



Herald Holdings Limited

Stock Code : 00114

2025

Annual Report

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CORPORATE INFORMATION

Executive Directors

Robert Dorfman *Chairman*
Lai Man-Pun ACG, HKACG, CPA *Managing Director*
Cheung Tsang-Kay, Stan PhD, Hon LLD, Hon DBA, JP

Independent Non-Executive Directors

Lie-A-Cheong Tai-Chong, David SBS, OM, JP
Ng Tze-Kin, David EdD, CA (AUST.), FCPA
Wong Sau-Ling FCPA

Secretary

Lai Chi-Kin, William CPA

Principal Bankers

China Construction Bank (Asia) Corporation Limited
Fubon Bank (Hong Kong) Limited

Auditors

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting Council
Ordinance

Solicitors

Stephenson Harwood

Principal Office

3110, 31/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

Principal Registrar

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street
PO Box HM 1179
Hamilton HM EX
Bermuda

Hong Kong Share Registrar

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

Company's Website

<http://www.heraldgroup.com.hk>

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2025 HK\$'000	Year ended 31 March 2024 HK\$'000
Revenue	703,704	711,337
Profit/(loss) from operations	30,964	(16,242)
Profit/(loss) attributable to equity shareholders	32,875	(14,385)
Dividends paid and proposed	36,270	36,270
Earnings/(loss) per share		
– Basic (HK cents)	5.44	(2.38)
– Diluted (HK cents)	5.44	(2.38)
Dividends paid and proposed, per share (HK cents)	6	6
	As at 31 March 2025 HK\$'000	As at 31 March 2024 HK\$'000
Total assets	826,822	812,449
Total liabilities	236,782	219,463
Net assets	590,040	592,986
Net assets attributable to equity shareholders	577,027	580,371
Net assets attributable to equity shareholders per share (HK\$)	0.95	0.96
Number of issued and fully paid shares	604,490,763 shares	604,490,763 shares

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present to our shareholders the Annual Report of Herald Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 March 2025.

Results

The revenue of the Group for the year ended 31 March 2025 was HK\$704 million which was 1% down from HK\$711 million in the previous year. The Group recorded a net profit attributable to the equity shareholders of the Company amounting to HK\$32.9 million as compared with a net loss of HK\$14.4 million a year earlier. This change is mainly attributable to the net realised and unrealised gains on trading securities of approximately HK\$14.7 million (2024: net realised and unrealised losses of HK\$3.0 million), and savings achieved through vigorous cost controlling measures particularly in the Toys and Computer Products Divisions. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

Despite the revenue of the Toys Division for the year ended 31 March 2025 dropping 4% year-on-year from HK\$408 million to HK\$393 million, the division recorded an operating profit of HK\$17.0 million for the year under review in comparison with an operating loss of HK\$9.5 million a year earlier.

Computer Products Division

With the weak demand for the smart connected devices especially in the second half of the financial year, the Computer Products Division's revenue for the year ended 31 March 2025 fell 6% year-on-year from HK\$104 million to HK\$98 million, while its operating loss has shrunk from HK\$6.5 million to HK\$1.0 million.

Timepieces Division

The business of the Timepieces Division performed well and recorded a revenue of HK\$212 million for the year ended 31 March 2025, representing a 7% year-on-year increase from HK\$199 million last year. During the year, the change in the product mix and the discounts offered for sales campaigns have reduced the operating profit slightly to HK\$21.8 million from HK\$22.5 million last year.

Other Investments

For the year ended 31 March 2025, the Group recognised net realised and unrealised gains on trading securities of HK\$14.7 million (2024: losses of HK\$3.0 million). The dividend from trading securities amounted to HK\$3.5 million for the year (2024: HK\$2.7 million). At 31 March 2025, the Group's trading securities amounted to HK\$92 million (2024: HK\$77 million).

CHAIRMAN'S STATEMENT

Liquidity, financial resources and funding

The Group continues to maintain its sound financial health. At the end of the financial year, the Group had a strong financial position with healthy liquidity. At 31 March 2025, the total assets amounted to HK\$827 million (2024: HK\$812 million) which were financed by current liabilities of HK\$208 million (2024: HK\$181 million), non-current liabilities of HK\$29 million (2024: HK\$39 million), non-controlling interests of HK\$13 million (2024: HK\$13 million) and equity attributable to the Company's equity shareholders of HK\$577 million (2024: HK\$580 million).

At 31 March 2025, the Group's cash balances including pledged bank balances aggregated to HK\$273 million, up from HK\$233 million a year ago. The current assets at 31 March 2025 amounted to HK\$596 million (2024: HK\$541 million). The inventories decreased from HK\$123 million to HK\$118 million and the trade and other receivables increased from HK\$108 million to HK\$113 million. The trading securities at 31 March 2025 amounted to HK\$92 million (2024: HK\$77 million).

At 31 March 2025, the Group's current liabilities amounted to HK\$208 million (2024: HK\$181 million). Certain trading securities and bank deposits amounting to HK\$98 million (2024: HK\$80 million), along with certain properties with a carrying amount of HK\$40 million (2024: HK\$43 million), were also pledged to banks to secure banking facilities granted to the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as a percentage of total liabilities over total assets. The gearing ratio of the Group as at 31 March 2025 was 29% (2024: 27%). At 31 March 2025, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.87 as compared to 2.99 last year. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and bills receivable and cash and cash equivalent over current liabilities, decreased to 1.77 from 1.80 in the previous year.

Contingent liabilities

As at 31 March 2025, the Group did not have any significant contingent liabilities.

Foreign exchange exposure

The Group is exposed to foreign exchange risks primarily through sales and purchases that are denominated in a foreign currency, such as Renminbi, United States dollars and Pound Sterling. Management monitors the Group's exposure to currency risk and will consider hedging significant foreign currency exposure should the need arise.

Prospect and general outlook

For the Toys and Computer Products Divisions, with the uncertainties and pressures from the ongoing trade wars, as well as the price pressure from the customers, the management has some concerns about their businesses in the new financial year. On the other hand, the Timepieces Division started the new financial year with stable sales and a positive outlook.

CHAIRMAN'S STATEMENT

Dividend

At the forthcoming Annual General Meeting to be held on 18 September 2025, the directors will recommend a final dividend of HK3 cents per share (2024: HK3 cents). Together with the interim dividend of HK3 cents (2024: HK3 cents), the dividend payment for the year of HK6 cents (2024: HK6 cents) would represent an annual return of 13.3% (2024: 12.5%) on the Company's average share price of HK\$0.45 (2024: HK\$0.48) in the year ended 31 March 2025.

The final dividend which will amount to HK\$18.1 million is calculated on the total number of shares in issue as at 30 June 2025, being the latest practicable date prior to the announcement of the results.

Register of Members

The Annual General Meeting is scheduled to be held on Thursday, 18 September 2025, and the record date for attending and voting at the Annual General Meeting is Thursday, 18 September 2025. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 12 September 2025 to Thursday, 18 September 2025, both days inclusive, during which period no transfer of shares will be effected. In order to be able to attend and vote at the Annual General Meeting, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 11 September 2025.

The proposed final dividend is subject to the passing of the ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Friday, 3 October 2025. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 2 October 2025 to Friday, 3 October 2025, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed final dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with Tricor Investor Services Limited for registration no later than 4:30 p.m. on Tuesday, 30 September 2025. The payment of final dividend, if approved at the Annual General Meeting, will be made on Tuesday, 14 October 2025.

Appreciation

On behalf of the Board of Directors and shareholders, I would like to extend my sincere thanks to all the Group's employees for their efforts and hard work. Their commitment to the Group, along with the support of our business partners, has been crucial to the success of the Group.

Robert Dorfman
Chairman

Hong Kong, 30 June 2025

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2025.

Principal activities and business review

Herald Holdings Limited ("the Company") is a company incorporated in Bermuda under the Bermuda Companies Act 1981 with limited liability. The principal activities of the Company and its subsidiaries ("the Group") are the manufacture, sale and distribution of toys, computer products, clocks, watches and electronic and gift products. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including an indication of likely future developments in the Group's business, can be found in the Chairman's Statement set out on pages 4 to 6 of this annual report. This discussion forms part of this directors' report.

Principal risks and uncertainties

The Group faces risks and uncertainties that could have a material impact on its business operation. The principal risks include an economic slowdown and global trade issues that would result in weaker consumer demand and lead to increasing competition in the business areas in which the Group operates. In addition, there are risks of rising material and labour costs and more stringent regulations which would drive up operating costs and put pressure on the Group's business.

The Group is also exposed to financial risks, such as foreign currency, interest rate, credit and liquidity risks. For further details of such risks, please refer to note 26 to the financial statements.

The Group has set up an enterprise risk management mechanism which includes an internal control environment with proper segregation of duties among the senior management executives. Through regular management meetings with the participation of the executives of various departments, the management is able to perform risk identification, risk assessment as well as risk management.

Environmental policies and performance

The Group is committed to protecting the environment in the areas where it operates and ensuring that environmental standards set by the local government are consistently met or exceeded. The Group also encourages the efficient consumption of resources in its daily operations.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. As far as the directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the operations of the Group.

Relationships with employees, customers, suppliers and other stakeholders

Employees are considered to be valuable assets of the Group. To retain the best available human resources to serve the Group, it is the Group's policy to provide competitive remuneration package, career development opportunities and appropriate training for its employees.

The support of customers and suppliers is also the key to the Group's success. The Group has maintained good relationships with them to meet its business goals. Various means have been adopted to strengthen communication with its customers so as to provide them with excellent customer service. The Group also works with its suppliers closely to ensure that the procurement process is conducted in an open, fair and just manner.

DIRECTORS' REPORT

Major customers and suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	39%	
Five largest customers in aggregate	63%	
The largest supplier		10%
Five largest suppliers in aggregate		31%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Recommended dividend

An interim dividend of HK3 cents (2024: HK3 cents) per share was paid on 16 January 2025. The directors now recommend the payment of a final dividend of HK3 cents (2024: HK3 cents) per share in respect of the year ended 31 March 2025.

Charitable donations

Charitable donations made by the Group during the financial year amounted to HK\$20,000 (2024: HK\$20,000).

Share capital

Movements in the Company's share capital during the year are set in note 25(c) to the financial statements. There were no movements during the financial year.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the financial year.

Distributability of reserves

At 31 March 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$271,257,000 (2024: HK\$266,860,000). After the end of the reporting period the directors proposed a final dividend of HK3 cents per share (2024: HK3 cents), amounting to HK\$18,135,000 (2024: HK\$18,135,000). This dividend has not been recognised as a liability at the end of the reporting period.

DIRECTORS' REPORT

Directors

The directors during the financial year and up to the date of this report were:

Executive directors

Mr Robert Dorfman
Mr Lai Man-Pun
Dr Cheung Tsang-Kay, Stan

Independent non-executive directors

Mr Lie-A-Cheong Tai-Chong, David
Dr Ng Tze-Kin, David
Ms Wong Sau-Ling
Mr Yeh Man-Chun, Kent (deceased on 5 October 2024)

In accordance with Bye-law 84(1) of the Company's amended and restated bye-laws ("Bye-laws"), Dr Cheung Tsang-Kay, Stan and Mr Lie-A-Cheong Tai-Chong, David retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Independent non-executive directors are not appointed for a specific term but are subject to retirement from office by rotation in accordance with the Bye-laws of the Company. Their remuneration is determined by the Board of Directors based on the recommendation from the Remuneration Committee.

