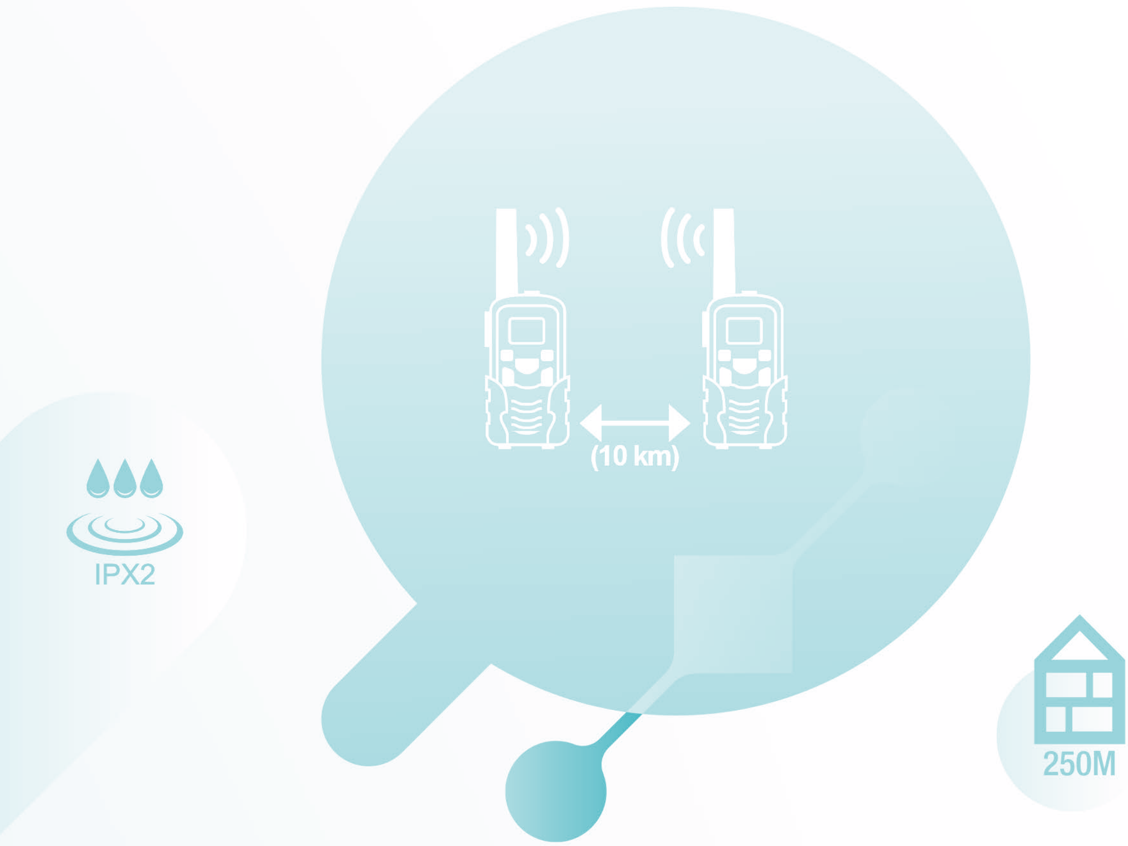
善裕集团
SHANYU

Shanyu Group Holdings Company Limited
善裕集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8245)

2025
ANNUAL REPORT



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*This report, for which the directors (the "**Directors**", each a "**Director**") of Shanyu Group Holdings Company Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Sun Lihua *(Chairman) (Appointed on 4 October 2024)*
Mr. Yeung Shing Wai
Ms. Wong Ming Kwan Victoria
Ms. Zhu Yuanyan *(Retired on 16 August 2024)*

Independent Non-executive Directors:

Mr. Choi Pun Lap
Ms. Ip Sin Nam
Mr. Yu Lap Pan

AUDIT COMMITTEE

Mr. Choi Pun Lap *(Chairman)*
Ms. Ip Sin Nam
Mr. Yu Lap Pan

REMUNERATION COMMITTEE

Mr. Yu Lap Pan *(Chairman)*
Mr. Choi Pun Lap
Ms. Ip Sin Nam

NOMINATION COMMITTEE

Mr. Choi Pun Lap *(Chairman)*
Ms. Ip Sin Nam
Mr. Yu Lap Pan

COMPANY SECRETARY

Mr. Lo Cheuk Fei Jeffrey

COMPLIANCE OFFICER

Mr. Yeung Shing Wai

AUTHORISED REPRESENTATIVES

Mr. Yeung Shing Wai
Mr. Lo Cheuk Fei Jeffrey

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2/F., 200 Hennessy Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

AUDITOR

Fan, Chan & Co. Limited
Rooms 1007–1012, 10/F
K. Wah Centre, 191 Java Road
North Point, Hong Kong

STOCK CODE

8245

COMPANY'S WEBSITE

www.shanyugroup.com

STATEMENT FROM THE BOARD OF DIRECTORS

Dear shareholders,

On behalf of the board of Directors (the "**Board**") of Shanyu Group Holdings Company Limited (the "**Company**") and its subsidiaries (together the "**Group**"), I am pleased to present to our shareholders the audited annual report of the Group for the financial year ended 31 March 2025 (hereafter referred as the "**Financial Year**").

OVERVIEW

In the previous years, the trade war between People's Republic of China ("**PRC**") and United States ("**US**") (the "**trade war**") has caused worldwide economic downturn and has brought significant operating pressure to the Group. These events have caused significant impact on the Group's production and profitability since early 2020. The number of purchase orders received from our customers has decreased significantly due to diminished demand for two-way radio products caused by the worldwide economic downturn. It has led to a decrease in revenue by approximately 36.8% from approximately HK$50.0 million for the year ended 31 March 2024 to approximately HK$31.6 million for the year ended 31 March 2025.

PROSPECT

Our business objective is to grow our existing business by strengthening our product portfolio and enhancing our information management system and marketing efforts. The Group will continue to invest in research and development of new product lines and seek for new customers and sales channels. We will also continue to subcontract partial of our manufacturing and operation activities to reduce the fix overhead and to enhance the flexibility in terms of fixed cost commitment. We will continue to develop new products and diversify our revenue streams which are expected to bring growth to the turnover of the Group. We will continue to enhance our revenue streams and profitability by introducing new product categories and leveraging our research and development capability to provide design services to our customers. The Group will continue to look for and consider potential investment opportunities from time to time.

STATEMENT FROM THE BOARD OF DIRECTORS

The economic downturn caused by the trade war has brought about additional uncertainties to the Group's operating environment and has impacted the Group's operations and financial position. The Group will continue to keep track of the development of the trade war and evaluate its impact on the Group's financial position, cash flows and operating results. The Board holds a positive and optimistic attitude toward the possible impacts on Group's performance.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all Shareholders, investors and business partners for their continuous support to the Group. I would also like to express my appreciation to all fellow Directors, management and staff for their contributions to the Group.

Wong Ming Kwan Victoria
Executive Director

Hong Kong
30 June 2025

BUSINESS REVIEW

The Group is a two-way radio product designer and manufacturer established in 2001. The Group derives revenue principally from designing, manufacturing and selling of two-way radios, baby monitors and plastic products on original design manufacturing basis.

The Group's revenue decreased from approximately HK$50.0 million for the year ended 31 March 2024 to approximately HK$31.6 million for the year ended 31 March 2025, representing a decrease of approximately 36.8%. Such decrease was mainly due to decrease in number of purchase orders for children walkie-talkie products received from our customers during the year ended 31 March 2025.

The Group's revenue of two-way radios decreased by approximately 62.4% from approximately HK$40.3 million for the year ended 31 March 2024 to approximately HK$15.2 million for the year ended 31 March 2025 mainly due to the significant decrease in number of purchase orders for children walkie-talkie products received from our customers.

The Group's revenue of baby monitors increased significantly from approximately HK$5.9 million for the year ended 31 March 2024 to approximately HK$12.4 million for the year ended 31 March 2025 mainly due to the increase in demand for baby monitor products.

The Group's revenue of plastic products increased by approximately 7.1% from approximately HK$3.8 million for the year ended 31 March 2024 to approximately HK$4.1 million for the year ended 31 March 2025.

The following table sets forth the breakdown of the revenue of the Group by product categories for the year ended 31 March 2025 and 2024:

	For the year ended 31 March					
	2025		2024		Increase (Decrease)	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Two-way radios	**15,156**	**48.0**	40,275	80.6	(25,119)	(62.4)
Baby monitors	**12,373**	**39.2**	5,891	11.8	6,482	110.0
Plastic products	**4,064**	**12.8**	3,794	7.6	270	7.1
Total	**31,593**	**100.0**	49,960	100.0	(18,367)	36.8

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost, direct labour costs and subcontracting fees. The cost of sales decreased by approximately 16.5% from approximately HK$34.5 million for the year ended 31 March 2024 to approximately HK$28.8 million for the year ended 31 March 2025. The gross profit margin decreased from approximately 31.0% for the year ended 31 March 2024 to approximately 8.9% for the year ended 31 March 2025 due to increase in material cost and decrease in sale of walkie-talkie products which had a high gross profit margin attribution.

Selling and Distribution Expenses

The selling and distribution expenses increased from approximately HK$0.2 million for the year ended 31 March 2024 to approximately HK$0.4 million for the year ended 31 March 2025, which was mainly due to the increase in marketing expenses.

Administrative Expenses

The administrative expenses increased from approximately HK$8.8 million for the year ended 31 March 2024 to approximately HK$9.0 million for the year ended 31 March 2025 due to the increase in transportation expenses.

Profit Attributable to Owners of the Company

The Group recorded a loss of HK$15.2 million for the year ended 31 March 2025, compared to profit of HK$2.0 million for the year ended 31 March 2024. The loss was mainly contributed by decrease in gross profit margin, and increase in impairment loss on goodwill and impairment losses under expected credit loss model amounting to HK$5.7 million and HK$4.2 million respectively recognised during the year.

Dividends

The Board does not recommend the payment of a dividend for the year ended 31 March 2025 (2024: HK$Nil).

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Group during the year ended 31 March 2025. The Group did not have any other immediate plans for material investment and capital asset as at the date of the report.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients and credit review of the Group's loan portfolio. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Employees and remuneration policies

As at 31 March 2025, the Group had a total of 17 staff (2024: 17 staff). Total staff costs (including Directors' emoluments) were approximately HK$3.3 million for the year ended 31 March 2025 (2024: approximately HK$5.4 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance.

Liquidity and financial resources

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 March 2025, we had short term borrowings and lease liabilities of approximately HK$6.8 million (as at 31 March 2024: approximately HK$6.4 million), including factoring loan for trade receivables representing an increase of approximately HK$0.4 million as compared to that as at 31 March 2024.

Net current liabilities increased from approximately HK$10.2 million for the year ended 31 March 2024 to approximately HK$13.7 million for the year ended 31 March 2025, which was mainly due to the decrease in trade receivables affected by the impairment losses under expected credit loss model recognised during the year.

The Group requires cash primarily for working capital need. As of 31 March 2025, the Group had approximately HK$4.1 million in bank balances and cash (as at 31 March 2024: approximately HK$4.8 million), representing a decrease of approximately HK$0.7 million as compared to that as at 31 March 2024.

Gearing Ratio

As at 31 March 2025, the gearing ratio of the Group was approximately negative 291.6% (as at 31 March 2024: approximately positive 151.1%). The gearing ratio is calculated based on the sum of borrowings, amount due to related parties and lease liabilities divided by the total equity at the end of the reporting period. The increase of the gearing ratio was mainly attributed by the loss recognised during the year.

Contingent Liabilities

On 20 January 2020, the Company received a third-party notice in relation to the legal case no. HCA1643/2019 between the Barton Eagle Limited (the "**Plaintiff**") and Lam Tak Hung (the "**Defendant**"). The Plaintiff claimed against the Defendant approximately HK$8 million under a guarantee for debts owned to the Plaintiff by the Company. In the third-party notice, the Defendant claims against the Company to be indemnified against the Plaintiff's claim and the cost of this action on the grounds that the Company is the principal debtor of the alleged debt.

Up to the date of this report, the outcome of the proceedings is still uncertain. As the Directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group's consolidated financial position, no further provision was made as at 31 March 2025.

Apart from the contingent liabilities disclosed on the above, the Company has no significant contingent liabilities.

