demand HK$	Over 1 year but within 5 years HK$	Over 5 years HK$	Total contractual undiscounted cash flow HK$
30 September 2022					
- Trade and other payables	**151,326**	**151,326**	**-**	**-**	**151,326**
- Leases liabilities	**252,018**	**255,382**	**-**	**-**	**255,382**
- Bank borrowings	**5,674,470**	**923,124**	**3,692,496**	**1,692,394**	**6,308,014**
	6,077,814	**1,329,832**	**3,692,496**	**1,692,394**	**6,714,722**
31 March 2022					
- Trade and other payables	559,567	559,567	-	-	559,567
- Amounts due to a director	64,571	64,571	-	-	64,571
- Leases liabilities	515,158	520,000	-	-	520,000
- Bank borrowings	5,800,000	661,048	3,647,280	2,127,616	6,435,944
	6,939,296	1,805,186	3,647,280	2,127,616	7,580,082

24.6 Fair values

The fair values of the Group's financial assets and financial liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

25. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return for shareholders by pricing services commensurately with the level of risks.

The Group actively and regularly reviews and manages its capital structure and makes adjustments in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or raises new debt financing.

26. EVENTS AFTER THE REPORTING PERIOD

On 1 November 2022, the Group has completed the acquisition of the entire issued share capital of RCPAY Limited (UK). The consideration payable was £1.