Directors and senior management

Directors

Robert DORFMAN, aged 70, brother of Mr Gershon Dorfman, is the Chairman of the Company. He was appointed as an executive director of the Company in 1992 and was appointed as Chairman on 1 April 2014. Mr Dorfman is a past Chairman of The Americas Area Committee of The Hong Kong General Chamber of Commerce and served from 1999 to 2009 as Chairman of the Vision 2047 Foundation. Mr Dorfman was Chairman of the World Presidents' Organisation's ("WPO") Board of Directors 2011/12. In addition, he was a Member of the Council of Lingnan University in Hong Kong from 2010 to 2016. Since January 2025, he has been appointed as a member of the Operations Review Committee of the Independent Commission Against Corruption. Mr Dorfman joined the Group in 1983 and is a director of the principal subsidiaries of the Company.

LAI Man-Pun, aged 41, was appointed as an executive director and the Managing Director of the Company on 1 September 2023. Mr Lai joined the Group as financial controller in 2015. He was the company secretary of the Company from 1 November 2017 to 31 August 2023. Mr Lai holds a Bachelor's degree in Business Administration from The Chinese University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute. He has extensive experience in financial reporting, auditing and internal control. Prior to joining the Group, Mr Lai had worked for an international accounting firm for 9 years. Mr Lai is also a director of the principal subsidiaries of the Company.

DIRECTORS' REPORT

Directors and senior management (*continued*)

Directors (*continued*)

CHEUNG Tsang-Kay, Stan, PhD, Hon LLD, Hon DBA, JP, aged 81, has been an executive director of the Company since 1992. He was Chairman of the Company during the period from 4 July 2008 to 31 March 2014. Dr Cheung's community services in the past included Urban Council member, Broadcasting Authority member, The Hong Kong Polytechnic University Council member and Vice-Chairman of Occupational Safety & Health Council. Also, he was formerly a member of The Chinese People's Political Consultative Conference, Shanghai Municipal Committee and Trustee of Fudan University. He is currently Honorary Trustee and Adjunct Professor at Shanghai Jiao Tong University and Director (Overseas) of Soong Ching Ling Foundation of Shanghai. Dr Cheung joined the Group in 1975 and is a director of the principal subsidiaries of the Company.

LIE-A-CHEONG Tai-Chong, David, SBS, OM, JP, aged 65, was appointed as an independent non-executive director of the Company on 16 June 2005. Mr Lie-A-Cheong is the executive chairman of Newpower International (Holdings) Co., Ltd. and China Concept Consulting Ltd. He has been selected as a Member of the National Committee of the 8th, 9th, 10th, 11th, 13th and 14th Chinese People's Political Consultative Conference since 1993. Mr Lie-A-Cheong is currently a Chairperson of the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council ("ECCPC"), a Standing Committee Member of the China Overseas Friendship Association and a former General Committee Member of the Hong Kong General Chamber of Commerce. He is also an independent non-executive director of Harbour Centre Development Limited and formerly an independent non-executive director of Aluminum Corporation of China Limited until June 2021, both being listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

NG Tze-Kin, David, EdD, CA (AUST.), FCPA, aged 75, was appointed as an independent non-executive director of the Company on 1 February 2010. Dr Ng holds a Master's Degree in Commerce from Macquarie University, Sydney, a Doctor's Degree in Education from The Education University of Hong Kong and is an Australian Chartered Accountant and Chartered Secretary. Dr Ng had worked for PWC Hong Kong for 8 years. After leaving PWC, Dr Ng has been the managing director of a certified public accountants firm in Hong Kong till 30 June 2024. Dr Ng was also the Qualified Accountant for Air China Limited (stock code: 00753) for the period from November 2005 to December 2008. In addition, Dr Ng had been appointed by the HKSAR Government to be a member of the Insider Dealing Tribunal from 2005 to 2007. Dr Ng specialises in Management and Education Services and is currently a senior advisor of a certified public accountants firm.

WONG Sau-Ling, FCPA, aged 59, was elected as an independent non-executive director of the Company on 19 September 2023. Ms Wong was an audit partner with KPMG in Hong Kong for 19 years, from 2000 until her retirement in 2019. Prior to her retirement, she specialised in the sectors of Transport and Consumer Market, and also led the Transport practice for KPMG Hong Kong. Ms Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants. She holds a Master Degree of Business Administration from Heriot-Watt University, United Kingdom and a Professional Diploma in Accountancy from Hong Kong Polytechnic University.

DIRECTORS' REPORT

Directors and senior management (continued)

Senior management

Gershon DORFMAN, aged 69, brother of Mr Robert Dorfman, received his primary and secondary education in Hong Kong, Japan and Switzerland. He then obtained a degree in Business Administration from the University of Washington. Before joining the Group in 1983, he spent six years with a leading local watch manufacturing company. He is Managing Director of Herald Datanetics Limited and a director of certain of the Group's companies.

KWOK Nam-Po, aged 74, obtained a diploma in Management Studies from The Hong Kong Polytechnic University. He joined the Group in 1974. He has more than 40 years' experience in toy industry and is now Managing Director of Herald Metal and Plastic Works Limited and a director of certain of the Group's companies. He is currently a vice president of The Toys Manufacturer's Association of Hong Kong Limited.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 March 2025, the interests and short positions of directors and 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 Securities and Futures Ordinance ("SFO")), which were required (i) 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 which any such director or chief executive was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in issued shares

(Shares of US\$0.01 each of the Company)

Directors	Number of shares			Total	Percentage of total issued shares
	Personal interests	Interests of spouse	Other interests		
Dr Cheung Tsang-Kay, Stan	2,727,500	–	103,912,393 (Notes (i), (ii))	106,639,893	17.64%
Mr Robert Dorfman	51,606,000	–	–	51,606,000	8.54%

Notes:

- (i) Dr Cheung Tsang-Kay, Stan is the founder of a family trust which owned 64,689,760 shares. His spouse and family members are the beneficiaries of this family trust.
- (ii) Dr Cheung Tsang-Kay, Stan is interested in 39,222,633 shares together with other family members.

All the interests stated above represent long positions.

DIRECTORS' REPORT

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures *(continued)*

Interests in issued shares *(continued)*

An employee of the Group was granted options under the Company's share option scheme in 2015. All of his outstanding share options at the beginning of the reporting period expired during the year. Details of which are set out in the section "Share option scheme" below.

Apart from the foregoing, as at 31 March 2025, none of the directors or chief executives of the Company, any of their spouses or children under eighteen years of age had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was 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 Model Code, to be notified to the Company and the Stock Exchange.

Equity-linked agreement

Details of the equity-linked agreement subsisting at the end of the year are set out in the section "Share option scheme" below.

Share option scheme

The share option scheme adopted by the Company on 16 September 2013 ("2013 Share Option Scheme") expired on 15 September 2023, and a new share option scheme ("2023 Share Option Scheme") was adopted and became effective on 19 September 2023. Unless otherwise cancelled or amended, the 2023 Share Option Scheme shall be valid and effective for a period of ten years ending 18 September 2033, after which no further options will be granted.

The purpose of the 2023 Share Option Scheme is to recognise the contribution of the Eligible Participants (as defined in the 2023 Share Option Scheme) to the growth and development of Group and to give incentives and motivation thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Eligible Participants include directors (excluding any independent non-executive directors), chief executive, senior management and employees of the Group and related entities. Upon acceptance of an option, the Eligible Participants is required to pay the Company HK\$1 within 10 days from the date of offer. The number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

The exercise price of options is the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and (iii) the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

DIRECTORS' REPORT

Share option scheme (continued)

Pursuant to the terms of the 2023 Share Option Scheme and in compliance with Chapter 17 of the Listing Rules, the total number of shares which may be issued upon exercise of all share options to be granted under the 2023 Share Option Scheme and any other share option scheme shall not exceed 10% of the total number of the Company's issued shares as at the date of adopting the 2023 Share Option Scheme. As at the date of this report, the total number of shares available for issue is 56,449,076 shares, which are available for grant and issue under the 2023 Share Option Scheme, representing 9.34% of the ordinary shares in issue as at the date of this report.

During the year ended 31 March 2025, an employee of the Group had the following interests in options to subscribe for shares of the Company granted for a nominal consideration of HK\$1 for acceptance of the offer under the 2013 Share Option Scheme of the Company. These options expired during the year ended 31 March 2025. The options were unlisted and did not have vesting period. Each option gave the holder the right to subscribe for one ordinary share of the Company.

Name of grantee	Category of grantee	No. of options outstanding at the beginning of the year	No. of options outstanding at the end of the year	Expired during the reporting period	Date granted	Period during which options are exercisable	Exercise price per share (HK\$)	Market value per share at date of grant of options (HK\$)*
Mr. KWOK Nam-Po	Managing director of a subsidiary	4,000,000	–	4,000,000	23 January 2015	23 January 2015 to 22 January 2025 (both days inclusive)	0.97	0.97

* being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

The options available for grant under the 2023 Share Option Scheme as at 31 March 2025 and 2024 were both 56,449,076.

Apart from the foregoing share option expiry, no share options were exercised, granted, cancelled or lapsed in accordance with the terms of the 2013 Share Option Scheme and the 2023 Share Option Scheme during the year ended 31 March 2025.

DIRECTORS' REPORT

Substantial shareholders' and other persons' interests and short positions in shares, underlying shares and debentures

Other than the interests disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" in respect of directors, as at 31 March 2025, the persons or corporations (other than directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Interests in issued shares

(Shares of US\$0.01 each of the Company)

	Note	Number of shares			Total	Percentage of total issued shares
		Personal interests	Interests of spouse	Other interests		
Substantial shareholders						
Ms Ng Yiu-Chi, Eleanor	(i)	–	106,639,893	–	106,639,893	17.64%
Ms Cheung Yee, Alice	(ii)	30,281,424	–	39,222,633	69,504,057	11.50%
Ms Chang Kan, Jane	(iii)	26,213,670	–	39,322,633	65,536,303	10.84%
Mr Tong Shek-King, Denny	(iv)	–	65,436,303	100,000	65,536,303	10.84%
Moral Excel Holdings Ltd (“MEH”)	(v)	64,689,760	–	–	64,689,760	10.70%
HSBC International Trustee Ltd (“HIT”)	(v)	–	–	64,689,760	64,689,760	10.70%
Other persons						
Mrs Sheri Tillman Dorfman	(vi)	–	51,606,000	–	51,606,000	8.54%
Mrs Mirriam Bloch		38,722,500	–	–	38,722,500	6.41%
Mr Gershon Dorfman		37,325,799	–	–	37,325,799	6.17%
Ms Trina Elaine Dingler	(vii)	–	37,325,799	–	37,325,799	6.17%

DIRECTORS' REPORT

Substantial shareholders' and other persons' interests and short positions in shares, underlying shares and debentures (*continued*)

Interests in issued shares (*continued*)

Notes:

- (i) The entire interests in shares of 106,639,893 are duplicated by those disclosed under Dr Cheung Tsang-Kay, Stan, the spouse of Ms Ng Yiu-Chi, Eleanor, in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".
- (ii) Ms Cheung Yee, Alice is interested in 39,222,633 shares together with Dr Cheung Tsang-Kay, Stan and Ms Chang Kan, Jane.
- (iii) Ms Chang Kan, Jane is interested in 39,222,633 shares together with Dr Cheung Tsang-Kay, Stan and Ms Cheung Yee, Alice. Ms Chang Kan, Jane is interested in another 100,000 shares with Mr Tong Shek-King, Denny.
- (iv) These interests in shares are duplicated by those beneficially owned by Ms Chang Kan, Jane.
- (v) MEH is a company owned by a family trust which is interested in 64,689,760 shares held by MEH, as noted in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures". HIT, the trustee of this trust, is deemed to be interested in the 64,689,760 shares owned by this trust.
- (vi) These interests in shares are duplicated by those disclosed under Mr Robert Dorfman, the spouse of Mrs Sheri Tillman Dorfman, in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".
- (vii) These interests in shares are duplicated by those beneficially owned by Mr Gershon Dorfman.