Capital Commitments

The Company had capital commitments on acquisition of machines amounting to HK$1.7 million as at 31 March 2025 (as at 31 March 2024: HK$2.7 million). More details are set out in the Company's announcement dated 1 November 2023 and 6 June 2025.

FUND RAISING ACTIVITIES

Placing of New Shares Under General Mandate

On 20 September 2023, the Company entered into a placing agreement with a placing agent (the "**Placing 1**") pursuant to which the placing agent has agreed to place, on a best effort basis, to not less than six independent placees for up to 143,620,000 new Shares at a price of HK$0.061 per placing share, for and on behalf of the Company.

On 12 October 2023, the Placing 1 was completed and 143,620,000 new shares were issued to not less than six placees at the placing price. More details are set out in the Company's announcements dated 20 September 2023 and 12 October 2023.

As at 31 March 2025, the net proceeds of the Placing 1 had been utilised as follows:

	Actual net proceeds Allocated	**Amount utilised up to 31 March 2025**	**Balance as at 31 March 2025**
	HK$ Million	HK$ Million	HK$ Million
General working capital	8.63	8.63	—

In respect of the use of the HK$8.63 million from the net proceeds of placing of new shares under general mandate, approximately HK$2 million was used for the repayment of other borrowings; approximately HK$ 0.7 million was used for the acquisition of machines; and approximately HK$5.93 million was used as general working capital of the Group.

On 12 April 2024, the Company entered into another placing agreement with a placing agent (the "**Placing 2**") pursuant to which the placing agent has agreed to place, on a best effort basis, to not less than six independent placees for up to 172,350,000 new Shares at a price of HK$0.034 per placing share, for and on behalf of the Company.

On 8 May 2024, the Placing 2 was completed and 172,350,000 new shares were issued to not less than six placees at the placing price. More details are set out in the Company's announcements dated 12 April 2024, 15 April 2024 and 8 May 2024.

As at 31 March 2025, the net proceeds of the Placing 2 had been utilised as follows:

	Actual net proceeds	**Amount utilised up to 31 March 2025**	**Balance as at 31 March 2025**
	HK$ Million	HK$ Million	HK$ Million
General working capital	5.77	5.77	—

In respect of the use of the HK$5.77 million from the net proceeds of placing of new shares under general mandate, approximately HK$4.77 million was used as general working capital of the Group and HK$1 million was used as a loan to a subsidiary of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Sun Lihua (孫利華) ("**Mr. Sun**"), aged 50, was appointed as executive Director and Chairman of the Board on 4 October 2024. Mr. Sun graduated from Wuhan University with a bachelor's degree in business administration in 1997. He has extensive experience in finance, law, business administration and corporate governance, IT development, information system integration services, e-commerce technology, IT consulting, and marketing strategies. Over his 28 years of business operation and governance, he has consistently focused on management and served as a public servant of Xiaonan Yangdianzhen People's Government, Xiaogan City, Hubei Province from 1997 to 2019. He is a director and the authorized representative of Wuhan Limengyigou Technology Limited from February 2019 and Zhongchennong (Hainan) Technology Group Limited from November 2021 which are both operated in the People's Republic of China. He was also an executive director of Cornerstone Financial Holdings Limited (stock code: 8112) from May 2024 to March 2025.

Mr. Yeung Shing Wai (楊成偉) ("**Mr. Yeung**"), aged 39, was appointed as executive Director on 21 September 2019. Mr. Yeung had over 10 years of working experience in power and data cord industry. He was an executive director of Century Energy International Holdings Limited (stock code: 8132) from November 2010 to December 2014. Afterwards, he has been making private investments in various industries. Mr. Yeung is an executive director of Century Energy International Holdings Limited (stock code: 8132).

Ms. Wong Ming Kwan Victoria (王明君) ("**Ms. Wong**"), aged 45, was appointed as executive Director on 2 September 2022. Ms. Wong received her education in Vancouver, Canada. She has over 10 years of extensive experience in the finance industry. She oversees product developments for worldwide brand and participates in global exhibitions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Pun Lap (蔡本立) ("**Mr. Choi**"), aged 47, was appointed as independent non-executive Director on 21 April 2022. Mr. Choi is a valuation practitioner of International Association of Certified Valuation Specialists since 2019. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a member of Certified Practising Accountants Australia and a member of Chartered Global Management Accountant. Mr. Choi graduated from Hong Kong Metropolitan University with a Master of Law (Chinese Business Law) in Hong Kong in 2017. He obtained a Bachelor of Business (Accounting) from Central Queensland University in Australia in 2003 and further studied Postgraduate Diploma of Accounting in Monash University in Australia in 2005.

Mr. Choi is an executive director of Wuxi Life International Holdings Group Limited (stock code: 8148), Zhejiang United Investment Holdings Group Limited (stock code: 8366) and Simplicity Holding Limited (stock code: 8367), appointed on 1 June 2021, 30 September 2021 and 26 April 2022 respectively. He is an independent non-executive director and the chairman of audit committee of Sunway International Holdings Limited (stock code: 0058) and an independent non-executive director of China Smarter Energy Group Holdings Limited (stock code: 1004) which are listed on the Main Board of the Hong Kong Stock Exchange. In addition, he was a financial controller of a company listed on the GEM Board of the Hong Kong Stock Exchange in 2019. Mr. Choi was a senior audit manager in the audit department of HLB Hodgson Impey Cheng Limited ("**HLB**") and he has worked for HLB for more than 10 years.

Ms. Ip Sin Nam (葉善嵐) ("**Ms. Ip**"), aged 30, was appointed as independent non-executive Director on 2 September 2022. Ms. Ip graduated from Boston University with a Bachelor's of Arts in Psychology and a Bachelor's of Science in Communications, majoring in Public Relations. She has extensive experience in project management, marketing, and business development in the financial services industry. Ms. Ip is an executive director of Goldway Education Group Limited (stock code: 8160) and an executive director of Simplicity Holding Limited (stock code: 8367).

Mr. Yu Lap Pan (余立彬) ("**Mr. Yu**"), aged 43, obtained a bachelor's degree in applied accounting from Oxford Brookes University in 2007 and a master's degree in corporate governance from the Hong Kong Polytechnic University in 2020. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and an associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Mr. Yu has extensive experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Yu is an independent non-executive director of Goldway Education Group Limited (stock code: 8160).

* *The English translation of the Chinese name is for information only, and should not be regarded as the official English translation of such name. Please refer to the Chinese version of this annual report for the Chinese name.*

CORPORATE GOVERNANCE REPORT

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devote considerable effort to maintain high level of business ethics and corporate governance practices.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 March 2025, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

CORPORATE GOVERNANCE STRUCTURE

The Board is primarily responsible for formulating strategies, monitoring performance and managing risks of the Group. At the same time, it also has the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are 3 board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). All these committees perform their distinct roles in accordance with their respective terms of reference (available on the Company's website) and assist the Board in supervising certain functions of the senior management.

DIRECTORS' SECURITIES TRANSACTIONS

The Group had adopted Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the Directors, all the Directors of the Company had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors' securities transactions during the year ended 31 March 2025.

BOARD OF DIRECTORS

At present, the Board comprises six directors ("**Directors**") as follows:

Executive Directors:
Mr. Sun Lihua *(Chairman)*
Mr. Yeung Shing Wai
Ms. Wong Ming Kwan Victoria

Independent Non-executive Directors:
Mr. Choi Pun Lap
Ms. Ip Sin Nam
Mr. Yu Lap Pan

Biographical details of the Directors are set out in the section of "Biographical Details of Directors" on pages 10 to 11. There are no family or other material relationships among members of the Board.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to the shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.

Pursuant to Code Provision C.5.1 of the CG Code, the Board is expected to meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals.

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year ended 31 March 2025 is set out in the following table:

	Board meeting	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**General Meeting**
Number of meetings held during the year	6	3	2	2	2
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Mr. Sun Lihua *(Appointed on 4 October 2024)*	1/1	N/A	N/A	N/A	0/0
Mr. Yeung Shing Wai	3/6	N/A	N/A	N/A	1/2
Ms. Wong Ming Kwan Victoria	6/6	N/A	N/A	N/A	2/2
Ms. Zhu Yuanyan *(Retired on 16 August 2024)*	4/4	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Mr. Choi Pun Lap	6/6	3/3	2/2	2/2	2/2
Ms. Ip Sin Nam	6/6	3/3	2/2	2/2	2/2
Mr. Yu Lap Pan	6/6	3/3	2/2	2/2	2/2

Code Provision C.5.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or audit committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are provided with details of agenda items for decisions making with reasonable notice and welcome to include matters in the agenda of each Board meeting. Directors have access to the advice and services of the company secretary of the Company ("**Company Secretary**") who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are opened for inspection as request by Directors. During the year, the Board was given sufficient time to review and approve the minutes of Board meetings and meetings of Board committees. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company.

If potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting. The Directors attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association (the "**Articles of Association**") of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the Executive Directors and senior management.

All Directors assume the responsibilities owed to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has three Independent Non-executive Directors ("**INED**"), at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the INED has made an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all INED meet the Independence Guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Articles of Association, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision C.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Sun Lihua was appointed as executive director and the chairman of the Board on 4 October 2024. There was no chief executive officer in position during the year.

APPOINTMENT, RE-ELECTION AND REMOVAL

During the year, the Directors provided the Company and its subsidiaries with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company. Under Code Provision B.2.2 of the CG Code, each of the Non-Executive Directors and INED has entered into a service contract with the Company for three years but subject to termination in certain circumstance as stimulated in the relevant service contracts. At each annual general meeting, one third of the Directors for the time being (of if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be eligible for re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties and has adopted written terms of reference on its corporate governance functions.

The duties of the Board in respect of the corporate governance functions include:

(i) developing and reviewing the Company's policies and practices on corporate governance;

(ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2025 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board has to review the policy concerning diversity of Board members and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

AUDIT COMMITTEE

The Company has established an audit committee on 16 September 2015 with written terms of reference that set out the authorities and duties of the Audit Committee. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange. The Audit Committee performs, amongst others, the following functions:

- To review the financial information of the Group.
- To review the relationship with and terms of appointment of the external auditor.
- To review the effectiveness and adequacy of the Company's financial reporting system, internal control system and risk management system.

During the year, the Audit Committee held 3 meetings. The Audit Committee oversaw the internal control system of the Group, reviewed the consolidated financial statements of the Group for the year ended 31 March 2025, the accounting principles and practices adopted by the Group, selection and appointment of the external auditor, reports to the Board on any material issues, and made recommendations to the Board. There had been no disagreement between the Board and the Audit Committee during the financial year ended 31 March 2025.

As at 31 March 2025, the Audit Committee comprises three members namely:

Mr. Choi Pun Lap *(Chairman)*
Ms. Ip Sin Nam
Mr. Yu Lap Pan

All the members are INEDs who possess the appropriate professional qualifications, accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

REMUNERATION COMMITTEE

A remuneration committee was set up on 16 September 2015, with written terms of reference in compliance with the code provisions of the CG Code, which have been reviewed from time to time by the Board to keep them in line with the most up-to-date requirements to oversee the remuneration policy and structure for all Directors and senior management. The most up-to-date written terms of reference of the Remuneration Committee are available on the Company's website and on the website of the Stock Exchange.

The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and the senior management and determining the remuneration packages of all Executive Directors and senior management. The Remuneration Committee is also responsible to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2025.

The Remuneration Committee held 2 meetings during the year. The members reviewed the remuneration package of Directors and the senior management of the Company.

As at 31 March 2025, the Remuneration Committee comprises three members namely:

Mr. Yu Lap Pan *(Chairman)*
Mr. Choi Pun Lap
Ms. Ip Sin Nam

All the members are INEDs.

In addition, pursuant to Code Provision E.1.8 of the CG Code, the number of non-director senior management whose annual remuneration by band during the year ended 31 March 2025 is set out below, details of the Directors remuneration are set out in note 14:

	2025
Nil to HK$1,000,000	3
HK$1,500,001 to HK$2,000,000	0

NOMINATION COMMITTEE

The Company has established a nomination committee on 16 September 2015 for making recommendations to the Board on appointment of Directors and succession planning for the directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, reviewing and recommending for the Board's approval of the proposed resolution for re-election of the retiring Directors at 2025 AGM, reviewing the structure, size, composition and diversity of the Board and assessing the independence of each INED.