All the interests stated above represent long positions.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Permitted indemnity provisions

Pursuant to the Bye-law 164 of the Company's Bye-laws, the directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur about the execution of their duty, or supposed duty, in their respective offices. Throughout the year, the Company has maintained directors' and officers' liability insurance, which provides cover for the directors of the Company and its subsidiaries.

DIRECTORS' REPORT

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Changes in directors' information

Since January 2025, Mr Robert Dorfman has been appointed as a member of the Operations Review Committee of the Independent Commission Against Corruption.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the directors of the Company are set out in the preceding headed "Directors and senior management".

Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 117 of this annual report.

Employees

As at 31 March 2025, the number of employees of the Group was approximately 122 (2024: 126) in Hong Kong, 2,774 (2024: 2,020) in Mainland China and 32 (2024: 31) in Europe. The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

Retirement schemes

Particulars of employee retirement schemes of the Group are set out in note 24(a) to the financial statements.

DIRECTORS' REPORT

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws or the Bermuda Companies Act 1981.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Robert Dorfman
Chairman

Hong Kong, 30 June 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance (the “ESG”) report is issued by Herald Holdings Limited (the “Company”), together with its subsidiaries (collectively the “Group”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

The Group understands the importance of its corporate responsibility and is committed to raise its stakeholders’ awareness over the ESG matters. The board has overall responsibility for the Group’s ESG strategy and reporting. The board has delegated the day-to-day responsibility of implementation to the Group’s management. Through periodic reporting from management, the board evaluates, prioritises and manages the Group’s material ESG issues and also reviews the Group’s annual ESG Report.

The Group acknowledges that a robust ESG governance structure is essential for fostering sustainable business operations. The board oversees the development of ESG strategies and management approaches and assesses all aspects, practices and vision of our Group in relation to significant ESG issues. We also formulate the long-term sustainability direction across our business chain and review progress and achievements towards ESG objectives and targets, providing strategic guidance on ESG matters. The responsibility for detailed considerations and implementation of ESG strategies has been delegated to the Group’s management. The annual ESG report submitted by the management would be approved by the board to evaluate the effectiveness of ESG management in building up our resilience with respect to ESG-related risks.

The functional departments are responsible for implementing the ESG-related action plans determined by the management in day-to-day operations. They support stakeholder engagement activities, coordinate data collection for ESG reports, and monitor performance progress and achievements against established objectives and initiatives.

Reporting Period

This report covers the year from 1 April 2024 to 31 March 2025 (the “Reporting Period”) and is prepared annually.

Reporting Boundary

The reporting boundary is determined based on the materiality and significance of ESG impacts on the company under the Group’s direct operational control. The following three subsidiaries (collective “the companies”), which cover all of the Group’s manufacturing operations, are included in the scope of this report:

- Dongguan Herald Metal and Plastic Company Limited
- Dongguan Herald Toys Company Limited
- Zhuhai Herald Datametals Limited

There is no change to the reporting scope as compared to last year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Guideline

This report has been prepared in accordance with the ESG Reporting Guide (“ESG Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. We have followed the reporting principles in the ESG Guide as follows:

- **Materiality:** The Group identifies material ESG-related issues based on their relevance to the Group’s business and stakeholders through the materiality assessment process.
- **Quantitative:** The Group discloses information quantitatively, where practicable, including the calculation methods, conversion factors used and comparative data.
- **Balance:** This report aims to provide stakeholders with an objective and balanced overview of the Group’s overall ESG performance.
- **Consistency:** This report uses consistent methodologies as the previous ESG report. Any adjustments or changes in the methodologies and calculation methods are disclosed and explained in the report.

Materiality Assessment

The Group actively engages with diverse stakeholders, including but not limited to shareholders, suppliers, customers, employees, and the community, to identify critical environmental and social issues that are significant to our Group. By maintaining ongoing and meaningful communication, we prioritise listening to the concerns and expectations expressed by each stakeholder. Our goal is to align our ESG strategy with our stakeholders’ expectations and concerns while carefully balancing the interests of the Group and our stakeholders. Through transparent and collaborative relationships, we aim to ensure that our ESG initiatives effectively address the most relevant and impactful issues. Ultimately, our commitment to sustainable and responsible business practices benefits all stakeholders involved.

The Group has analysed the ESG issues regarding an array of factors, including overarching strategies, development trajectory, established targets and goals, internal policies, and industry trends. Through discussion with our senior management, the Group identifies a list of key ESG issues associated with the business and operations, assesses the importance and relevance of those key issues that are most important to our business and stakeholders, and determines the scope and content of disclosure in this report. The following material ESG issues have been identified:

(A) Environmental

1. Hazardous waste
2. Energy consumption
3. Water consumption
4. Packaging material consumption

(B) Social

5. Occupational health and safety
6. Anti-child and forced labour
7. Supply chain management
8. Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Comment and feedback

The Group understands the importance of continuous improvement in our ESG performances and welcomes feedback on this report. Comments can be shared with us by sending an email to heraldhk@heraldgroup.com.hk.

Environmental

As a manufacturer, the companies aim to reduce the impact from our business activities on the environment and be responsible for the use of resources. For key resources, reduction targets are set each year to monitor consumption levels. Control measures are established to follow the latest environmental rules and regulations. No instances of significant non-compliance regarding environmental issues are noted during the Reporting Period.

Emissions

Major emissions from the companies include greenhouse gases, industrial wastewater, hazardous waste and non-hazardous wastes and their emissions during the year are shown as below:

	Units	Year ended 31 March 2025	Year ended 31 March 2024
Greenhouse gases emission indirect emissions (Scope 2)			
– Total greenhouse gases emission	Tonnes CO ₂ e	7,582.3	7,209.6
– Total greenhouse gases emission intensity	Tonnes CO ₂ e per full time employees ("FTE")	3.2	2.8
Wastewater discharge			
– Total wastewater discharge	m ³	309.0	236.0
– Total wastewater intensity	m ³ per FTE	0.129	0.093
Hazardous wastes			
– Total hazardous waste generated	Tonnes	12.5	9.8
– Total hazardous waste intensity	Tonnes per FTE	0.005	0.004
Non-hazardous wastes			
– Total non-hazardous waste generated	Tonnes	331.3	362.2
– Total non-hazardous waste intensity	Tonnes per FTE	0.139	0.143

Greenhouse gases are mainly indirect emissions resulting from the acquired electricity and are subject to the policy and saving initiatives as described in the section "Use of Resources". The amount of carbon dioxide equivalent ("CO₂e") emissions was calculated by multiplying the quantity of purchased electricity by the emission factor which was released from the Ministry of Ecology and Environment of the People's Republic of China. The increase in the year was due to increased production. The companies target to limit the increase of total greenhouse gases emission intensity by not more than 5% in the coming year, mainly by enhancing staff awareness on energy saving and resource reduction. Scope 1 emissions are not reported because the companies own or control a limited number of stationary or mobile combustion sources and no significant direct greenhouse gas emissions were generated from our daily operations during the Reporting Period.

Wastewater is generated from the manufacturing of computer products and is treated prior to discharge. Regular testing is carried out on the concentration and pollutants in the wastewater discharge to ensure the discharge is within the Emission Limits of Water Pollutants, Guangdong Province. As no industrial wastewater would be generated from the manufacturing of plastic toys, the above data for wastewater represents the discharges from Zhuhai Herald Datametals Limited only. The increase in the year was due to more using of water in cleaning during production. The wastewater was reused after treatments.

Waste is classified as non-hazardous waste and hazardous waste, which are collected by qualified contractors. Recycling facilities are available to encourage in order to reduce waste. The increase of hazardous wastes in the year was due to the use of spray painting on new products. The companies target to limit the increase in both total non-hazardous and total hazardous waste intensity to not more than 5% in the coming year, typically by enhancing the utilization of UV and pad printing machinery from product design stage and the usage of two-colour materials for injection moulding to reduce spray painting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

Resources used by the companies mainly include energy from acquired electricity, water and packaging materials such as paper, blisters and carton boxes. Details are shown as below:

	Units	Year ended 31 March 2025	Year ended 31 March 2024
Energy Consumption			
– Indirect energy consumption – purchased electricity	kWh	13,295,350	12,641,820
– Total energy consumption intensity	kWh per FTE	5,568	4,976
Water consumption			
– Total water consumption	m ³	150,639	189,687
– Total water consumption intensity	m ³ per FTE	63	75
Packaging materials consumption			
– Total packaging materials consumption	Tonnes	1,575	1,212
– Total packaging materials consumption intensity	Tonnes per FTE	0.660	0.477

We encourage efficient consumption of resources in the daily operations through the following initiatives:

- Enhance staff awareness on energy saving and resource reduction
- Adopt electrical saving system in injection machines and energy saving lighting to reduce energy consumption
- Report instances of water dripping to the Administration Department for timely repair
- Keep the faucets off when they are not in use
- Support employees to reuse materials such as carton boxes and wooden pallets
- Encourage double-sided printing and photocopying
- Promote the usage of electronic documents for internal and external communication
- Collect data on resource consumption trends

The increase in the year was due to increased production. Through the above initiatives, the companies target to limit the increase in both energy and water consumption intensity to not more than 5% in the coming year.

There have been no issues in sourcing water during the Reporting Period.

The Environment and Natural Resources

Apart from those mentioned in the preceding paragraphs, the companies' operating activities do not have significant impacts on the environment and natural resources.

Climate Change

Climate change presents physical risks to the Group. Extreme weather, including events such as flooding and storms, may disrupt supply chains and logistics. It may also cause damages to assets such as buildings, warehouses and inventories. The companies have established contingency plans in response to extreme weather scenarios. We are committed to take actions in reducing emissions and resource consumption. Details are discussed under the sections "Emissions" and "Use of Resources".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social – Employment and Labour Practices

Employment

The companies recognise the importance of our employees as they form the foundation to the Group's long-term success. Employees are mainly recruited through job advertisements and recruitment agents. The recruitment process follows the principles of equal opportunities and all employees are hired based on merits, regardless of their gender, age, race, religion and marital status. Competitive remuneration, allowances and benefits in accordance with the local regulations are provided to the employees. To motivate staff, rewards in terms of bonuses, promotions and other fringe benefits are also provided based on the staff's competence and performance level. Overtime hours for each employee are monitored and compensated in accordance with the local regulations. During the Reporting Period, no significant instances of non-compliance with the *Employment Contract Law of the PRC* is noted.

Employment Profile

Our employment profile as at the reporting date is as follows:

	As at 31 March 2025
Workforce	
By Gender	
– Male	1,454
– Female	1,311
By Age Group	
– Below 30	654
– 31-45	1,491
– Over 45	620
By Employment Type	
– Full time	2,765
– Part time	–

All of our staff are employed in the Mainland China.

Employment Turnover

During the Reporting Period, the employment turnover rate is as follows:

	Year ended 31 March 2025
Turnover rate (excluding those who left before probation period ends)	
By Gender	
– Male	51.37%
– Female	41.25%
By Age Group	
– Below 30	58.85%
– 31-45	43.47%
– Over 45	26.13%
Overall	46.57%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

We are committed to provide a safe and healthy working environment to our employees. Key safety measures are implemented as follows:

- Protective equipment including goggles and gloves is offered to employees as appropriate.
- Regular checks and maintenance are performed on the machinery and equipment.
- Safeguards including water sprinklers, emergency exit light signs and fire extinguishers are installed at the companies according to the local requirements.
- Inspections and fire drills are also carried out regularly.

Fire safety inspections and production safety inspections carried out by the local authorities during the year have not revealed any significant non-compliance with the relevant laws and regulations.

During the Reporting Period, the companies incurred 3 cases of work injury which resulted in 162 lost days. The work injury cases were handled and monitored in compliance with workplace safety laws. Immediate medical attentions were provided for injuries. The incidents were investigated to determine the cause and prevent future occurrences. The companies stayed in contact with healthcare professionals to track the employee's recovery progress. There have been no work-related fatalities in each of the past 3 years including the Reporting Period.

Development and Training

The companies recognise the importance of development and training to continuously enhance their work quality and professional skills.

Orientation training is provided for all new joiners to understand their job responsibilities, work safety, our factory policies, company culture and Code of Conduct standards. An effective training process is also established for all managers and workers to attend refresher training at least once a year.

During the Reporting Period, the percentage of employees who have received training and their average training hours are as follows:

	Year ended 31 March 2025
Percentage of Employee Receiving Training	
By Gender	
– Male	100%
– Female	100%
By Employment Category	
– Staff	100%
– Production workers	100%
Overall	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Year ended
31 March
2025

Average Training Hours

By Gender	
– Male	32
– Female	32
By Employment Category	
– Staff	23
– Production workers	38
Overall	32

Labour Standards

Child labour and forced labour are strictly prohibited and the companies have complied with the relevant requirements as set out in the *Regulation on the Prohibited Use of Child Labour and Employment Law of PRC*. Potential employees are required to provide the legal proof of their age prior to their employment in order to prevent child labour. Employees work at the companies at their own will and are free to leave the companies upon reasonable notice period under the terms of their employment contracts. Annual training is also provided on our anti-forced labour policy. If issues or non-compliance are identified, the child labour would be ceased from work immediately and disciplinary actions such as dismissal or legal actions will be taken towards the staff who are responsible for the employment of the child labour.

To avoid forced labour in employment practices, our companies have implemented procedures and monitoring system that comply with legal standards. Wages are paid on time and in full as per local laws. At least the legal minimum wage is paid. There is no wage withholding. Overtime is always voluntary. All employees are provided with written contracts detailing job roles, wages, working hours, and termination conditions. Regularly review and update employment policies to reflect changes in laws and best practices. Whistleblowing is encouraged with protections for workers who report violations. We have an incident reporting mechanism to ensure employees know how to report forced labour cases confidentially and securely. Immediate actions will be taken such as removing affected individuals from harmful conditions and ensuring their safety. A thorough investigation will be carried out to determine the extent and nature of forced labour practices and to identify the factors leading to forced labour. Immediate remediation for affected employees will be provided such as compensating for any unpaid wages or overtime. Corrective and preventive actions will be implemented such as providing training to employees on how to identify and prevent forced labour.

Social – Operating Practices

Supply Chain Management

During the Reporting Period, the companies had a total of 249 suppliers, 189 from China and 60 from overseas countries. The companies understand the environmental impacts associated with our supply chain and we work closely with our suppliers to align with our commitment to social compliance. Suppliers for raw materials and equipment are selected according to the procurement policy of the companies. They are encouraged to maintain a high standard of business ethics and conducts, and a satisfactory environmental and social performance. ESG performance is incorporated as one of the assessment criteria during this supplier engagement process to incentivise suppliers to adopt socially and environmentally preferable practices. Before acceptance of a supplier, procedures are carried out to evaluate their reputation, creditability and quality of products or service supplied. Regular assessments are also performed to review and maintain the long-term relationship with our suppliers. In the regular assessment, the companies monitor whether the suppliers comply with the *Restrictions of Hazardous Substances (RoHS)* standards to restrict the use of hazardous materials to protect the environment and public health. In addition, the companies prohibit sourcing of conflict minerals from the Democratic Republic of the Congo or an adjoining country. If key issues or non-compliance cases are identified, the supplier will be requested to undertake corrective actions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Confidentiality and Intellectual Property

We are committed to protecting the intellectual property and information of our customers. Our policies and employment contracts stipulate that all employees should protect such information and should not use or disclose the information without authorisation. Orientation training and regular training are also provided to our employees on this subject.

If such violation of customer confidentiality is identified, the companies will take corrective actions promptly and may also take legal actions against the involved employees. We are not aware of any material non-compliance with laws and regulations relating to confidentiality and intellectual property matters.

Product Responsibility

The companies' products are subject to the strict requirements from the customers and recognised industry standards including *Restrictions of Hazardous Substances (RoHS)* and *Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)*. Various internal and external testing are carried out to ensure our products are in compliance with the relevant requirements. If there are any recalls or complaints, the Quality Control or other relevant departments would investigate and identify the reasons behind. A corrective action plan would be established and would be followed up afterwards. During the Reporting Period, there have been no instances of products sold or shipped subject to recalls for safety and health reasons, and there have also been no major cases of products and service-related complaints.

Anti-corruption

The companies take a zero-tolerance stance against bribery, extortion, fraud and money laundering. These relevant policies are communicated to employees upon the employment. All new employees and directors are required to attend training arranged by the Human Resources Department that include an introduction to the companies' policies on anti-corruption and anti-bribery. In addition, there are channels including the "whistle-blowing procedures" for the employees to report any suspicious activities. Allegations will be investigated while respecting the privacy and anonymity of the whistle-blowers and disciplinary actions such as dismissal or legal actions will be taken if the allegations are substantiated.

During the Reporting Period, no instances of non-compliance of the relevant laws and regulations relating to bribery, extortion, fraud and money laundering are noted.

Community Investment

The companies care about the community and encourage the employees to participate in charity events with a focus to help people in need such as elderly and youngsters. In addition, the Group made donations to non-profit organizations with HK\$20,000 to support their charity work during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX “ESG Guide” Content Index

	Aspects	Section
A	Environmental	
A1	Emissions General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste <i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</i> <i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i> <i>Hazardous wastes are those defined by national regulations.</i>	Emissions
A1.1	The types of emissions and respective emissions data	Emissions
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions
A2	Use of Resources General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>	Use of Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Aspects	Section
A3	The Environment and Natural Resources General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	Use of Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources, Emissions, Use of Resources
A4	Climate Change General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B	Social	
Employment and Labour Practices		
B1	Employment General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
B2	Health and Safety General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
B2.2	Lost days due to work injury.	Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Aspects	Section
B3	Development and Training General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>	Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4	Labour Standards General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices		
B5	Supply Chain Management General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
B6	Product Responsibility General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility, Customer Confidentiality and Intellectual Property

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Aspects	Section
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Customer Confidentiality and Intellectual Property
B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Confidentiality and Intellectual Property
B7	Anti-Corruption General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption
Community		
B8	Community Investment General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

CORPORATE GOVERNANCE REPORT

The Company is a diversified industrial group whose products are distributed throughout the world, and our goal is to build products of quality and value. We seek to establish long term partnership with our customers and suppliers and provide sound financial results that meet the expectations of our shareholders. The Company is committed to conducting business with integrity and honesty and maintaining a high standard of corporate governance practices with an emphasis on the principles of transparency, accountability and independence. All directors and senior management act with integrity, lead by example and promote the culture. Code of conduct, anti-corruption policy and whistleblowing policy are in place to communicate our core values and expected behaviour to all employees.

Corporate governance practices

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2025.

Directors’ securities transactions

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules.

Having made specific enquiry of the Company’s directors, all directors confirmed that they have complied with the required standards set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions.

Board of directors

The Board of the Company during the financial year and up to 30 June 2025 comprised:

Executive directors

Mr Robert Dorfman (*Chairman*)
Mr Lai Man-Pun (*Managing Director*)
Dr Cheung Tsang-Kay, Stan

Independent non-executive directors

Mr Lie-A-Cheong Tai-Chong, David
Dr Ng Tze-Kin, David
Ms Wong Sau-Ling
Mr Yeh Man-Chun, Kent (deceased on 5 October 2024)

The Board is responsible for leadership and control of the Company and oversees the Group’s businesses, strategic direction and performance. The management team is delegated with the authority and responsibility by the Board for the day-to-day management, administration and operation of the Group. In addition, the Board has delegated various responsibilities to the Board Committees. Further details of these Committees are set out in this report.

Throughout the year, the Company has at least three independent non-executive directors representing more than one third of the Board. At least one of the independent non-executive directors have the appropriate accounting and financial management expertise under Rule 3.10 of the Listing Rules. The independent non-executive directors are able to obtain independent professional advice at the Company’s expenses whenever they deem necessary. Such mechanism is effective to ensure independent views and input are available to the Board. Each independent non-executive director shall inform the Company and the Stock Exchange as soon as practicable if there is any change of circumstances which may affect his or her independence. No such notification was received during the year. The Company considers that each of them is independent under the guidelines set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Several directors and senior management have family relationships with each other, the details of which are set out in the biographical details of Directors and Senior Management on pages 9 to 11. None of the directors and senior management has other material financial, business or relevant relationships with each other.

The Board meets regularly to review the financial and operating performance of the Group. Four regular board meetings were held during the financial year. Attendance of individual directors at the regular Board meetings, the Committee meetings and the annual general meeting during the financial year is set out below:

	Number of meetings attended/eligible to attend				Annual
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive directors					
Mr Robert Dorfman	4/4	N/A	N/A	1/1	1/1
Mr Lai Man-Pun	4/4	N/A	3/3	N/A	1/1
Dr Cheung Tsang-Kay, Stan	2/4	N/A	N/A	1/1	1/1
Independent non-executive directors					
Mr Lie-A-Cheong Tai-Chong, David	4/4	3/3	N/A	1/1	1/1
Dr Ng Tze-Kin, David	3/4	3/3	3/3	1/1	0/1
Ms Wong Sau-Ling	4/4	3/3	1/1	1/1	1/1
Mr Yeh Man-Chun, Kent (deceased on 5 October 2024)	2/3	1/2	1/2	0/1	1/1

Chairman and managing director

The Board has appointed Mr Robert Dorfman as the Chairman and Mr Lai Man-Pun as the Managing Director. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Managing Director is responsible for the day-to-day management of the Group's businesses.