In considering the appointment of new directors, the Nomination Committee assessed the relevant candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively etc., and made recommendation to the Board for approval.

In order to enhance corporate governance, all Directors have offered themselves for re-election at the forthcoming annual general meeting ("**AGM**").

The Nomination Committee will meet as and when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. The Nomination Committee held 2 meetings during the year. The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

As at 31 March 2025, the Nomination Committee comprises three members namely:

Mr. Choi Pun Lap *(Chairman)*
Ms. Ip Sin Nam
Mr. Yu Lap Pan

All the members are INEDs.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial year which gives a true and fair view. In preparing the consolidated financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable and have ensured that the consolidated financial statements are prepared on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout the year and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

The Directors are of the view that given the size, nature and complexity of the business of the Group, the Group uses internal resources to comply with internal audit function to perform the review on risk management and internal control systems of the Group. The risk management and internal control systems are reviewed and assessed on an on-going basis by the Audit Committee and the Board, and will be further reviewed and assessed at least once each year by the Board.

During the year, the Board and Audit Committee have conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment which was made by discussions with the management of the Company and its external auditor. The Board believes that the existing internal control system is adequate and effective.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION OF THE COMPANY

Fan, Chan & Co. Limited ("**Fan Chan**") was appointed as the external auditor for the financial year ending 31 March 2025. The statement of Fan Chan in respect of its reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 March 2025 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The fees paid/payable to Fan Chan during the year ended 31 March 2025 are set out as follows:

	Fee paid/payable HK$'000
Audit services	450

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed and facilitating communications among Directors as well as with shareholders and management.

During the year ended 31 March 2025, Mr. Lo Cheuk Fei Jeffrey had undertaken no less than 15 hours of relevant professional training to update their skill and knowledge.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its quarterly, interim and annual reports. The corporate website of the Company (www.shanyugroup.com) has provided an effective communication platform to the public and the shareholders.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to the Directors. Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials. All Directors had provided the Company their training records for the year under review and the Company will continue to arrange the training in accordance with Code Provision C.1.4 of the CG Code. The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. The annual general meeting and other general meetings of the Company are primary forums for communication between the Company and its shareholders. The Company provides shareholders with relevant information on the resolution(s) proposed at general meetings in a timely manner in accordance with the GEM Listing Rules. The information provided is reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the meetings.

CONSTITUTIONAL DOCUMENTS

The Company has amended its Articles of Association in August 2023 for the purpose of conforming with certain amendments to the GEM Listing Rules which became effective on 1 January 2022 and for housekeeping purpose. The Second Amended and Restated Articles of Association is available on the Company's website and the website of the Stock Exchange.

MANAGEMENT OF INSIDE INFORMATION

In order to promote transparency, accountability and responsibility in respect of the operation of a listed company, and for the maintenance of good corporate governance, the Company would notify the Stock Exchange and make relevant disclosure to the public as soon as practicable of any inside information of the Company pursuant to the GEM Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles of Association which provides that extraordinary general meetings should be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene an extraordinary general meeting within 21 days of the deposit of the requisition, the requisitionist(s) may convene an extraordinary general meeting himself/themselves, 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.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in Article 85 of the Articles of Association. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal place of business in Hong Kong or at the Hong Kong Branch Share Registrar. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of company secretary, by email: jeffreylo@shanyugroup.com, or by post to 2/F., 200 Hennessy Road, Wan Chai, Hong Kong.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the GEM Listing Rules and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue its effort to maintain, enhance and increase the Group's corporate governance level and quality.

REPORT OF THE DIRECTORS

The Board has the pleasure in presenting the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2025.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 38 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2025 are set out in the consolidated financial statements on pages 33 to 35 of this annual report.

The Board does not recommend payment of a dividend in respect of the year ended 31 March 2025 (2024: Nil).

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospects of the Group's business are provided in the sections headed "Statement from the Board of Directors" on page 4 and "Management Discussion and Analysis" on pages 5 to 9 of the annual report. The discussion forms part of this Director's report.

SHARE CAPITAL

Details of the shares capital of the Company for the year ended 31 March 2025 are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2025, calculated under Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately HK$Nil (2024: HK$Nil).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 100 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" below, share options granted was disclosed in note 36 for the year ended 31 March 2025.

SHARE OPTION SCHEME

The former share option scheme of the Company (the "**Former Scheme**") was adopted pursuant to a resolution passed by the Company's shareholders on 16 September 2015. In view of the amendments to Chapter 23 of the GEM Listing Rule relating to share schemes which came into effect on 1 January 2023, the Company adopted a new share scheme (the "**New Scheme**") pursuant to a resolution passed by the Company's shareholders on 28 March 2024. The primary purpose of the New Share Scheme is to enable the Company to grant Options or Awards to the Participants as incentives or rewards for their contributions to the Company. The New Share Scheme will give the Participants an opportunity to have a personal stake in the Company and will help to motivate the Participants to optimise their performance and efficiency and attract and retain or otherwise maintain a long-term relationship with the Participants whose contributions are or will be in line with the business objectives of the Company. Eligible participants of the Scheme include any employees, any executives, Non-executive Directors (including Independent Non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The New Scheme will remain valid and effective for a period of 10 years commencing on the date on which the New Scheme is adopted, after which period no further share options and awards will be granted but the provisions of the New Scheme shall in all other respects remain in full force and effect and share options and awards which are granted during the life of the New Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarised in the paragraph headed "Principal Terms of the New Share Scheme" in Appendix to the circular dated 12 March 2024.

As of 31 March 2025, the total number of share available for issue for use under the New Scheme was 17,235,127 shares (2024: 86,175,636), representing approximately 8.3% (2024: 10.0%), adjusted as a result of share consolidation effected on 20 June 2024, of the issued share capital of the Company. As the date of this report, the total number of shares of the Company which may be issued upon the exercise of all options and award to be granted under the New Scheme was 17,235,127 shares of the Company, representing approximately 8.3% of the issued share capital of the Company.

Details of the share options granted are set out in note 36 to the consolidated financial statement.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 16 to the consolidated financial statement.

BORROWINGS

Details of movements during the year in borrowings regarding bank borrowings and lease liabilities of the Group are set out in notes 26 and 28 to the consolidated financial statements respectively.

DIRECTORS

The directors of the Company (the "**Director(s)**") during the year and up to the date of this report were:

Executive Directors:
Mr. Sun Lihua *(Chairman) (Appointed on 4 October 2024)*
Mr. Yeung Shing Wai
Ms. Wong Ming Kwan Victoria
Ms. Zhu Yuanyan *(Retired on 16 August 2024)*

Independent Non-executive Directors:
Mr. Choi Pun Lap
Ms. Ip Sin Nam
Mr. Yu Lap Pan

In order to enhance corporate governance, all Directors have offered themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors of the Company are set out on pages 10 to 11 of this annual report.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2025, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The shares of associated corporation held by a director

Name of director	Name of associated corporation	Capacity/Nature	No. of share held in the associated corporation	% of shareholding in the associated corporation	No. of share held in the Company
Ms. Wong Ming Kwan Victoria	DD Innovation Limited	Beneficial interest	1	100%	19,318,181

The shares of the Company directly held by a director

Name of director	Number of shares
Ms. Wong Ming Kwan Victoria	3,409,091

Saved as disclosed above, as at 31 March 2025, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

At 31 March 2025, so far as known to the Directors, the following substantial shareholders had, or were deemed to have, interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
DD Innovation Limited ("**DD Innovation**") *(Note 1)*	Beneficial owner	19,318,181	9.34%
Ms. Wong Ming Kwan Victoria ("**Ms. Wong**") *(Note 1)*	Beneficial owner and interest in a controlled corporation	22,727,272	10.99%

Notes:

1. Ms. Wong is the sole beneficial shareholder of DD Innovation. Therefore, Ms. Wong is deemed to be interested in the 19,318,181 Shares of the Company held by DD innovation under the SFO. In addition, Ms. Wong directly holds 3,409,091 shares of the Company.

2. All interests stated above represent long positions.

Save as disclosed above, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 March 2025.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	Percentage of the Group's total purchases
The largest supplier	52.3%
Five largest suppliers in aggregate	100.0%

	Percentage of the Group's total sales
The largest customer	67.2%
Five largest customers in aggregate	99.9%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major supplier and customers.

DONATIONS

No charitable donations and other donation has been made during the year (2024: HK$Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The possible business risks and uncertainties, interest rate risk and foreign exchange rate risk facing by the Group are set out in section headed "Management Discussion and Analysis" on pages 5 to 9. The financial risk management objectives and policies of the Group are set out in note 33 to the consolidated financial statement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Further discussion on the Group's environmental policy and our relationship with various stakeholders are covered by a separate Environmental, Social and Governance Report which will be available at the Group's website and the website of the Stock Exchange.

CONNECTED TRANSACTIONS

A summary of the related transactions entered into by the Group during the year ended 31 March 2025 is contained in note 35 to the consolidated financial statements. Certain related party transactions also constituted continuing connected transactions, but are exempted from the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is a sufficient public float of at least 25% of the Company's issued shares at the latest practicable date prior to issue of this report under the GEM Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

Apart from the transactions disclosed under the heading "Related Party Transactions" as set out in note 35 of this annual report, there were no other contracts of significance in relation to the Group's business to which the Group was a party and which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year and up to the date of this report, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association 164(1) provides that every Director, Company Secretary and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against any actions, cost, charges, losses, damages and expenses, as a result of any act done, concurred in or omitted in or about the execution of their duty. The Company has also maintained the Directors and officers liability insurance during the year.

AUDITOR

The consolidated financial statements have been audited by Fan Chan and a resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wong Ming Kwan Victoria
Executive Director

30 June 2025

范陳會計師行有限公司
Fan, Chan & Co. Limited

INDEPENDENT AUDITOR'S REPORT
To the shareholders of Shanyu Group Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shanyu Group Holdings Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 33 to 99, which comprise the consolidated statement of financial position as at 31 March 2025, the consolidated statement of profit or loss and other 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 material accounting policy information.

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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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 ("**HKSAs**") 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the consolidated financial statements, which indicates that for the year ended 31 March 2025, the Group incurred a net loss of HK$15,224,000 and reported a net cash outflow of HK$4,982,000 from operating activities, and as at 31 March 2025, the Group's current liabilities exceeded its current assets by HK$13,669,000, while its total cash and cash equivalents only amounted to HK$4,098,000 and the Group's total liabilities exceeded its total assets by HK$3,054,000 as at 31 March 2025. As stated in Note 3, these conditions along with other matters as set forth in Note 3 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgement, 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.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matter described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Impairment assessment of goodwill

We identified annual impairment assessment of goodwill of the Group as a key audit matter due to the involvement of significant judgements and assumptions in determining the recoverable amount of cash-generating unit ("**CGU**") to which the goodwill has been allocated. The recoverable amount is derived from value-in-use calculations using discounted cash flow models.

As at 31 March 2025, the Group's goodwill was allocated to the CGU engaged in the supply of two-way radios, baby monitors and plastic products and amounted to approximately HK$15,855,000 before recognition of impairment loss for the year then ended. Details are disclosed in Note 19 to the consolidated financial statements.

Management's assessment of goodwill impairment is highly judgmental and involved high estimation uncertainty which is dependent on certain significant inputs including the growth rates, budgeted revenue, budgeted expenses, budgeted capital expenses and discounted rates applied, all of which vary based on the relevant industry growth and management's expectations for the market development of plastic product business worldwide.

As disclosed in Note 19, the impairment loss of HK$5,713,000 has been recognised against the goodwill for the year ended 31 March 2025.

How our audit addressed the key audit matter

Our audit procedures in relation to the management's impairment assessment of goodwill of the Group's subsidiary included:

— Evaluating the competence, capabilities, and objectivity of the valuer engaged by management and obtaining an understanding of the valuer's scope of work and their terms of engagement;

— Evaluating the appropriateness of the valuer's valuation approach to assess if it meets the requirements of the HKFRS Accounting Standards and industry norms;

— Challenging the reasonableness of the key assumptions adopted and appropriateness of valuation model applied based on available data and our knowledge;

— Assessing the reasonableness of key inputs used in the valuation;

— Checking arithmetical accuracy of calculations; and

— Understanding the impairment assessment process, including the impairment model, basis of allocation of goodwill to CGU through enquiries with the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagements, 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 HKSAs 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 HKSAs, we exercise professional judgement 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.