CORPORATE GOVERNANCE REPORT

Directors' training

According to the code provision C.1.4, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year under review, the Company had arranged for directors to attend training sessions which placed emphasis on the roles, functions and duties of a director of a listed company. In addition to the training arranged by the Company, the directors have also participated in other continuous professional development activities.

The training received by the directors during the year ended 31 March 2025 is summarised below:

	Types of training
Executive directors	
Mr Robert Dorfman	A, B
Mr Lai Man-Pun	A, B
Dr Cheung Tsang-Kay, Stan	A, B
Independent non-executive directors	
Mr Lie-A-Cheong Tai-Chong, David	A, B
Dr Ng Tze-Kin, David	A, B
Ms Wong Sau-Ling	A, B
Mr Yeh Man-Chun, Kent	A, B

A – attending briefings/seminars/conferences/forums

B – reading journals, updates, articles and/or materials

Remuneration committee

At 31 March 2025, the Remuneration Committee comprises two independent non-executive directors, namely Dr Ng Tze-Kin, David, being the chairman, and Ms Wong Sau-Ling and one executive director, namely Mr Lai Man-Pun.

The major roles and functions of the Remuneration Committee are (1) to make recommendations to the Board on the Company's policy and structure for the remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (2) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (3) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; and (4) to make recommendations to the Board on the remuneration of the independent non-executive directors.

The Company's remuneration policy of executive directors and senior management is (1) to provide an equitable and competitive remuneration package to the executive directors and senior management so as to attract and retain the best available human resources to serve the Group, and (2) to reward the executive directors and senior management in recognition of good individual and group performance. The emoluments of directors and senior management are determined with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee held three meetings during the financial year to review and discuss the Company's remuneration policy and the remuneration of all directors and senior management.

CORPORATE GOVERNANCE REPORT

Nomination committee

At 31 March 2025, the Nomination Committee comprises two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang-Kay, Stan and three independent non-executive directors, namely Mr Lie-A-Cheong Tai-Chong, David, Dr Ng Tze-Kin, David and Ms Wong Sau-Ling.

The primary roles of the Nomination Committee are to determine the policy for the nomination of directors, to review the structure, size and composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors.

The purpose of the nomination policy is to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders for election as a director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorship:

1. age, skills, knowledge, experience, professional and educational qualifications and other personal qualities of the candidate;
2. effect on the board's composition and diversity;
3. commitment to devote sufficient time to discharge the directors' duties;
4. potential/actual conflicts of interest that may arise if the candidate is selected;
5. independence of the candidate.

If an additional or replacement director is considered necessary, the Nomination Committee shall identify suitably qualified persons to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship. Regarding the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of the individual and make recommendations for the Board's consideration and approval.

In order to achieve diversity of perspectives among members of the Board, it is the board diversity policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments to the Board. The Nomination Committee will carry out the selection process in accordance with the board diversity policy of the Company, by making reference to a range of diversity perspectives, including but not limited to difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge, length of service and other qualities of the members of the Board.

In respect of the Board, one out of six directors, representing 17%, is female, and the Board targets to maintain at least such level of female representation on our Board in the next 3 years.

Details of gender ratio at the workforce level is disclosed in the Employment Profile on page 22. Achieving gender diversity for senior management would be more challenging out of two senior management executives. To maintain appropriate balance of gender diversity and have a pipeline of potential successors to the Board and the senior management, equal opportunities of training, long-term development and promotion would be provided to appropriate staff irrespective of gender.

During the financial year, the Nomination Committee held one meeting to discuss and review the structure, size and composition of the Board to achieve a balance of skills, experience and diversity of perspectives of the Board which are appropriate to the requirements of the Company's business and to assess the independence of the independent non-executive directors.

CORPORATE GOVERNANCE REPORT

Audit committee

At 31 March 2025, the Audit Committee is chaired by Dr Ng Tze-Kin, David and the other Committee members are Mr Lie-A-Cheong Tai-Chong, David, and Ms Wong Sau-Ling, all of which are independent non-executive directors. Dr Ng Tze-Kin, David and Ms Wong Sau-Ling are certified public accountants with extensive experience in auditing, accounting and financial management.

The principal duties of the Audit Committee include the oversight of the Group's financial reporting system, risk management and internal control systems, and review of the Group's financial information and the relationship with the external auditor of the Company.

The Audit Committee held three meetings during the financial year to review the accounting principles and practices adopted by the Group and to discuss auditing, risk management, internal control and financial reporting matters including a review of the interim results and the annual results of the Group.

Corporate governance functions

The Board is responsible for performing corporate governance duties, and in this respect, corporate governance practice has been performed by the Board during the year pursuant to a company policy which includes (a) developing and reviewing the Company's corporate governance and ESG principles, practices and processes; (b) reviewing and monitoring the training and continuous professional development of directors and senior management; (c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (d) developing, reviewing and monitoring the code of conduct applicable to employees and directors; and (e) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

Auditor's remuneration

For the year under review, the Company's auditor, KPMG provided the following services to the Group:

Nature of Services	Fees HK\$'000
Audit services	3,080
Non-audit services	471
	<u>3,551</u>

In addition, audit and non-audit services were provided by other auditors to certain subsidiaries for the year ended 31 March 2025 and the related fees amounted to HK\$688,000 and HK\$310,000 respectively.

Directors' and auditor's responsibilities of financial statements

The directors acknowledge their responsibility for preparing the Group's financial statements which give a true and fair view and are in accordance with all applicable accounting and statutory requirements.

The statement of the auditor of the Company regarding its responsibilities in respect of the financial statements is set out in the Independent Auditor's Report on pages 37 to 40.

CORPORATE GOVERNANCE REPORT

Risk management and internal control

The Board has overall responsibility for maintaining the internal control and risk management systems of the Group and for reviewing their effectiveness on an ongoing basis. The Board is committed to implementing effective and sound internal control and risk management systems to safeguard the interests of shareholders and the Group's assets. As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function as well as those relating to ESG performance and reporting to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget. Moreover, the Board has employed an independent firm of professionals, BT Corporate Governance Limited ("BTCGL"), to conduct an annual review of the systems of internal control and risk management (including ESG risks) of the Group which covered all relevant financial, operational and compliance controls within an established framework.

The Group's internal control and risk management systems are designed in consideration of the nature of business as well as the organisation structure of the Group as a whole. The systems are designed to manage rather than eliminate the risk of failure in operational systems and to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems are further designed to safeguard the Group's assets, maintain appropriate accounting records and financial reporting function, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

An internal control review report and an enterprise risk assessment report issued by BTCGL were tabled before the members of the Audit Committee during the Audit Committee meeting held on 25 June 2025. The principal purposes of the internal control review and the enterprise risk assessment carried out by BTCGL were to obtain sufficient knowledge and understanding about the attitude, awareness and actions of management and the Board concerning the factors of the control environment and risk management mechanism. Based on the findings and comments by BTCGL and the Audit Committee, the Board considered the internal control and risk management systems effective and adequate and was of the opinion that there were no significant areas of concern that might affect the Company's shareholders.

The Company will continue to engage external independent professionals to review the Group's systems of internal control and risk management annually and further enhance the Group's systems as appropriate.

The Group has established an inside information policy which aims at providing the directors and relevant employees with guidelines on assessing, reporting and disseminating inside information in addition to keeping confidentiality of the inside information. Inside information is disseminated to relevant persons on a need-to-know basis, and the Group reviews the existing policy and practice from time to time to ensure full compliance with the regulatory requirements. Also, the Group has established a whistleblowing policy and an anti-corruption policy for employees to raise concerns about possible improprieties in any matter related to the Group.

There is currently no internal audit function within the Group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group in order to meet its needs. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

CORPORATE GOVERNANCE REPORT

Dividend policy

Dividends may be distributed by way of cash and by other means that the Board considers appropriate. A decision to declare and pay dividends will require the approval of the Board and will be at its discretion. Such discretion is subject to the applicable laws and regulations, the Company's amended and restated Bye-Laws and the approval of the shareholders, if applicable.

The following factors would be considered by the Board before declaring or recommending dividends:

1. actual past and expected future financial performance;
2. retained earnings and distributable reserves;
3. cash flows and the liquidity position;
4. working capital requirements and future investment plan;
5. general business conditions and the Group's business strategies; and
6. any factors that the Board deems appropriate.

Shareholders' rights

The following information regarding "shareholders' rights" is set out on pages 119 to 120 of the annual report:

1. procedures for shareholders to convene special general meetings;
2. procedures for sending enquiries to the Board; and
3. procedures for shareholders to move resolutions in general meetings.

During the year ended 31 March 2025, there had been no changes in the Company's constitutional documents.

Shareholders' communication policy

Shareholders should direct their questions about their shareholdings to the Company's Share Registrars, whose addresses are available in the Corporate Information of this annual report. The Company has established several channels to communicate with the shareholders as follows:

1. Corporate communications such as annual reports, interim reports and circulars are available on the websites of the Company and The Stock Exchange of Hong Kong Limited to enable shareholders to receive accurate and timely information about the Company;
2. Annual general meetings and other general meetings provide a forum for the shareholders to make comments and exchange views with the Directors; and
3. Shareholders are able to send enquiries to the Board by following the procedures under shareholder's rights.

The Company considered the shareholder communication policy is implemented effectively based on the timely release of the corporate communications and the direct interaction between shareholders and directors at the annual general meeting.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of
Herald Holdings Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Herald Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 41 to 116, which comprise the consolidated statement of financial position as at 31 March 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory 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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

INDEPENDENT AUDITOR'S REPORT

Key audit matter (continued)

Inventory provision

Refer to note 16 to the consolidated financial statements and the accounting policy in note 1(j).

The Key Audit Matter

The Group is primarily involved in the manufacture, sale and distribution of toy products.

Management performs regular reviews of the carrying values of inventories with reference to the inventory ageing report, expected future sales or utilisation of individual items and their selling prices based on management's experience and judgement. A write-down will be made when it is expected that an item cannot be sold or utilised or the estimated net realisable value would fall below its carrying amount.

We identified assessing the inventory provision as a key audit matter because of the inherent risk that the Group's inventories may become obsolete and because the judgement exercised by management in determining the appropriate provision for inventories involves management's assessment of factors which can be inherently uncertain.

How the matter was addressed in our audit

Our audit procedures to assess the inventory provision included the following:

- assessing the Group's inventory provisioning policy in the consolidated financial statements with reference to the requirements of the prevailing accounting standards;
- assessing whether the inventory write-down at the reporting date was calculated on a basis consistent with the Group's inventory provisioning policy by recalculating the write-down based on the percentages or other parameters in the Group's inventory provisioning policy;
- assessing, on a sample basis, whether items in the inventory ageing report, if applicable, were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documents;
- inquiring of management about any slow-moving or obsolete inventories and comparing their representations with actual transactions and utilisation subsequent to the end of the reporting period, and inspecting, on a sample basis, the relevant underlying documentation for sales orders received and where applicable delivery of inventories subsequent to the end of the reporting period;
- comparing, on a sample basis, the unit cost of inventories at the reporting date with sales price achieved subsequent to the end of the reporting period; and
- assessing the historical accuracy of management's process for calculating the provision for inventories by examining the utilisation or release of the provision recorded at the end of the previous financial year during the current year and whether there is any indication of management bias.

INDEPENDENT AUDITOR'S REPORT

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities 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 Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (*continued*)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Tsz Kei (practising certificate number: P07071).

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 June 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2025

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	3, 10	703,704	711,337
Cost of sales		(499,192)	(551,059)
Gross profit		204,512	160,278
Other revenue	4	14,694	15,213
Other net income	4	15,480	856
Selling expenses		(12,785)	(11,140)
Administrative expenses		(179,959)	(173,984)
Net valuation losses on investment properties	11(a)	(10,978)	(7,465)
Profit/(loss) from operations		30,964	(16,242)
Finance costs	5(a)	(196)	(1,115)
Profit/(loss) before taxation	5	30,768	(17,357)
Income tax credit	6(a)	2,530	2,574
Profit/(loss) for the year		33,298	(14,783)
Attributable to:			
Equity shareholders of the Company		32,875	(14,385)
Non-controlling interests		423	(398)
Profit/(loss) for the year		33,298	(14,783)
Earnings/(loss) per share	9		
Basic (HK cents)		5.44	(2.38)
Diluted (HK cents)		5.44	(2.38)

The notes on pages 47 to 116 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 25(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2025

	2025 HK\$'000	2024 HK\$'000
Profit/(loss) for the year	<u>33,298</u>	<u>(14,783)</u>
Other comprehensive income for the year		
<i>Item that is or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<u>26</u>	<u>(11,663)</u>
Other comprehensive income for the year	<u>26</u>	<u>(11,663)</u>
Total comprehensive income for the year	<u><u>33,324</u></u>	<u><u>(26,446)</u></u>
Attributable to:		
Equity shareholders of the Company	<u>32,926</u>	<u>(25,774)</u>
Non-controlling interests	<u>398</u>	<u>(672)</u>
Total comprehensive income for the year	<u><u>33,324</u></u>	<u><u>(26,446)</u></u>

The notes on pages 47 to 116 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2025

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Investment properties	11	80,383	91,859
Other property, plant and equipment	11	141,530	168,301
		221,913	260,160
Intangible assets	12	920	954
Other financial assets	14	3,500	4,000
Prepayment	17	–	841
Deferred tax assets	22(b)	4,145	5,614
		230,478	271,569
Current assets			
Trading securities	15	92,056	77,390
Inventories	16	118,355	122,659
Trade and other receivables	17	112,732	108,036
Pledged bank balances	18	7,096	3,607
Cash and cash equivalents	19(a)	266,105	229,188
		596,344	540,880
Current liabilities			
Trade and other payables and contract liabilities	20	176,239	145,993
Lease liabilities	21	2,813	5,226
Current tax payable	22(a)	28,909	29,504
		207,961	180,723
Net current assets		388,383	360,157

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2025

	Note	2025 HK\$'000	2024 HK\$'000
Total assets less current liabilities		<u>618,861</u>	<u>631,726</u>
Non-current liabilities			
Lease liabilities	21	975	6,536
Deferred tax liabilities	22(b)	25,032	30,360
Provision for long service payments	23	<u>2,814</u>	<u>1,844</u>
		<u>28,821</u>	<u>38,740</u>
NET ASSETS		<u>590,040</u>	<u>592,986</u>
CAPITAL AND RESERVES			
Share capital	25(c)	47,150	47,150
Reserves		<u>529,877</u>	<u>533,221</u>
Total equity attributable to equity shareholders of the Company		577,027	580,371
Non-controlling interests		<u>13,013</u>	<u>12,615</u>
TOTAL EQUITY		<u>590,040</u>	<u>592,986</u>

Approved and authorised for issue by the board of directors on 30 June 2025.

Robert Dorfman
Director

Lai Man-Pun
Director

The notes on pages 47 to 116 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2025

		Attributable to equity shareholders of the Company										
	Note	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	PRC statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2023												
Changes in equity for 2024:												
Loss for the year												
Other comprehensive income												
Total comprehensive income												
Dividends approved in respect of the previous year												
Dividends declared in respect of the current year												
Balance at 31 March 2024 and 1 April 2024												
Changes in equity for 2025:												
Profit for the year												
Other comprehensive income												
Total comprehensive income												
Dividends approved in respect of the previous year												
Dividends declared in respect of the current year												
Expiry of share options granted												
Balance at 31 March 2025												

The notes on pages 47 to 116 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2025

	Note	2025 HK\$'000	2024 HK\$'000
Operating activities			
Cash generated from operations	19(b)	<u>75,835</u>	<u>118,318</u>
Tax paid:			
– Hong Kong Profits Tax paid		(599)	(4,496)
– Taxation outside Hong Kong paid		<u>(674)</u>	<u>(1,286)</u>
		<u>(1,273)</u>	<u>(5,782)</u>
Net cash generated from operating activities		<u>74,562</u>	<u>112,536</u>
Investing activities			
Payment for the purchase of property, plant and equipment		(3,275)	(1,518)
Payment for the purchase of trading securities		–	(15,600)
Proceeds from disposal of property, plant and equipment		1,190	984
Proceeds from sales of trading securities		2	15,600
Interest received		4,736	2,069
Dividends received from listed securities		3,474	2,650
Increase in pledged bank balances		<u>(3,489)</u>	<u>(2,660)</u>
Net cash generated from investing activities		<u>2,638</u>	<u>1,525</u>
Financing activities			
Repayment of bank loans	19(c)	–	(10,000)
Capital element of lease rentals paid	19(c)	(3,919)	(6,210)
Interest element of lease rentals paid	19(c)	(196)	(662)
Interest paid	19(c)	–	(453)
Dividends paid to equity shareholders of the Company	25(b)	<u>(36,270)</u>	<u>(36,270)</u>
Net cash used in financing activities		<u>(40,385)</u>	<u>(53,595)</u>
Net increase in cash and cash equivalents		36,815	60,466
Cash and cash equivalents at the beginning of the year		229,188	170,330
Effect of foreign exchange rate changes		102	(1,608)
Cash and cash equivalents at the end of the year	19(a)	<u>266,105</u>	<u>229,188</u>

The notes on pages 47 to 116 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies

(a) Statement of compliance

The Company was incorporated in Bermuda on 17 August 1992 as an exempt company under the Bermuda Companies Act 1981.

Although not required to do so under the Bye-laws of the Company, these financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Material accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2025 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 1(g));
- equity investments classified as other financial assets (see note 1(e)); and
- financial instruments classified as trading securities (see note 1(e)).

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(b) Basis of preparation of the financial statements (*continued*)

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.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(l)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(d) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments in debt and equity securities and managed funds

The Group's policies for other financial assets and trading securities, other than investments in subsidiaries, are set out below:

Investments in debt and equity securities and managed funds are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(f). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(s)(ii)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(e) Other investments in debt and equity securities and managed funds (*continued*)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income in accordance with the policy set out in note 1(s)(iii).

(f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses (see note 1(l)(ii)).

- freehold land and buildings;
- interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 1(i));
- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

In prior years certain land and buildings held for own use were revalued to their fair value. In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80AA of HKAS 16, *Property, plant and equipment* issued by the HKICPA, with the effect that these land and buildings have not been revalued to their fair value at the end of the reporting period.

If land and buildings held for own use becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(f) Property, plant and equipment (*continued*)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write-off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Freehold land is not depreciated.
- Leasehold land and the Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.
- Plant and equipment at the following rates:

– Plant, machinery, furniture, fixtures and office equipment	9 – 30%
– Moulds	20 – 50%
– Motor vehicles	10 – 25%

No depreciation is provided in respect of construction in progress.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(iv).

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)(ii)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The intangible assets with finite useful lives are amortised from the date they are available for use and their useful lives are 24 years. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases other than properties leased for own use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(f) and 1(l)(ii)), except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(i) Leased assets (*continued*)

(i) As a lessee (*continued*)

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal amounts in the amortisation of lease liabilities that are due to be repaid within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(s)(iv).

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables that do not contain a significant financing component are initially measured at their transaction price and are subsequently stated at amortised cost using the effective interest method and including allowance for credit losses (see note 1(l)(i)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(l) Credit losses and impairment of assets

(i) *Credit losses from financial instruments*

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, which is held for the collection of contractual cash flows which represent solely payments of principal and interest). Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(l) Credit losses and impairment of assets (*continued*)

(i) Credit losses from financial instruments (*continued*)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(l) Credit losses and impairment of assets (*continued*)

(i) Credit losses from financial instruments (*continued*)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(s)(ii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset 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.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(I) Credit losses and impairment of assets (*continued*)

(ii) *Impairment of other non-current assets (continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) *Interim financial reporting and impairment*

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(I)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(u)).

(n) Payables and contract liabilities

(i) Payables

Payables are initially recognised at fair value. Subsequent to initial recognition, payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(ii) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(k)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(l)(i).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit plan obligation

The Group has the defined benefit plans of long service payment ("LSP") under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Current service cost and net interest expense on the net defined benefit plans are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(p) Employee benefits (*continued*)

(iii) Termination benefits

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

(iv) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Deferred tax is not recognised for those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies *(continued)*

(q) Income tax *(continued)*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Additional income taxes that arise from distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Deferred tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(r) Financial guarantees issued, provisions and contingent liabilities

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply. As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(ii) *Provisions and contingent liabilities*

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

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

Revenue from contracts with customers

(i) *Sale of goods*

Revenue is recognised when the customer takes possession of and accepts the products.

Revenue from other sources and other income

(ii) *Interest income*

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

(iii) *Dividends*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) *Royalties*

Royalties are recognised when earned according to the terms of the licence agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies (*continued*)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(1) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 Material accounting policies *(continued)*

(v) Related parties *(continued)*

- (2) 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 (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

2 Changes in accounting policies

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants*
- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue

The principal activities of the Group are the manufacture, sale and distribution of toys, computer products, clocks, watches, and electronic and gift products.

Disaggregation of revenue from contracts with customers by major product lines is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue from sale of goods within the scope of HKFRS 15		
Disaggregated by major product lines		
– Toys	393,155	407,943
– Computer products	98,111	104,235
– Timepieces	212,438	199,159
	703,704	711,337

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 10(c).

The Group's customer base includes one (2024: one) customer with whom transactions have exceeded 10% of the Group's revenue. During the year, revenue from sales of toys to this customer amounted to approximately HK\$274,285,000 (2024: HK\$290,300,000). For both years, the sales arose mainly in the North America geographical region in which the toys division is active. Details of concentrations of credit risk arising from these customers are set out in note 26(a).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its revenue from sales of goods as the performance obligation is part of a contract that has an original expected duration of one year or less.