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.

— Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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.

Fan, Chan & Co. Limited
Certified Public Accountants
Yee Wai Man
Practising Certificate Number: P05594

Hong Kong, 30 June 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2025

	Notes	**2025 HK$'000**	2024 HK$'000
Revenue	5	**31,593**	49,960
Cost of sales		**(28,790)**	(34,483)
Gross profit		**2,803**	15,477
Other income	7	**1,040**	208
Other gains/(losses), net	8	**293**	(3,052)
Impairment loss on goodwill	19	**(5,713)**	—
Impairment losses under expected credit loss model, net of reversal	9	**(4,218)**	(474)
Selling and distribution expenses		**(403)**	(187)
Administrative expenses		**(8,978)**	(8,790)
Finance costs	10	**(48)**	(259)
(Loss)/profit before tax	11	**(15,224)**	2,923
Income tax expense	12	**—**	(963)
(Loss)/profit for the year		**(15,224)**	1,960
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment upon deregistration of foreign operations		**—**	1,292
Other comprehensive income for the year		**—**	1,292
Total comprehensive (expense)/income for the year		**(15,224)**	3,252
(Loss)/profit for the year attributable to:			
Owners of the Company		**(15,224)**	1,961
Non-controlling interests		**—**	(1)
		(15,224)	1,960
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(15,224)**	3,253
Non-controlling interests		**—**	(1)
		(15,224)	3,252
(Loss)/earnings per share (HK cents)	13		(Restated)
Basic and diluted		**(7.49)**	1.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

	Notes	**2025** **HK$'000**	2024 HK$'000
Non-current assets			
Property, plant and equipment	16	**—**	—
Right-of-use assets	17	**658**	—
Deposits	23	**—**	679
Goodwill	19	**10,142**	15,855
		10,800	16,534
Current assets			
Inventories	20	**570**	476
Financial assets at fair value through profit and loss ("**FVTPL**")	22	**1,444**	388
Trade and other receivables	23	**28,430**	19,022
Bank balances and cash	24	**4,098**	4,848
		34,542	24,734
Current liabilities			
Trade and other payables	25	**39,015**	24,950
Borrowings	26	**6,137**	6,412
Amounts due to a related party	27	**2,102**	3,122
Current tax liabilities		**475**	475
Lease liabilities	28	**482**	—
		48,211	34,959
Net current liabilities		**(13,669)**	(10,225)
Total assets less current liabilities		**(2,869)**	6,309

As at 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Non-current liabilities			
Lease liabilities	28	**185**	—
Net (liabilities)/assets		**(3,054)**	6,309
Capital and reserves			
Share capital	29	**12,926**	10,772
Reserves		**(15,894)**	(4,377)
Equity attributable to owners of the Company		**(2,968)**	6,395
Non-controlling interests		**(86)**	(86)
(Capital deficiency)/total equity		**(3,054)**	6,309

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2025.

Mr. Yeung Shing Wai
Director

Ms. Wong Ming Kwan Victoria
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2025

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(note (a))*	PRC statutory reserve HK$'000 *(note (b))*	Share option reserve HK$'000	Exchange reserve HK$'000 *(note (c))*	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2023	8,977	146,622	1,465	2,670	240	(1,292)	(164,300)	(5,618)	(85)	(5,703)
Profit for the year	–	–	–	–	–	–	1,961	1,961	(1)	1,960
Other comprehensive expense for the year										
Reclassification adjustment for a foreign operation deregistration	–	–	–	–	–	1,292	–	1,292	–	1,292
Total comprehensive income/ (expense) for the year	–	–	–	–	–	1,292	1,961	3,253	(1)	3,252
Placing of new shares *(Note 29(i))*	1,795	6,965	–	–	–	–	–	8,760	–	8,760
Transfer to accumulated losses upon deregistration of a subsidiary	–	–	–	(2,670)	–	–	2,670	–	–	–
Lapse of share options	–	–	–	–	(240)	–	240	–	–	–
As at 31 March 2024 and 1 April 2024	**10,772**	**153,587**	**1,465**	**–**	**–**	**–**	**(159,429)**	**6,395**	**(86)**	**6,309**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(15,224)**	**(15,224)**	**–**	**(15,224)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(15,224)**	**(15,224)**	**–**	**(15,224)**
Placing of new shares *(Note 29(i))*	**2,154**	**3,707**	**–**	**–**	**–**	**–**	**–**	**5,861**	**–**	**5,861**
At 31 March 2025	**12,926**	**157,294**	**1,465**	**–**	**–**	**–**	**(174,653)**	**(2,968)**	**(86)**	**(3,054)**

Notes:

(a) The capital reserve represents the aggregate par value of shares which have been repurchased and cancelled.

(b) According to the People's Republic of China (the "**PRC**") Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners. The amounts had been derecognised during the year ended 31 March 2024 because of the deregistration of a subsidiary.

(c) Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) which are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the deregistration of the foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2025

	2025 HK$'000	2024 HK$'000
Operating Activities		
(Loss)/profit before taxation	**(15,224)**	2,923
Adjustments for:		
— Bank interest income	**(4)**	(10)
— Loss on deregistration of a subsidiary	**—**	1,720
— Finance costs	**48**	259
— Depreciation of right-of-use assets	**299**	—
— Impairment loss on goodwill	**5,713**	—
— Fair value loss on other financial assets	**—**	2,869
— Fair value gain on financial assets at FVTPL	**(322)**	(22)
— Waiver of amount due to a director	**—**	(1,094)
— Withholding tax	**—**	(488)
— Impairment losses under expected credit loss model, net of reversal	**4,218**	474
Operating cash flows before movements in working capital	**(5,272)**	6,631
(Increase)/decrease in inventories	**(94)**	948
Increase in trade and other receivables	**(12,947)**	(8,871)
Increase/(decrease) in trade and other payables	**14,065**	(6,823)
Purchase of financial assets at FVTPL	**(734)**	(366)
Net cash used in operating activities	**(4,982)**	(8,481)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2025

	2025 HK$'000	2024 HK$'000
Investing activities		
Interest received	**4**	10
Repayment from a related company	**–**	82
Net cash generated from investing activities	**4**	92
Financing activities		
Interest paid	**(28)**	(292)
Proceeds from issuance of shares upon placement of shares	**5,861**	8,760
Repayment of borrowings	**(275)**	(2,274)
Repayment of lease liabilities	**(310)**	(341)
Repayment to a related party	**(1,020)**	(1,045)
Net cash generated from financing activities	**4,228**	4,808
Net decrease in cash and cash equivalents	**(750)**	(3,581)
Cash and cash equivalents at the beginning of the reporting period	**4,848**	8,429
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	**4,098**	4,848

1. GENERAL INFORMATION

Shanyu Group Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are engaged in designing, trading and manufacturing of two-way radios, baby monitors and plastic products.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is Hong Kong dollar ("**HK$**"). The consolidated financial statements are presented in HK$ as the directors consider that HK$ is the appropriate presentation currency for the users of the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accounts ("**HKICPA**") for the first time, which are mandatorily effective for the current accounting period of the Group for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	*Lease liability in a sale and leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*
Amendments to HKAS 1	*Non-current Liabilities with Covenants*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new and amendments to HKFRS Accounting Standards but is not yet in a position to state whether these new and amendments to HKFRS Accounting Standards would have a significant impact on its results of operations and financial position:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
Amendments to HKFRS 10 and HKAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Amendments to HKFRS Accounting Standards, *Annual Improvements to HKFRS Accounting Standards — Volume 11*	1 January 2026
Amendments to HKAS 21, *Lack of Exchangeability*	1 January 2025
HKFRS 18, *Presentation and Disclosure in Financial Statements*	1 January 2027

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for other financial assets and financial assets at FVTPL, which are measured at fair value, at the end of the reporting period, as explained in the material accounting policy information set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of preparation of consolidated financial statements (Continued)

Going concern basis

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its net current liabilities position as at 31 March 2025. During the year, the Group incurred a net loss of HK$15,224,000 and reported a net cash outflow of HK$4,982,000 from operating activities, and as at 31 March 2025, the Group's current liabilities exceeded its current assets by HK$13,669,000, while its total cash and cash equivalents only amounted to HK$4,098,000 and the Group's total liabilities exceeded its total assets by HK$3,054,000 as at 31 March 2025. These conditions cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. In the opinion of the directors, the Group will be able to continue to operate as a going concern in the foreseeable future, after taking into consideration the following factors:

— At the reporting date, the Group had obtained credit facilities granted by a finance company of approximately HK$10,000,000 for at least eighteen months from the end of the reporting period, which has not been drawn down as borrowings.

— The management closely monitors the Group's financial performance and liquidity position. The management has been implementing measures to control operating costs including negotiating with the landlords for rental reduction, a salary reduction scheme for management, the minimisation of operating costs and administrative expenses. Meanwhile, the management expand its current business by acquisition of new product line.

As at the date of approval of these consolidated financial statements, these measures had not yet been concluded or implemented. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company. The eventual outcome of these measures cannot be estimated with certainty, hence there is material uncertainty related to the conditions described above that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

The material accounting policy information is set out below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Non-controlling interests in a subsidiary is presented separately from the Group's equity therein, which represent ownership interests entitling their holders to a proportionate share of net assets of the subsidiary upon liquidation.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("**CGU**") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Disposal of subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property, plant and equipment

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

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets are measured at FVTPL if the financial asset does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income. Changes in the fair value of the financial asset are recognised in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets carried at amortised cost (including trade and other receivables (excluded prepayment), and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed using a provision matrix with appropriate groupings. Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

For all other instruments, the Group measures the loss allowance equal to 12m 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 increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 6 months past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The gross carrying amount of a financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(v) *Measurement and recognition of ECL (Continued)*

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities at amortised cost

Financial liabilities including trade and other payables (excluded provision and contract liabilities), borrowings, amounts due to a related party are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amounts of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Revenue from sales of goods

Revenue from sales of goods is recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. The normal credit term is up to 90 days upon delivery.

Leases

At inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "**MPF Scheme**") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes. The Group's employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 March 2025, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of the reporting period. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS Accounting Standard requires or permits their inclusion in the cost of an asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit/loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Related party transactions

A party is considered to be related to the Group if:

(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 the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(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 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); or

(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 Group's parent.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Close family members 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's major accounting policies, which are described in Note 3 to the consolidated financial statements, the directors are required to make judgments, 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 may 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.

Critical judgments in applying accounting policies

The following is the critical judgment, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration

The Group engages in sales of two-way radios, baby monitors and plastic products. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 March 2025, the Group recognised revenue relating to sales of two-way radios, baby monitors and plastic products amounted to approximately HK$31,593,000 (2024: HK$49,960,000).

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade and other receivables

Trade and other receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade and other receivables (Continued)

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in Notes 23 and 33 to the consolidated financial statements.

Impairment loss on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The information about the impairment loss calculation is disclosed in Note 19 to the consolidated financial statements.

5. REVENUE

Revenue represents revenue from sales of two-way radios, baby monitors and plastic products, net of sales related tax where applicable. An analysis of the Group's revenue for the year is as follows:

	Revenue from external customers	
	2025	2024
	HK$'000	HK$'000
Revenue comprises revenue from sale of		
— Two-way radios	**15,156**	40,275
— Baby monitors	**12,373**	5,891
— Plastic products	**4,064**	3,794
	31,593	49,960

All of the Group's revenue are recognised on a point in time basis.

5. REVENUE (Continued)

Transaction prices allocated to the remaining performance obligations for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for two-way radios, baby monitors and plastic products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of two-way radios, baby monitors and plastic products that had an original expected duration of one year or less.

Revenue from contracts with customers

Information about the Group's performance obligations in its contracts with its customers is summarised below:

Sales of two-way radios, baby monitors and plastic products

The performance obligation is satisfied, and hence revenue is recognised, at a point in time when control of the products is transferred to the customer, being at the point when the customer collects the goods at the store or when the goods are delivered. Payment of the transaction price is due within 90 days after delivery of the products. The Group does not provide warranties, right for returns or refunds to the customers.

6. SEGMENT INFORMATION

Information reported to the executive directors and senior management of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered.