Further details regarding the Group's principal activities are disclosed in note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

4 Other revenue and other net income

	2025 HK\$'000	2024 HK\$'000
Other revenue		
Rental income	5,090	4,948
Interest income from deposits with banks	4,736	2,069
Dividend income from listed securities	3,474	2,650
Sales of scrap materials	1,041	4,862
Others	353	684
	14,694	15,213
Other net income		
Net realised and unrealised gains/(losses) on trading securities	14,668	(3,039)
Net foreign exchange gain	637	5,826
Change in fair value of other financial assets	(500)	(2,476)
Net gain on disposal of property, plant and equipment	393	604
Gains/(losses) on early termination of leases	181	(98)
Others	101	39
	15,480	856

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

5 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2025 HK\$'000	2024 HK\$'000
(a) Finance costs		
Interest on bank loans and other borrowings (note 19(c))	–	453
Interest on lease liabilities (note 19(c))	196	662
	196	1,115
(b) Staff costs[#] (including directors' emoluments)		
Contributions to defined contribution retirement plans	34,495	37,157
Salaries, wages and other benefits	246,073	244,382
	280,568	281,539
(c) Other items		
Amortisation of intangible assets (note 12)	34	34
Cost of inventories [#] (note 16(b))	499,192	551,059
Depreciation [#]		
– owned property, plant and equipment	14,010	21,032
– right-of-use assets	10,153	12,587
Auditors' remuneration		
– audit services	3,768	3,831
– non-audit services	781	807
Impairment losses/(reversal of impairment losses) on trade debtors	97	(383)
Rentals receivable from investment properties less direct outgoings of HK\$67,000 (2024: HK\$23,000)	(5,023)	(4,925)

[#] Cost of inventories includes HK\$135,121,000 (2024: HK\$155,510,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above or note 5(b) for each of these types of expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

6 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 HK\$'000	2024 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	1,462	756
Over-provision in respect of prior years	(215)	(1,033)
	<u>1,247</u>	<u>(277)</u>
Current tax – Outside Hong Kong		
Provision for the year, net	(182)	3,186
Deferred tax		
Origination and reversal of temporary differences	(3,595)	(5,483)
Tax credit	<u>(2,530)</u>	<u>(2,574)</u>

The provision for Hong Kong Profits Tax for 2025 is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2024.

The provision for Hong Kong Profits Tax for 2025 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2024/25 subject to a maximum reduction of HK\$1,500 for each business (2024: a maximum reduction of HK\$3,000 was granted for the year of assessment 2023/24 and was taken into account in calculating the provision for 2024).

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

6 Income tax in the consolidated statement of profit or loss (*continued*)

(b) Reconciliation between tax credit and accounting profit/(loss) at applicable tax rates:

	2025 HK\$'000	2024 HK\$'000
Profit/(loss) before taxation	30,768	(17,357)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned	2,902	(580)
Tax effect of non-deductible expenses	2,141	3,758
Tax effect of non-taxable income	(3,954)	(3,206)
Tax effect of tax losses not recognised	1,164	5,475
Tax effect of previously unrecognised tax losses recognised this year	(1,952)	(4,426)
Tax effect of other temporary differences not recognised	94	3,240
Tax effect of utilisation of prior years' tax losses not previously recognised	(2,251)	(4,940)
Over-provision in respect of prior years	(215)	(1,033)
Others	(459)	(862)
Actual tax credit	(2,530)	(2,574)

(c) Pillar Two Income taxes

In December 2021, the Organisation for Economic Co-operation and Development published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules ("Pillar Two legislation"). According to the rules of Pillar Two legislation, low-tax jurisdictions with effective tax rate below 15% may have a Top-up Tax impact. Some of jurisdictions where the Group's overseas operating institutions are located, had implemented Pillar Two legislation during the reporting period. The Group does not meet the criteria under the rules of Pillar Two legislation for the Group's overseas operating institutions.

Both Hong Kong and Mainland China in which the Group has business operations has not enacted new tax laws to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development for the year ended 31 March 2025. The new tax law has been effective retrospectively in Hong Kong on 1 January 2025. The Group does not meet the criteria under the rules of Pillar Two legislation for the Group's Hong Kong operating institution. If the new tax laws had applied in Mainland China in 2025, the Group does not expect to be subject to a new top-up tax in relation to its operations in Mainland China.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

7 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2025					
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Mr Robert Dorfman	–	3,985	938	342	5,265
Dr Cheung Tsang-Kay, Stan	–	4,152	882	321	5,355
Mr Lai Man-Pun	–	2,210	630	196	3,036
Independent non-executive directors					
Mr Lie-A-Cheong					
Tai-Chong, David	360	–	–	–	360
Dr Ng Tze-Kin, David	360	–	–	–	360
Ms Wong Sau-Ling	360	–	–	–	360
Mr Yeh Man-Chun, Kent (deceased on 5 October 2024)	185	–	–	–	185
	1,265	10,347	2,450	859	14,921
2024					
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive directors					
Mr Robert Dorfman	–	4,607	1,173	402	6,182
Dr Cheung Tsang-Kay, Stan	–	4,724	1,102	378	6,204
Mr Lai Man-Pun (appointed on 1 September 2023)	–	1,061	–	98	1,159
Mr Shum Kam-Hung (retired on 1 September 2023)	–	1,306	735	105	2,146
Independent non-executive directors					
Mr Lie-A-Cheong					
Tai-Chong, David	360	–	–	–	360
Mr Yeh Man-Chun, Kent	360	–	–	–	360
Dr Ng Tze-Kin, David	360	–	–	–	360
Ms Wong Sau-Ling (elected on 19 September 2023)	192	–	–	–	192
	1,272	11,698	3,010	983	16,963

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2024: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2024: three) individuals are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries and other emoluments	10,292	11,772
Discretionary bonuses	2,396	2,996
Retirement scheme contributions	671	797
	13,359	15,565

The emoluments of the other three (2024: three) individuals with the highest emoluments are within the following bands:

	2025	2024
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	–
HK\$6,000,001 – HK\$6,500,000	–	1

9 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK\$32,875,000 (2024: loss of HK\$14,385,000) and the weighted average number of shares of 604,491,000 (2024: 604,491,000) in issue during the year.

(b) Diluted earnings/(loss) per share

There were no dilutive potential shares in existence during the year ended 31 March 2025, and therefore the diluted earnings per share is the same as the basic earnings per share.

Diluted loss per share for the year ended 31 March 2024 was the same as the basic loss per share as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

10 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys	:	The manufacture, sale and distribution of toy products.
Computer Products	:	The manufacture and sale of computer products.
Timepieces	:	The sale and distribution of clocks, watches, and electronic and gift products.
Investments	:	The investment in debt and equity securities, managed funds and other financial assets.
Others	:	The leasing of properties to group companies and third parties to generate rental income and to gain from the appreciation in the properties' values in the long term.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "profit/(loss) from operations".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

10 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2025 and 2024 is set out below:

	2025					
	Toys HK\$'000	Computer Products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	393,155	98,111	212,438	-	-	703,704
Inter-segment revenue	-	-	-	-	3,550	3,550
Reportable segment revenue	<u>393,155</u>	<u>98,111</u>	<u>212,438</u>	<u>-</u>	<u>3,550</u>	<u>707,254</u>
Reportable segment profit/(loss)	16,953	(1,000)	21,808	17,642	(10,194)	45,209
Interest income	2,637	863	420	-	72	3,992
Interest expense	(45)	-	(90)	-	-	(135)
Depreciation and amortisation for the year	<u>(13,973)</u>	<u>(2,322)</u>	<u>(2,610)</u>	<u>-</u>	<u>(5,292)</u>	<u>(24,197)</u>
Reportable segment assets	312,581	108,992	144,018	102,652	124,137	792,380
Additions to non-current segment assets during the year	1,783	488	1,845	-	-	4,116
Reportable segment liabilities	<u>129,415</u>	<u>17,178</u>	<u>26,227</u>	<u>-</u>	<u>1,777</u>	<u>174,597</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

10 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2025 and 2024 is set out below: (continued)

	2024					
	Toys HK\$'000	Computer Products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	407,943	104,235	199,159	–	–	711,337
Inter-segment revenue	–	–	–	–	3,548	3,548
Reportable segment revenue	407,943	104,235	199,159	–	3,548	714,885
Reportable segment (loss)/profit	(9,470)	(6,462)	22,518	(2,864)	(4,454)	(732)
Interest income	1,041	435	86	–	106	1,668
Interest expense	(877)	–	(124)	–	–	(1,001)
Depreciation and amortisation for the year	(23,624)	(2,052)	(2,684)	–	(5,293)	(33,653)
Reportable segment assets	305,954	109,435	125,165	84,997	139,568	765,119
Additions to non-current segment assets during the year	1,274	293	638	–	2	2,207
Reportable segment liabilities	108,600	17,179	21,910	1,213	1,777	150,679

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

10 Segment reporting (*continued*)

- (b) Reconciliations of reportable segment revenue, profit/(loss), interest income, interest expense, assets and liabilities

	2025 HK\$'000	2024 HK\$'000
Revenue		
Reportable segment revenue	707,254	714,885
Elimination of inter-segment revenue	(3,550)	(3,548)
Consolidated revenue	703,704	711,337
Profit/(loss)		
Reportable segment profit/(loss)	45,209	(732)
Unallocated corporate expenses	(14,441)	(16,625)
Consolidated profit/(loss) before taxation	30,768	(17,357)
Interest income		
Reportable segment interest income	3,992	1,668
Unallocated corporate interest income	744	401
Consolidated interest income	4,736	2,069
Interest expense		
Reportable segment interest expense	135	1,001
Unallocated corporate interest expense	61	114
Consolidated interest expense	196	1,115
Assets		
Reportable segment assets	792,380	765,119
Deferred tax assets	4,145	5,614
Unallocated corporate assets	30,297	41,716
Consolidated total assets	826,822	812,449
Liabilities		
Reportable segment liabilities	174,597	150,679
Current tax payable	28,909	29,504
Deferred tax liabilities	25,032	30,360
Unallocated corporate liabilities	8,244	8,920
Consolidated total liabilities	236,782	219,463

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

10 Segment reporting (continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties and other property, plant and equipment and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of investment properties and other property, plant and equipment, and based on the location of operations in the case of intangible assets.