The Group has been principally engaged in designing, trading and manufacturing of two-way radios, baby monitors and plastic products.

The CODM have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

The CODM consider the business from a product perspective whereby the CODM assess the performance of two-way radios, baby monitors and plastic products based on gross profit of the ordinary activities of a recurring nature.

The CODM make decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Two-way radios HK$'000	Baby monitors HK$'000	Plastic products HK$'000	Total HK$'000
For the year ended 31 March 2025				
Revenue from contracts with customers	15,156	12,373	4,064	31,593
Segment profit	1,393	949	461	2,803
Other income and other gains and losses, net				1,333
Impairment loss on goodwill				(5,713)
Impairment losses under expected credit loss model, net of reversal				(4,218)
Selling and distribution expenses				(403)
Administrative expenses				(8,978)
Finance costs				(48)
Loss before tax				(15,224)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Provision of impairment losses recognised on				
— trade receivables, net	3,392	905	(82)	4,215
— other receivables, net	3	—	—	3

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

	Two-way radios HK$'000	Baby monitors HK$'000	Plastic products HK$'000	Total HK$'000
For the year ended 31 March 2024				
Revenue from contracts with customers	40,275	5,891	3,794	49,960
Segment profit	13,432	712	1,333	15,477
Other income and other gains and losses, net				(2,844)
Impairment losses under expected credit loss model, net of reversal				(474)
Selling and distribution expenses				(187)
Administrative expenses				(8,790)
Finance costs				(259)
Profit before tax				2,923
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment from deregistration of foreign operation	76	16	—	92
Derecognition of right-of-use assets from deregistration of foreign operation	336	—	—	336
Provision of impairment losses recognised on				
— trade receivables, net	—	—	152	152
— other receivables, net	322	—	—	322

The material accounting policies of the operating segments are the same as the Group's material accounting policies described in note 3. Segment profit represents the profit earned from each segment without allocation of selling and distribution expenses, administrative expenses, impairment loss on goodwill, impairment losses under expected credit loss models, net of reversal, impairment loss of non-current assets, other income, other gains/(losses), net and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Continued)

(b) Geographical information

An analysis of the Group's revenue presented based on the geographical market location of sales is detailed below:

	Revenue from external customers	
	2025	2024
	HK$'000	HK$'000
Europe *(Note (i))*	**385**	2,498
People's Republic of China ("**PRC**")	**—**	15,406
The United Kingdom ("**UK**")	**48**	—
The United States ("**USA**")	**—**	322
Hong Kong	**31,160**	31,273
Taiwan	**—**	460
Australia	**—**	1
	31,593	49,960

Note:

(i) Europe mainly refers to France.

Since over 90% of the Group's non-current assets were located in Hong Kong, no geographical location of non-current assets is presented.

(c) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2025	2024
	HK$'000	HK$'000
Customer A[1]	**21,225**	30,760
Customer B[1]	**9,047**	N/A
Customer C[2]	**N/A**	14,979

1 Revenue from two-way radios segment and baby monitors segment.

2 Revenue from two-way radios segment.

N/A: Revenue derived from the customer during the year did not contribute over 10% of total revenue of the Group during the respective financial year.

Except as disclosed above, no other customer contributed 10% or more to the Group's revenue for both years.

7. OTHER INCOME

	2025 **HK$'000**	2024 HK$'000
Bank interest income	**4**	10
Government grants *(Note)*	**772**	—
Sundry income	**264**	198
	1,040	208

Note:

Government grants under Hong Kong's Branding, Upgrading, and Domestic Sales (BUD) Fund, set up by the Hong Kong Government. The purpose of the funding is to provide essential financial support to help companies grow and expand their presence in Mainland China and other international markets. The grants were recognised in profit or loss when received. There are no unfulfilled conditions or contingencies in relation to the grants and the grants were determined at the sole discretion of Hong Kong Government.

8. OTHER GAINS/(LOSSES), NET

	2025 **HK$'000**	2024 HK$'000
Exchange (losses)/gains, net	**(29)**	421
Loss on deregistration of a subsidiary	**—**	(1,720)
Fair value gain on financial assets at FVTPL	**322**	22
Fair value loss on other financial assets	**—**	(2,869)
Waiver of amount due to a director	**—**	1,094
	293	(3,052)

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2025 **HK$'000**	2024 HK$'000
Provision of impairment losses recognised on:		
— trade receivables, net	**4,215**	152
— other receivables, net	**3**	322
	4,218	474

10. FINANCE COSTS

	2025 **HK$'000**	2024 HK$'000
Interests on:		
— borrowings	**28**	255
— lease liabilities	**20**	4
	48	259

11. (LOSS)/PROFIT BEFORE TAX

	2025 **HK$'000**	2024 HK$'000
(Loss)/profit before tax has been arrived at after charging		
Directors' emoluments *(Note 14)*	**1,177**	1,338
Salaries, allowances and benefits in kind of employees excluding directors	**2,076**	4,005
Retirement benefit schemes contributions (excluding directors)	**50**	63
Total staff costs	**3,303**	5,406
Auditor's remuneration		
— audit services	**450**	420
Depreciation of right-of-use assets	**299**	—
Cost of inventories sold recognised as an expense	**28,790**	28,883
Expenses relating to short-term leases	**—**	69
Legal and professional fees	**1,893**	1,471
Transportation	**320**	5

12. INCOME TAX EXPENSE

	2025 **HK$'000**	2024 HK$'000
Current tax:		
Hong Kong Profits Tax	**—**	475
PRC Enterprise Income Tax (the "**EIT**")	**—**	488
	—	963

(i) Hong Kong Profits Tax

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of group entities qualify for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

12. INCOME TAX EXPENSE (Continued)

(ii) PRC Enterprise Income Tax

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The income tax expense can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 **HK$'000**	2024 HK$'000
(Loss)/profit before tax	**(15,224)**	2,923
Tax at domestic income tax rate	**(2,512)**	457
Tax effect of lower tax rate under two-tiered profits tax rate	**—**	(168)
Tax effect of expense not deductible for tax purposes	**945**	2,465
Tax effect of income not taxable for tax purpose	**(79)**	(475)
Tax effect of estimated tax loss not recognised	**7**	75
Tax effect of other deductible temporary differences	**1,639**	78
Utilisation of tax losses previously not recognised	**—**	(1,469)
Income tax expense for the year	**—**	963

As at 31 March 2025, the Group has unused estimated tax losses of approximately HK$67,444,000 (2024: HK$67,403,000). No deferred tax asset had been recognised in respect of these unused tax losses due to the unpredictability of future profit streams. As at 31 March 2025, all unrecognised tax losses can be carried forward indefinitely.

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss or earnings per share is based on the following profit or loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2025 **HK$'000**	2024 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share		
(Loss)/profit for the year attributable to owners of the Company	**(15,224)**	1,961

	2025 **'000**	2024 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss/earnings per share	**203,327**	157,048

The weighted average number of ordinary shares used to calculate the basic and diluted loss/earnings per share for both years have been adjusted to reflect the share consolidation (Note 29 (iii)). Accordingly, the basic and diluted loss per share for the year ended 31 March 2024 are restated.

No adjustment is made in calculating diluted loss per share for the years ended 31 March 2025 and 31 March 2024 as there was no potential ordinary shares in issue as at 31 March 2025 and 31 March 2024.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 March 2025				
	Fees HK$'000	**Salaries, allowance and benefits in kind HK$'000**	**Discretionary bonuses HK$'000**	**Retirement benefit scheme contributions HK$'000**	**Total HK$'000**
Executive directors:					
Mr. Sun Lihua *(Note (1))*	–	118	–	–	118
Ms. Wong Ming Kwan Victoria	–	420	–	9	429
Mr. Yeung Shing Wai	–	180	–	–	180
Ms. Zhu Yuanyan *(Note (3))*	–	90	–	–	90
Independent non-executive directors:					
Mr. Choi Pun Lap	120	–	–	–	120
Ms. Ip Sin Nam	120	–	–	–	120
Mr. Yu Lap Pan	120	–	–	–	120
	360	808	–	9	1,177

	Year ended 31 March 2024				
	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Ms. Wong Ming Kwan Victoria	–	420	–	10	430
Mr. Yeung Shing Wai	–	240	–	–	240
Ms. Zhu Xiu Zhi *(Note (2))*	–	91	–	–	91
Ms. Zhu Yuanyan *(Note (3))*	–	217	–	–	217
Independent non-executive directors:					
Mr. Choi Pun Lap	120	–	–	–	120
Ms. Ip Sin Nam	120	–	–	–	120
Mr. Sheng Wei *(Note (4))*	45	–	–	–	45
Mr. Yu Lap Pan *(Note (5))*	75	–	–	–	75
	360	968	–	10	1,338

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(1) Mr. Sun Lihua has been appointed as an executive director and the Chairman of the Company with effect from 4 October 2024.

(2) Ms. Zhu Xiu Zhi retired as an executive director of the Company on 17 August 2023.

(3) Ms. Zhu Yuanyan was appointed as an executive director of the Company with effect from 5 May 2023 and retired as executive director of the Company with effect from 16 August 2024.

(4) Mr. Sheng Wei was retired from an independent non-executive director of the Company on 17 August 2023.

(5) Ms. Yu Lap Pan was appointed as an independent non-executive director of the Company effected from 17 August 2023.

No emoluments were paid by the Group to the directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. Save as disclosed, none of the directors or chief executive waived or agreed to waive any emoluments in both years.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Except as disclosed in Note 35, no other transactions, arrangements and contracts in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2024: one) was a director for the year ended 31 March 2025. The emoluments of the one director (2024: one) is included in the disclosures in Note 14(a) above. The emoluments of the remaining four (2024: four) individuals, who are not directors of the Group were as follows:

	2025 **HK$'000**	2024 HK$'000
Salaries, allowances and benefits in kind	**1,294**	3,175
Retirement benefit scheme contributions	**29**	38
	1,323	3,213

The aggregated emoluments of each of the remaining highest paid individuals fell within the following band:

	Number of individuals	
	2025	2024
Nil to HK$1,000,000	**4**	3
HK$1,500,001–HK$2,000,000	**–**	1

During the years ended 31 March 2025 and 2024, no emoluments were paid or payable by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the five highest paid individuals waived or agreed to waive any emoluments in both years.

15. DIVIDENDS

No final dividend was paid or proposed during the year, nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period (2024: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2023	403	11	208	13,999	986	15,607
Deregistration of foreign operations	(407)	(11)	(124)	(13,502)	(313)	(14,357)
Exchange realignment	4	–	55	(213)	(72)	(226)
At 31 March 2024, 1 April 2024 and 31 March 2025	**–**	**–**	**139**	**284**	**601**	**1,024**
Accumulated depreciation and impairment losses						
At 1 April 2023	403	11	208	13,907	986	15,515
Deregistration of foreign operations	(407)	(11)	(124)	(13,410)	(313)	(14,265)
Exchange realignment	4	–	55	(213)	(72)	(226)
At 31 March 2024, 1 April 2024 and 31 March 2025	**–**	**–**	**139**	**284**	**601**	**1,024**
Carrying amount						
At 31 March 2025	**–**	**–**	**–**	**–**	**–**	**–**
At 31 March 2024	–	–	–	–	–	–

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment were depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of term of the lease or 5 years
Furniture and fixtures	20%
Office equipment	20%
Plant and machinery	20% to 33%
Motor vehicles	20%

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
Cost	
At 1 April 2023	640
Derecognised	(640)
At 31 March 2024	—
Accumulated depreciation	
At 1 April 2023	304
Deregistration of foreign operations	(304)
At 31 March 2024	—
Carrying values	
At 31 March 2024	—
Cost	
At 1 April 2024	**—**
Additions	**957**
At 31 March 2025	**957**
Accumulated depreciation	
At 1 April 2024	**—**
Charge for the year	**299**
At 31 March 2025	**299**
Carrying Values	
At 31 March 2025	**658**

17. RIGHT-OF-USE ASSETS (Continued)

	2025 HK$'000	2024 HK$'000
Expenses relating to short-term leases	**286**	69
Total cash outflow for lease[1]	**310**	373
Additions to right-of-use assets	**957**	—

1 Amount included payments of principal and interest portion of lease liabilities and short-term leases.

For both years, the Group leases office for its operations. Lease contracts are entered into for a fixed term of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

At 31 March 2025, the directors of the Company have conducted impairment assessment on the recoverable amount of the cash-generating unit represented by the whole operations of World Smarts, which the Group's right-of-use assets belong to. No impairment loss was recognised in respect of the right-of-use assets for the year ended 31 March 2025. Details of the impairment assessment are set out in Note 19 to the consolidated financial statements.

18. INTANGIBLE ASSETS

	Knowhow HK$'000
Cost	
As at 1 April 2023	11,114
Disposed on deregistration of foreign operations	(11,114)
As at 31 March 2024, 1 April 2024 and 31 March 2025	—
Accumulated amortisation	
As at 1 April 2023	11,114
Disposed on deregistration of foreign operations	(11,114)
As at 31 March 2024, 1 April 2024 and 31 March 2025	—
Carrying Amount	
As at 31 March 2025 and 31 March 2024	**—**

The above intangible assets arose from product development activities carried out by the Group and had finite useful lives. Such intangible assets were amortised on a straight-line basis over three years.

19. GOODWILL

	HK$'000
Cost	
As at 1 April 2023, 31 March 2024, 1 April 2024 and 31 March 2025	50,082
Accumulated impairment	
As at 1 April 2023, 31 March 2024 and 1 April 2024	**(34,227)**
Impairment for the year	**(5,713)**
As at 31 March 2025	**(39,940)**
Carrying Amount	
As at 31 March 2025	**10,142**
As at 31 March 2024	**15,855**

Impairment test for CGUs containing goodwill

The directors have reviewed the carrying amount of goodwill in accordance with HKAS 36 "Impairment of Assets" as follows:

Goodwill amounting to HK$50,082,000 which arose from the acquisition of World Smarts Co. Limited ("**World Smarts**") was allocated to the cash-generating unit represented by the whole operations of World Smarts (the "**CGU**"). The principal activities of World Smarts are supply of two-way radios, baby monitors and plastic products.

The recoverable amount of the CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a five-year period and the pre-tax discount rate of approximately 16.3% (2024:16.2%) that reflects current market assessment of time value of money and the risks specific to the CGU. The Group engaged an independent professional valuer, B.I. Appraisals Limited, to assist with the calculation. The calculation uses cash flow projection based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

	2025 **HK$'000**	2024 HK$'000
Annual revenue growth rate during the forecast period	**2.25%–2.5%**	2.5%
Gross profit margin	**8.9%**	17.2%
Growth rate beyond the forecast period	**2.5%**	2.5%
Pre-tax discount rate	**16.3%**	16.2%

19. GOODWILL (Continued)

Impairment test for CGUs containing goodwill (Continued)

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2.25% per annum growth rate. The growth rate does not exceed the long-term average growth rate for the market.

The key assumptions used in the value-in-use calculations for the CGU are as follows:

Budgeted revenue	The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the directors' estimation of the revenue from existing and potential customers. The directors believe that planned revenue growth per year for the next five years is reasonably achievable.
Number of future orders	In order to maintain successful business operations of the CGU, the directors believe that there is no particular difficulty in continuously receiving orders from the existing customers in the CGU.
Budgeted expenses	The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the directors' estimation of growth in revenue. The directors believe that planned expenses growth per year for the next five years is reasonably achievable.
Budgeted capital expenditures	The directors considered capital expenditures for maintenance capital expenditures and expansionary capital expenditures, which are based on historical expenditures.

The growth rate beyond the 5-year projection period of 2.5% (2024: 2.5%) is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value-in-use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development.

For the year ended 31 March 2025, the recoverable amount of the CGU was HK$10,800,000. Based on the results for the aforesaid impairment assessment, the directors concluded that impairment on goodwill of HK$5,713,000 (2024: HK$nil) regarding the World Smarts was recognised for the year to write down the carrying value of the CGU to the recoverable amount of the CGU as at 31 March 2025. No other write-down of the assets is considered necessary.

In the opinion of the directors of the Company, no material impairment loss was identified for the goodwill related to the World Smarts operation for the year ended 31 March 2024. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU represented by World Smarts to exceed its recoverable amount as at 31 March 2024.

19. GOODWILL (Continued)

Sensitivity analysis

The Group has performed a sensitivity analysis on the recoverable amount of the CGU. The key assumptions used in the value-in-use calculation are the 1) annual revenue growth rate during the forecast period and growth rate beyond the forecast period; and 2) the pre-tax discount rate. The sensitivity analysis was prepared by management based on reasonably possible changes in these key assumptions at the end of the reporting period, with all other variables held constant.

If the annual revenue growth rate during the forecast period and growth rate beyond the forecast period had been 1 percentage point lower than the management's estimate, the recoverable amount of the CGU would decrease, and this would result in a further impairment loss of approximately RMB1,000,000 for the year ended 31 March 2025.

If the pre-tax discount rate had been 5 percentage point higher than the management's estimate, the recoverable amount of the CGU would decrease, and this would result in a further impairment loss of approximately RMB3,000,000 for the year ended 31 March 2025.

Management believes that any reasonably possible changes in key assumptions would not result in the recoverable amount falling below the carrying amount of the CGU, except for the above scenarios.

20. INVENTORIES

	2025 **HK$'000**	2024 HK$'000
Raw materials	**–**	476
Finished goods	**570**	–
	570	476

21. OTHER FINANCIAL ASSETS

	Profit guarantee HK$'000
As at 1 April 2023	2,869
Change in fair value for the year	(2,869)
As at 31 March 2024, 1 April 2024 and 31 March 2025	**–**

21. OTHER FINANCIAL ASSETS (Continued)

World Smarts

The other financial assets of the Group represent the profit guarantee provided by the DD Innovation Limited and Ms. Wong Ming Kwan Victoria (the "**Vendors**") to the Group arising from the acquisition of World Smarts in June 2022 (the "**Profit Guarantee**").

The Vendors guaranteed to the Group that the audited net profit before tax of World Smarts (i) for the year ended 31 March 2023 shall be no less than HK$1.9 million ("**1st Year Guaranteed Profit**"); and (ii) for the year ended 31 March 2024 shall be no less than HK$1.9 million ("**2nd Year Guaranteed Profit**"). If the aggregate of the actual audited net profit before tax of the World Smarts for the year ended 31 March 2023 ("**1st Year Actual Profit**") and for the year ended 31 March 2024 ("**2nd Year Actual Profit**") shall be less than the aggregate of the 1st Year Guaranteed Profit and 2nd Year Guaranteed Profit, the Vendors shall pay compensation ("**Compensation**") to the Purchaser according to the following formula:

$$A = HK\$15{,}000{,}000 \times \frac{(1^{st}\text{ Year Guaranteed Profit} + 2^{nd}\text{ Year Guaranteed Profit}) - (1^{st}\text{ Year Actual Profit} + 2^{nd}\text{ Year Actual Profit})}{1^{st}\text{ Year Guaranteed Profit} + 2^{nd}\text{ Year Guaranteed Profit}}$$

where A is the Compensation payable to the Group. For the avoidance of doubt, (i) if any of the 1st Year Actual Profit or the 2nd Year Actual Profit shall be negative, such loss shall be offset against the profit for the other period and (ii) if the aggregate 1st Year Actual Profit and 2nd Year Actual Profit shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation shall be HK$15,000,000.

The Vendors and the Group shall procure the auditor nominated by the Group to complete the audited financial statements of the World Smarts for the years ended 31 March 2023 and 2024 respectively within 3 months after the end of the relevant period. The Compensation (if any) shall be paid by the Vendors to the Group in cash within 7 business days after determination of the 1st Year Actual Profit and 2nd Year Actual Profit.

The Profit Guarantee represented a right to the return of previously transferred consideration for the acquisition of World Smarts when the specified conditions were met and hence constituted a kind of contingent consideration arrangement to be accounted for as a financial asset at FVTPL in accordance with HKFRS 3 and HKFRS 9. The Profit Guarantee was initially recognised in the consolidated statement of financial position at the acquisition date at fair value determined by B.I. Appraisals Limited, an independent professional qualified valuer.

The fair value of the profit guarantee was determined to be approximately HK$2,742,000 and HK$2,869,000 by B.I. Appraisals Limited as at completion date of the acquisition and as at 31 March 2023 respectively, using a discount rate of 2.47% to 3.16% per annum, under Monte Carlo simulation and taking into consideration of whether the profit guarantee is probable to meet.

The Profit Guarantee has been met as at 31 March 2024, as the net profit before tax of World Smarts for the year ended 31 March 2024 was HK$3,900,000 (2023: HK$3,900,000) and the fair value of the profit guarantee was derecognised as at 31 March 2024. No compensation from the Vendor was required.

22. FINANCIAL ASSETS AT FVTPL

	2025 HK$'000	2024 HK$'000
Hong Kong listed equity security, at market value	**1,444**	388

23. TRADE AND OTHER RECEIVABLES

	2025 HK$'000	2024 HK$'000
Current:		
Trade receivables from contracts with customers		
— third parties	**30,562**	17,715
Less: Allowance for credit losses	**(4,367)**	(152)
	26,195	17,563
Prepayments *(Note)*	**2,018**	1,228
Deposits	**222**	4
Other receivables	**7,935**	8,164
Less: Allowance for credit losses	**(7,940)**	(7,937)
	2,235	1,459
Total trade and other receivables	**28,430**	19,022
Non-current:		
Deposits paid for acquisition of machinery *(Note 43)*	**—**	679

Note: Amount included prepayments for acquisition of machinery of HK$1,672,000.

The Group generally allows a credit period of 30 days to 90 days to its trade customers. The Group does not hold any collateral over these balances.

As at 31 March 2025 and 2024, the Group's other receivables included deposits paid for potential investments with gross carrying amount of HK$7,600,000, which were fully impaired.

23. TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of the trade receivables, net of allowance for credit losses, based on invoice date which approximates the respective revenue recognition dates were as follows:

	2025 **HK$'000**	2024 HK$'000
1 to 30 days	**1,119**	4,467
31 to 60 days	**2,123**	5,014
61 to 90 days	**4,982**	—
91 to 180 days	**6,827**	6,291
Over 180 days	**11,144**	1,791
	26,195	17,563

As at 31 March 2025, included in the Group's trade receivables (net of allowance for credit losses) balance are debtors with aggregate carrying amounts of approximately HK$23,086,000 (2024: HK$8,115,000) which are past due at the end of the reporting period. Out of the past due balances, HK$23,086,000 (2024: HK$7,970,000) (net of allowance for credit losses) have been past due and are not considered as in default because of no recent history of default and consideration of forward-looking information. The directors are of the opinion that these balances are still considered as collectible.

The following table shows the movement in lifetime ECL of trade receivables that has been recognised:

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1 April 2023	1,920	9,463	11,383
Impairment loss recognised	50	102	152
Write off	(1,920)	(9,463)	(11,383)
As at 31 March 2024 and as at 1 April 2024	**50**	**102**	**152**
Impairment loss recognised	**(12)**	**4,227**	**4,215**
As at 31 March 2025	**38**	**4,329**	**4,367**

23. TRADE AND OTHER RECEIVABLES (Continued)

The following table show reconciliation of loss allowance of other receivables is as follow:

	12m ECL HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2023	15	7,600	7,615
Impairment loss recognised	—	337	337
Impairment loss reversed	(15)	—	(15)
As at 31 March 2024 and as at 1 April 2024	**—**	**7,937**	**7,937**
Impairment loss recognised	**—**	**3**	**3**
As at 31 March 2025	**—**	**7,940**	**7,940**

Included in trade and other receivables (excluded prepayment) are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2025 HK$'000	2024 HK$'000
USD	**577**	1,981

Details of impairment assessment are set out in Note 33.

24. BANK BALANCES AND CASH

Bank balances represented short-term deposits with a maturity of three months or less. As at 31 March 2025, bank balances carried interest at floating rates and placed with creditworthy banks with no recent history of default.

As at 31 March 2025, the Group's bank balances and cash denominated in USD and Renminbi ("**RMB**"), which are other than the functional currency of relevant group entities, are approximately HK$320,000 (2024: HK$64,000) and HK$nil (2024: HK$1,000) respectively.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the government of the PRC.

The Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided for both years.

25. TRADE AND OTHER PAYABLES

	2025 HK$'000	2024 HK$'000
Trade payables	**28,767**	15,149
Accrued expenses and other payables	**10,248**	9,801
	39,015	24,950

The following is an aging analysis of trade payables presented based on invoice dates at the end of the reporting period:

	2025 HK$'000	2024 HK$'000
1 to 30 days	**5,774**	11,549
31 to 60 days	**2,985**	1,779
61 to 90 days	**3,289**	1,448
More than 90 days	**16,719**	373
	28,767	15,149

The credit period on purchases of goods is 90 days.

The Group's trade and other payables (excluded contract liabilities) that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2025 HK$'000	2024 HK$'000
RMB	**16,062**	606

25. TRADE AND OTHER PAYABLES (Continued)

a. Significant changes in contract liabilities

As at 31 March 2024, contract liabilities of HK$14,620,000 (2023: HK$14,320,000) mainly arose from the advance payments made by customers while the underlying products were yet to be delivered. The Group recognised revenue in the amount to which the Group had a right to invoice and that corresponded directly with transfer of control of the products to the customer.

b. Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2025 **HK$'000**	2024 HK$'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Two-way radios	**–**	14,620

26. BORROWINGS

	2025 **HK$'000**	2024 HK$'000
Secured bank borrowings *(Note (i))*	**537**	812
Secured other borrowings *(Note (ii))*	**5,600**	5,600
	6,137	6,412

Carrying amounts repayable (based on scheduled repayment dates set out in loan agreements):

	2025 **HK$'000**	2024 HK$'000
Within one year	**6,137**	6,412

26. BORROWINGS (Continued)

Notes:

(i) Secured bank borrowings were interest bearing at Prime Lending Rate less 2.25% (2024:2.25%) per annum as at 31 March 2025 which are secured by guarantee provided by a director of the Company as appropriate.

(ii) On 16 July 2019, the Company entered into assignment of debt agreement to borrow HK$5,600,000 from the lender by factoring trade receivables with gross carrying amount of approximately USD1,008,900 (equivalent to approximately HK$7,809,000) (note 23) to the lender with recourse. Upon the entering into of the assignment of debt agreement, the secured other borrowings, which were interest-free and would be settled upon settlement of the factored trade receivable, was recognised.

As at 31 March 2025 and 2024, the trade receivables and the other borrowing have not been settled.

(iii) The effective interest rates (per annum) at the end of the respective reporting period are as follows:

	2025	2024
Variable-rate bank borrowings effective interest rate	**3.625%**	3.375% to 3.625%

27. AMOUNT DUE TO A RELATED PARTY

Name of related party	**2025** **HK$'000**	2024 HK$'000
Ms. Wong Ming Kwan Victoria, executive director of the Company	**2,102**	3,122

The amounts are unsecured, interest-free and repayable on demand.

28. LEASE LIABILITIES

	2025 HK$'000	2024 HK$'000
Lease liabilities payable:		
Within one year	**482**	—
Within a period of more than one year but not exceeding two years	**185**	—
	667	—
Less: Amount due for settlement with 12 months shown under current liabilities	**(482)**	—
Amounts due for settlement after 12 months shown under non-current liabilities	**185**	—

The incremental borrowing rate applied to lease liabilities was 3.625% for the year ended 31 March 2025 (2024: Nil).

29. SHARE CAPITAL

	Number of shares		**Amount**	
	2025 '000	2024 '000	**2025 HK$'000**	2024 HK$'000
Ordinary shares of HK$0.0125 each				
Authorised:				
At the beginning of the reporting period and at the end of the reporting period	**3,120,000**	3,120,000	**39,000**	39,000
Issued and fully paid:				
At the beginning of the reporting period	**861,756**	718,136	**10,772**	8,977
Placing of new shares *(Notes (i) & (ii))*	**172,350**	143,620	**2,154**	1,795
Share consolidation *(Note (iii))*	**(827,285)**	—	**—**	—
At the end of the reporting period	**206,821**	861,756	**12,926**	10,772

All the issued shares rank pari passu in all respects including all rights as to dividends, voting rights and return of capital.

29. SHARE CAPITAL (Continued)

Notes:

(i) On 8 May 2024, the Company issued a total of 172,350,000 new shares upon the completion of the placing of new shares under general mandate. Net proceeds of approximately HK$5,861,000 were raised. Details of the placing are set out in the announcements of the Company dated 12 April, 15 April and 8 May 2024.

(ii) On 12 October 2023, the Company issued a total of 143,620,000 new shares as a result of the placing. Net proceeds of approximately HK$8,760,000 were raised. Details of the placing are set out in the announcements of the Company dated 20 September 2023 and 12 October 2023.

(iii) On 24 June 2024, the Company effected the share consolidation on the basis that every five (5) issued and unissued Shares shall be consolidated into one (1) consolidated share. Details of the share consolidation are set out in the circular of the Company dated 3 June 2024.

30. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Group's subsidiary in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiary is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes. The contributions are charged to profit or loss as incurred.

The total expense recognised in consolidated profit or loss of approximately HK$59,000 (2024: HK$68,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 March 2025.

Defined benefit plan

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

30. RETIREMENT BENEFIT SCHEMES (Continued)

Defined benefit plan (Continued)

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "**Eligible Offset Amount**"), for the purpose of offsetting LSP payable to an employee (the "**Offsetting Arrangement**"). The LSP obligation, if any, is presented on a net basis.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17th June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively on 1 May 2025 (the "**Transition Date**"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

The application of the HKICPA guidance has had no material impact on the Group's consolidated financial statements.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debts which include borrowings, amounts due to related parties and lease liabilities, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The directors review the capital structure periodically. As part of the review, the directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors, the Group will balance its overall capital structure through issue of new shares or redemption of existing shares as well as issue of new debt or redemption of existing debts.

The Group is not subject to any external imposed capital requirements.

31. CAPITAL RISK MANAGEMENT (Continued)

The net debt-to-adjusted equity ratio at 31 March 2025 and 2024 was as follows:

	2025 HK$'000	2024 HK$'000
Total debts	8,906	9,534
Less: Bank balances and cash	(4,098)	(4,848)
Net debt	4,808	4,686
(Capital deficiency)/total equity	(3,054)	6,309
Net debt-to-adjusted equity ratio	N/A	74.3%

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2025 HK$'000	2024 HK$'000
Financial assets		
Financial assets at FVTPL	1,444	388
Financial assets at amortised cost	30,510	23,321
Financial liabilities		
Financial liabilities at amortised cost	47,921	34,484

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables (excluded prepayment), bank balances and cash, financial assets at FVTPL, trade and other payables and deposit (excluded contract liabilities), borrowings, amounts due to related parties, and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (equity price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to financial risk or the manner in which it manages and measures the risk.

Equity price risk

The Group is exposed to equity price risk arising from investments in Hong Kong listed equity securities, which were classified as financial assets at FVTPL (Note 22) on the consolidated statement of financial position. To manage its price risk arising from investments in financial assets, the Group diversified its portfolio. The Group's equity investments are publicly traded in the Hong Kong Stock Exchange.

The following table demonstrates the sensitivity to every 5% (2024: 5%) change in the fair value of the financial assets, with all other variables held constant and based on their carrying amounts at the end of the reporting period. A positive number below represents increase in profit or decrease in loss when there is an increase in the fair value. When there is a decrease in fair value, there is an opposite effect of the same amount.

	Effect on profit or loss after tax and accumulated losses	
	2025	2024
	HK$'000	HK$'000
Effect on profit or loss for the year	**72**	19

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuation arise. The Group's assets are mainly HK$ denominated assets. In addition, the Group has certain assets denominated in RMB and USD.

The HK$ is pegged to USD and thus foreign currency exposure is considered as minimal and is not hedged.

The carrying amounts of the Group's monetary assets and liabilities denominated in RMB (other than functional currency of the respective Group entity) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2025 **HK$'000**	2024 HK$'000	**2025** **HK$'000**	2024 HK$'000
RMB	**–**	1	**16,062**	606

In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of HK$ against RMB.

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency risk of RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year ended 31 March 2025 (2024: increase in post-tax profit) where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative. The analysis is performed on the same basis for the years ended 31 March 2025 and 2024.

	2025 **HK$'000**	2024 HK$'000
RMB	**671**	25

Management considered the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of each reporting period does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (Note 26) and lease liabilities (Note 28). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 24) and variable-rate bank borrowings (Note 26). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates on variable rate bank borrowings had been 50 basis points higher and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2025 would increase by approximately HK$3,000 (2024: post-tax profit would decrease by approximately HK$4,000), and vice versa. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, other receivables, deposits and bank balances. As at 31 March 2025, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to bank balances held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 March 2025 and 2024 was minimal.

For other receivables and deposits, the directors make periodic individual assessment on the recoverability of other receivables and based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For those receivables and deposits where there is no significant increase in credit risk of the Group's outstanding balances of other receivables and deposits since initial recognition, the Group provided impairment based on 12m ECL. Based on the assessment, reversal of impairment of other receivables amounting to approximately HK$3,000 (2024: HK$322,000) was recognised in profit or loss during the year ended 31 March 2025.

The Group has concentration of credit risk as 97% (2024: 86%) and 100% (2024: 98%) of the trade receivables was due from the Group's largest customer and five largest customers respectively. The largest customer is a Hong Kong-based company engaged in distribution of two-way radios to overseas customers.

The Group's policy to manage credit risk is to deal only with credit worthy counterparties. In order to minimise the credit risk, the management of the Group 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.

Trade receivables are assessed based on provision matrix. Impairment allowance of HK$4,367,000 (2024: HK$152,000) were recognised for ECL on trade receivables as at the end of the reporting period. The Group performed impairment assessment for the trade receivables equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

The following table provides information about the Group's exposure to credit risk for trade receivables:

	Expected loss %	Gross carrying amounts HK$'000	Loss allowance HK$'000
As at 31 March 2025			
Current (not past due)	**1.21**	**3,147**	**38**
1 to 30 days past due	**1.89**	**4,504**	**85**
31 to 60 days past due	**0.56**	**3,009**	**17**
61 to 90 days past due	**6.78**	**3,010**	**204**
91 to 180 days past due	**15.40**	**9,848**	**1,517**
181 to 365 days past due	**35.20**	**7,003**	**2,465**
Over 366 days past due	**100.00**	**41**	**41**
		30,562	**4,367**

	Expected loss %	Gross carrying amounts HK$'000	Loss allowance HK$'000
As at 31 March 2024			
Current (not past due)	0.25	9,472	24
1 to 30 days past due	0.28	4,226	12
31 to 60 days past due	0.33	2,096	7
61 to 90 days past due	0.41	1,707	7
91 to 180 days past due	1.75	57	1
181 to 365 days past due	3.45	58	2
Over 366 days past due	100.00	99	99
		17,715	152

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

During the year ended 31 March 2025, the Group recognised impairment amounts of approximately HK$1,989,000 and HK$3,000 (2024: HK$152,000 and HK$322,000) for trade receivables and other receivables respectively.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The table below details the credit risk exposures of the Group's financial assets other than trade receivables, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount		Loss allowance	
					At 31 March 2025 HK'000	At 31 March 2024 HK'000	**At 31 March 2025 HK'000**	At 31 March 2024 HK'000
Financial assets at amortised cost								
Other receivables and deposits	23	n/a	Low risk	12-month ECL (assessed individually)	**218**	910	**3**	–
			Loss	Lifetime ECL (credit impaired)	**7,937**	7,937	**7,937**	7,937
Bank balances and cash	24	AAA to A+	Low risk	12-month ECL (assessed individually)	**4,098**	4,848	**–**	–

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cashflows on interest are estimated based on interest rates at the end of the reporting period, and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	As at 31 March 2025			
	Within one year or on demand HK$'000	**More than one year but less than two years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities				
Trade and other payables	**39,015**	**—**	**39,015**	**39,015**
Borrowings	**6,156**	**—**	**6,156**	**6,137**
Amount due to a related party	**2,102**	**—**	**2,102**	**2,102**
Lease liabilities	**496**	**186**	**682**	**667**
	47,769	**186**	**47,955**	**47,921**

	As at 31 March 2024			
	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities				
Trade and other payables	24,950	—	24,950	24,950
Borrowings	6,435	—	6,435	6,412
Amounts due to related parties	3,122	—	3,122	3,122
	34,507	—	34,507	34,484

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurements

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value		Fair value hierarchy	Valuation technique and significant unobservable inputs
	2025 HK\$'000	2024 HK\$'000		
Financial asset at FVTPL				
Hong Kong listed equity security	**1,444**	388	Level 1	Quoted market price

There have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 March 2025.

34. PLEDGE OF ASSETS

At the end of the reporting period, the Group has no pledge of assets.

35. RELATED PARTIES TRANSACTIONS

The Group has entered into the following significant transactions with related parties during the year.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the years ended 31 March 2025 and 2024 are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, allowances and benefits in kind	**2,462**	4,503
Retirement benefit schemes contributions	**38**	48
	2,500	4,551

The remuneration of the directors and other key management personnel is determined by the board of directors regarding to the performance of individuals and market trends.

36. SHARE-BASED PAYMENT TRANSACTIONS

The Group operates a share option scheme for remuneration of its full-time employees (including directors), consultants, agents and advisors of the Group.

All services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the fair value of share options granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

Share options

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include full-time employees (including directors), consultants, agents and advisors of the Group.

On 24 November 2022, 3,200,000 share options had been granted to 4 employees of the Company pursuant to the Former Scheme (as defined below) adopted by the Company on 16 September 2015 to subscribe for an aggregate of 3,200,000 new ordinary shares of the Company. The 3,200,000 share options were lapsed upon the cessation of employment of the 4 employees in December 2023.

The former share option scheme of the Company (the "**Former Scheme**") was adopted pursuant to a resolution passed by the Company's shareholders on 16 September 2015. In view of the amendments to Chapter 23 of the GEM Listing Rule relating to share schemes which came into effect on 1 January 2023, the Company adopted a new share scheme (the "**New Scheme**") pursuant to a resolution passed by the Company's shareholders on 28 March 2024. The primary purpose of the New Scheme is to enable the Company to grant Options or Awards to the Participants as incentives or rewards for their contributions to the Company. The New Scheme will give the Participants an opportunity to have a personal stake in the Company and will help motivate the Participants to optimise their performance and efficiency and attract and retain or otherwise maintain a long-term relationship with the Participants whose contributions are or will be in line with the business objectives of the Company. Eligible participants of the New Scheme include any employees, any executives, Non-executive Directors (including Independent Non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The New Scheme will remain valid and effective for a period of 10 years commencing on the date on which the New Scheme is adopted, after such period no further share options and awards will be granted but the provisions of the New Scheme shall in all other respects remain in full force and effect and share options and awards which are granted during the life of the New Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarised in the paragraph headed "Principal Terms of the New Share Scheme" in Appendix to the circular dated 12 March 2024.

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option (Continued)

Terms of share option scheme

As of 31 March 2024, the total number of share available for issue for use under the New Scheme was 86,175,636 shares (2023: 35,200,000 shares), representing approximately 10.0% (2023: 4.90%) of the issued share capital of the Company. As at the date of this report, the total number of shares of the Company which may be issued upon the exercise of all options and award to be granted under the New Scheme was 17,235,127 shares (adjusted as a result of share consolidation effected on 20 June 2024) of the Company, representing approximately 8.3% of the issued share capital of the Company.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

No amount is payable on acceptance of an offer to grant an option to subscribe for the shares of the Company granted pursuant to the Share Option Scheme (the "**Offer**"). The Share Option Scheme may be exercised at any time for a period of ten years commencing from the date of acceptance of the Offer, subject to the conditions imposed by the board of the directors. The exercise price of the option shares would be at a price equal to the higher of: (i) the closing price of the shares of the Company on the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 March 2025, no share options granted by the Company were outstanding (2024: Nil).

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option (Continued)

Terms of share option scheme (Continued)

The following table discloses movements in the Company's share options during the year:

Category	Grant date dd/mm/yyyy	Exercise price (HK$)	Vesting period	Exercise period dd/mm/yyyy	Number of share options Outstanding at 01/04/2023	Lapsed during the year	Outstanding at 31/03/2024
Employees in aggregate	24/11/2022	0.28	Nil	24/11/2022–23/11/2025	3,200,000	**(3,200,000)**	**–**
Exercisable at the end of the year					3,200,000	**(3,200,000)**	**–**
Weighted average exercise price					0.28		**–**

The 3,200,000 share options were lapsed upon the cessation of employment of the 4 employees in December 2023 (2023: 3,200,000 share options outstanding) under the Share Option Scheme.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 HK$'000	2024 HK$'000
Non-current assets		
Investment in a subsidiary	**9,585**	16,949
Current assets		
Financial asset at FVTPL	**1,444**	388
Prepayments and other receivables	**120**	183
Amounts due from subsidiaries	**1,215**	679
Bank balances and cash	**611**	415
	3,390	1,665
Current liabilities		
Other payables and accruals	**5,265**	4,434
Amounts due to subsidiaries	**340**	342
Other borrowings	**5,600**	5,600
	11,205	10,376
Net current liabilities	**(7,815)**	(8,711)
Net assets	**1,770**	8,238
Capital and reserves		
Share capital	**12,926**	10,772
Reserves *(Notes)*	**(11,156)**	(2,534)
Total equity	**1,770**	8,238

Signed on its behalf by:

Mr. Yeung Shing Wai	**Ms. Wong Ming Kwan Victoria**
Director	*Director*

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Reserves of the Company

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2023	146,622	240	(153,587)	(6,725)
Loss for the year	—	—	(2,774)	(2,774)
Total comprehensive expense for the year	—	—	(2,774)	(2,774)
Placing of new shares *(Note 29(ii))*	6,965	—	—	6,965
Lapse of share options	—	(240)	240	—
As at 31 March 2024 and as at 1 April 2024	153,587	—	(156,121)	(2,534)
Loss for the year	**—**	**—**	**(12,329)**	**(12,329)**
Total comprehensive expense for the year	**—**	**—**	**(12,329)**	**(12,329)**
Placing of new shares *(Note 29(i))*	**3,707**	**—**	**—**	**3,707**
As at 31 March 2025	**157,294**	**—**	**(168,450)**	**(11,156)**

38. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries:

Name of Company	Place/country of incorporation or establishment/operation	Issued and fully paid share capital/registered capital	Proportion ownership interest and voting power held by the Company				Principle activity
			Direct		Indirect		
			2025	2024	**2025**	2024	
On Real (BVI) Limited	BVI/BVI	Ordinary shares USD2	**100%**	100%	**–**	–	Investment holding
On Real Limited	Hong Kong/PRC	Ordinary shares HK$2,000,000	**–**	–	**100%**	100%	Dormant
Onward Technology Development Limited	Hong Kong/PRC	Ordinary shares HK$10,000	**–**	–	**100%**	100%	Dormant
On Real I.O.T Group Limited	Hong Kong/PRC	Ordinary shares HK$100	**–**	–	**51%**	51%	Dormant
Real Shine Investment Development Limited	BVI/BVI	Ordinary shares USD10,000	**100%**	100%	**–**	–	Investment holding
Empire Profit Limited	Hong Kong/Hong Kong	Ordinary shares HK$100	**–**	–	**100%**	100%	Investment holding
Joyful Earn Holdings Limited	Hong Kong/Hong Kong	Ordinary shares capital HK$100	**100%**	100%	**–**	–	Investment holding
Fuqiang Industrial Technology (Dongguan) Co., Ltd* *(Note)*	PRC/PRC	Paid up capital RMB500,000	**–**	–	**100%**	100%	Dormant
World Smarts	Hong Kong/Hong Kong	Ordinary shares capital HK$100	**–**	–	**100%**	100%	Manufacturing and trading of two-way radios, baby monitors and plastic products

None of the subsidiaries had issued any debt securities subsisting at the end of both years or any time during both years.

All of the subsidiaries are private companies with limited liabilities.

The directors consider that the Group's non-controlling interests were insignificant to the Group and thus no further disclosures concerning the subsidiaries with non-controlling interests are provided in these consolidated financial statements for both years. In addition, no separate financial information of this non-wholly owned subsidiary is required to be presented.

Note:

Fuqiang Industrial Technology (Dongguan) Co., Ltd, which was incorporated on 14 March 2024.

* *For identification purpose only*

39. 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 those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as financing activities.

	Borrowings HK$'000	Amounts due to a related party HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 31 March 2023	8,686	4,200	341	13,227
Financing cash flows	(2,274)	(1,045)	(341)	(3,660)
Interest paid	(185)	(103)	(4)	(292)
Interest expense recognised *(Note 10)*	185	70	4	259
As at 31 March 2024	**6,412**	**3,122**	**—**	**9,534**
Financing cash flows	**(275)**	**(1,020)**	**(310)**	**(1,605)**
Interest paid	**(28)**	**—**	**—**	**(28)**
New leases entered	**—**	**—**	**957**	**957**
Interest expense recognised *(Note 10)*	**28**	**—**	**20**	**48**
As at 31 March 2025	**6,137**	**2,102**	**667**	**8,906**

40. TRANSFERS OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 March 2025 that were transferred to lender by endorsing these receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to the receivables, it continued to recognise the full carrying amounts of the trade receivables (note 23) after the transfer and has recognised the relevant borrowings (Note 26). These financial assets were carried at amortised cost, net of allowance for credit losses, in the Group's consolidated statement of financial position until when they were written off as uncollectible.

	2025 **HK$'000**	2024 HK$'000
Carrying amounts of transferred assets — trade receivable (net of allowance for credit losses)	**—**	—
Carrying amounts of associated liabilities — borrowings	**(5,600)**	(5,600)
Net position	**(5,600)**	(5,600)

41. CONTINGENT LIABILITIES

On 20 January 2020, the Company received a third-party notice in relation to the legal case no. HCA1643/2019 between Barton Eagle Limited (the "**Plaintiff**") and Lam Tak Hung (the "**Defendant**"). The Plaintiff claimed against the Defendant for approximately HK$8 million under a guarantee for debts owed to the Plaintiff by the Company. In the third-party notice, the Defendant claimed against the Company to be indemnified against the Plaintiff's claim and the cost of this action on the grounds that the Company is the principal debtor of the alleged debt.

Up to the date of this report, the outcome of the proceedings is still uncertain. As the directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group's consolidated financial position, no further provision was made as at 31 March 2025 and 2024. Details of the debt and the related assigned trade receivables are disclosed in notes 26 (ii) and 40 respectively to the consolidated financial statements.

42. EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period for the year ended 31 March 2025.

43. COMMITMENT

The Group had the following commitment at the end of the reporting period:

	2025 **HK$'000**	2024 HK$'000
Contracted, but not provided for the purchase of machinery	**1,705**	2,698

On 31 October 2023, the Group and an independent third party entered into a purchase and sale contract in relation to the acquisition of machines for resale by the Group, for a consideration of USD434,000 (equivalent to approximately HK$3,377,000). The deposits of USD86,800 (equivalent to approximately HK$679,000) and USD127,500 (equivalent to approximately HK$993,000) were paid on 9 November 2023 and 24 March 2025. The machines were sold at USD456,000 (equivalent to approximately HK$3,557,000) on 6 May 2025.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2025.

FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last five financial years are as follows:

RESULTS

	Years ended 31 March				
	2025	2024	2023	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**31,593**	49,960	66,397	126,181	250,599
(Loss)/profit before tax	**(15,224)**	2,923	(26,374)	(60,447)	(34,417)
Income tax expense	**—**	(963)	(74)	—	(169)
(Loss)/profit for the year	**(15,224)**	1,960	(26,448)	(60,447)	(34,586)
Attributable to:					
Owners of the Company	**(15,224)**	1,961	(26,300)	(60,447)	(34,581)
Non-controlling interest	**—**	(1)	(148)	—	(5)
	(15,224)	1,960	(26,448)	(60,447)	(34,586)

ASSETS, EQUITY AND LIABILITIES

	As at 31 March				
	2025	2024	2023	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Non-current assets	**10,800**	16,534	16,283	219	5,849
Current assets	**34,542**	24,734	23,014	56,062	81,313
Total assets	**45,342**	41,268	39,297	56,281	87,162
Equity and liabilities					
(Total capital deficiency)/total equity	**(3,054)**	6,309	(5,703)	(28,051)	31,057
Non-current liabilities	**185**	—	—	—	315
Current liabilities	**48,211**	34,959	45,000	84,332	55,790
Total liabilities	**48,396**	34,959	45,000	84,332	56,105
Total equity and liabilities	**45,342**	41,268	39,297	56,281	87,162