	Revenue from external customers		Specified non-current assets	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Hong Kong (place of domicile)	60,552	66,844	56,777	63,524
North America	324,572	322,009	–	–
United Kingdom	97,501	107,358	11,330	11,355
Europe (excluding United Kingdom)	74,632	78,984	–	–
Asia (excluding Mainland China and Hong Kong)	34,297	25,520	–	–
Mainland China	85,292	69,965	154,726	186,235
Others	26,858	40,657	–	–
	643,152	644,493	166,056	197,590
	703,704	711,337	222,833	261,114

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11 Investment properties and other property, plant and equipment

(a) Reconciliation of carrying amount

	Ownership interests in land and buildings held for own use HK\$'000	Other properties leased for own use carried at cost HK\$'000	Plant, machinery, furniture, fixtures and office equipment HK\$'000	Moulds HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation:								
At 1 April 2024	272,065	20,352	376,765	2,389	22,957	694,528	91,859	786,387
Exchange adjustment	(677)	89	(1,555)	-	12	(2,131)	(498)	(2,629)
Additions	-	-	1,276	-	2,840	4,116	-	4,116
Disposals	-	(9,399)	(14,502)	-	(3,480)	(27,381)	-	(27,381)
Fair value adjustment	-	-	-	-	-	-	(10,978)	(10,978)
At 31 March 2025	<u>271,388</u>	<u>11,042</u>	<u>361,984</u>	<u>2,389</u>	<u>22,329</u>	<u>669,132</u>	<u>80,383</u>	<u>749,515</u>
Representing:								
Cost	259,926	11,042	361,984	2,389	22,329	657,670	-	657,670
Valuation – 1987	11,462	-	-	-	-	11,462	-	11,462
– 2025	-	-	-	-	-	-	80,383	80,383
	<u>271,388</u>	<u>11,042</u>	<u>361,984</u>	<u>2,389</u>	<u>22,329</u>	<u>669,132</u>	<u>80,383</u>	<u>749,515</u>
Accumulated depreciation:								
At 1 April 2024	156,490	9,490	340,682	2,389	17,176	526,227	-	526,227
Exchange adjustment	(516)	73	(1,364)	-	(24)	(1,831)	-	(1,831)
Depreciation charge for the year	6,385	3,047	11,540	-	3,191	24,163	-	24,163
Written back on disposals	-	(3,753)	(13,743)	-	(3,461)	(20,957)	-	(20,957)
At 31 March 2025	<u>162,359</u>	<u>8,857</u>	<u>337,115</u>	<u>2,389</u>	<u>16,882</u>	<u>527,602</u>	<u>-</u>	<u>527,602</u>
Net book value:								
At 31 March 2025	<u>109,029</u>	<u>2,185</u>	<u>24,869</u>	<u>-</u>	<u>5,447</u>	<u>141,530</u>	<u>80,383</u>	<u>221,913</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11 Investment properties and other property, plant and equipment (*continued*)

(a) Reconciliation of carrying amount (*continued*)

	Ownership interests in land and buildings held for own use HK\$'000	Other properties leased for own use carried at cost HK\$'000	Plant, machinery, furniture, fixtures and office equipment HK\$'000	Moulds HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation:								
At 1 April 2023	276,487	24,312	406,686	2,389	22,836	732,710	103,733	836,443
Exchange adjustment	(4,435)	(551)	(11,578)	-	11	(16,553)	(4,409)	(20,962)
Lease modification	-	1,132	-	-	-	1,132	-	1,132
Additions	13	-	469	-	593	1,075	-	1,075
Disposals	-	(4,541)	(18,812)	-	(483)	(23,836)	-	(23,836)
Fair value adjustment	-	-	-	-	-	-	(7,465)	(7,465)
At 31 March 2024	272,065	20,352	376,765	2,389	22,957	694,528	91,859	786,387
Representing:								
Cost	260,603	20,352	376,765	2,389	22,957	683,066	-	683,066
Valuation – 1987	11,462	-	-	-	-	11,462	-	11,462
– 2024	-	-	-	-	-	-	91,859	91,859
	272,065	20,352	376,765	2,389	22,957	694,528	91,859	786,387
Accumulated depreciation:								
At 1 April 2023	153,452	6,394	348,832	2,357	14,683	525,718	-	525,718
Exchange adjustment	(3,362)	(108)	(8,548)	-	18	(12,000)	-	(12,000)
Depreciation charge for the year	6,400	5,399	18,835	32	2,953	33,619	-	33,619
Written back on disposals	-	(2,195)	(18,437)	-	(478)	(21,110)	-	(21,110)
At 31 March 2024	156,490	9,490	340,682	2,389	17,176	526,227	-	526,227
Net book value:								
At 31 March 2024	115,575	10,862	36,083	-	5,781	168,301	91,859	260,160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11 Investment properties and other property, plant and equipment (*continued*)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2025 HK\$'000	2024 HK\$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost, with remaining lease term between 10 and 50 years	(i)	109,029	115,575
Properties leased for own use, carried at depreciated cost	(ii)	2,185	10,862
Plant, machinery, equipment and motor vehicles, carried at depreciated cost	(iii)	1,685	715
		112,899	127,152
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term between 10 and 50 years		77,675	87,162
		190,574	214,314

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

	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	6,385	6,400
Other properties leased for own use	3,047	5,399
Plant, machinery, equipment and motor vehicles	721	788
	10,153	12,587
Interest on lease liabilities (note 5(a))	196	662
Expense relating to short-term leases	806	1,773

During the year, additions to right-of-use assets were HK\$1,670,000 (2024: HK\$1,530,000). This amount is primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(d) and 26(b), respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11 Investment properties and other property, plant and equipment (*continued*)

(b) Right-of-use assets (*continued*)

(i) *Ownership interests in leasehold land and buildings held for own use*

The Group holds several industrial buildings for its toys, computer products, and timepieces business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire the right-of-use, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) *Other properties leased for own use*

The Group has obtained the right to use other properties as its warehouses and offices through tenancy agreements. The leases typically run for an initial period of 2 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

(iii) *Other leases*

The Group leases motor vehicles and office equipment. The leases typically run for an initial period of 2 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

- (c) Certain land and buildings of the Group were revalued as at 31 December 1987 by an independent firm of surveyors, Jones Lang LaSalle who had among their staff Chartered Surveyors, on an open market value basis calculated on net rental income allowing for reversionary potential.

At 31 March 2025, included in land and buildings held for own use were properties carried at valuation less accumulated depreciation and impairment losses amounting to HK\$1,836,000 (2024: HK\$1,948,000).

(d) Fair value measurement of properties

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11 Investment properties and other property, plant and equipment *(continued)*

(d) Fair value measurement of properties *(continued)*

(i) Fair value hierarchy *(continued)*

	Fair value at 31 March 2025	Fair value measurements as at 31 March 2025 categorised into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Investment properties:				
– Commercial – Mainland China	5,048	–	–	5,048
– Industrial – Mainland China	65,729	–	–	65,729
– Residential – United Kingdom	5,286	–	–	5,286
– Industrial – Hong Kong	4,320	–	–	4,320

	Fair value at 31 March 2024	Fair value measurements as at 31 March 2024 categorised into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Investment properties:				
– Commercial – Mainland China	5,415	–	–	5,415
– Industrial – Mainland China	76,677	–	–	76,677
– Residential – United Kingdom	4,697	–	–	4,697
– Industrial – Hong Kong	5,070	–	–	5,070

During the year ended 31 March 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2024: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period of the financial year in which they occur.

All investment properties of the Group were revalued as at 31 March 2025. The valuations of the investment properties in Mainland China were carried out by Prudential Surveyors (Hong Kong) Limited, while the valuations of the investment properties in the United Kingdom and Hong Kong were carried out by LCH (Asia-Pacific) Surveyors Limited. Both of them are firms of surveyors, who have among their staff, Members of the Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued. The group management holds discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11 Investment properties and other property, plant and equipment *(continued)*

(d) Fair value measurement of properties *(continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable inputs	Range	Weighted average/ adopted value
Investment properties				
Commercial – Mainland China	Sales comparison approach	Discount on quality of the buildings (2024: Discount on quality of the buildings)	-5.40% to -2.30% (2024: 6.00% to 9.00%)	-3.90% (2024: 8.00%)
Industrial – Mainland China	Sales comparison approach	Discount on quality of the buildings (2024: Discount on quality of the buildings)	-13.00% to 0.00% (2024: -9.00% to 0.00%)	-4.70% (2024: -3.20%)
Residential – United Kingdom	Income approach	Yield rate	N/A* (2024: N/A*)	4.15% (2024: 4.00%)
Industrial – Hong Kong	Income approach	Yield rate	2.70% to 3.00% (2024: 2.40% to 3.40%)	2.90% (2024: 2.90%)

* Only one yield rate was adopted in calculating the fair value and reversionary value given the rents of the respective investment properties were close to market rents at the measurement date.

The fair value of investment properties located in the Mainland China is determined using sales comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a discount specific to the quality of the buildings compared to the recent sales. Higher discount for lower quality buildings will result in a lower fair value measurement.

The fair value of investment properties located in the United Kingdom and Hong Kong is determined using income approach by taking into account the current rent receivable from the existing tenancies and the reversionary potential of the property interests. Appropriate yield rates were adopted in income approach for the existing rent receivable during the tenancies' terms and for the reversionary value of the properties. The fair value measurement is negatively correlated to the yield rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11 Investment properties and other property, plant and equipment *(continued)*

(d) Fair value measurement of properties *(continued)*

(ii) Information about Level 3 fair value measurements *(continued)*

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Investment properties				Total HK\$'000
	Commercial Mainland China HK\$'000	Industrial Mainland China HK\$'000	Residential United Kingdom HK\$'000	Industrial Hong Kong HK\$'000	
At 1 April 2023	6,629	86,525	4,609	5,970	103,733
Fair value adjustment	(1,214)	(5,351)	–	(900)	(7,465)
Exchange adjustment	–	(4,497)	88	–	(4,409)
At 31 March 2024 and 1 April 2024	5,415	76,677	4,697	5,070	91,859
Fair value adjustment	(367)	(10,368)	507	(750)	(10,978)
Exchange adjustment	–	(580)	82	–	(498)
At 31 March 2025	5,048	65,729	5,286	4,320	80,383

Fair value adjustment of investment properties is recognised in the line item “net valuation losses on investment properties” on the face of the consolidated statement of profit or loss.

All the losses recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

- (e) During the year ended 31 March 2025, the directors carried out an assessment of the recoverable amounts of certain property, plant and equipment of the Group. Based on their review, no impairment loss was recognised for the years ended 31 March 2025 and 2024.
- (f) At 31 March 2025, certain banking facilities of the Group were secured by Group’s properties with an aggregate carrying value of HK\$39,892,000 (2024: HK\$42,911,000). Such banking facilities amounted to HK\$86,000,000 (2024: HK\$86,000,000). The facilities remained undrawn as of 31 March 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11 Investment properties and other property, plant and equipment *(continued)*

- (g) The Group leases out certain properties under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Minimum undiscounted lease payments under operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	3,310	3,425
After 1 year but within 2 years	2,786	2,942
After 2 years but within 3 years	–	2,809
	6,096	9,176

- (h) Further particulars of the Group's investment properties are included on page 118.

12 Intangible assets

	Club memberships	
	2025 HK\$'000	2024 HK\$'000
Cost:		
At the beginning and the end of the year	1,495	1,495
Accumulated amortisation:		
At the beginning of the year	541	507
Charge for the year	34	34
At the end of the year	575	541
Net book value:		
At the end of the year	920	954

Club memberships represent the rights to use the clubs' facilities, which have finite or indefinite useful lives. The amortisation charge for club memberships with finite useful lives for the year is included in administrative expenses in the consolidated statement of profit or loss.

During the year ended 31 March 2025, the directors carried out an assessment of the recoverable amount of the club memberships. Based on their review, no impairment loss was recognised during the year (2024: HK\$Nil). The estimates of the recoverable amount were based on recent observable market prices.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

13 Investments in subsidiaries

- (a) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary and the capital is fully paid up unless otherwise stated.

Name of companies	Place/country of establishment/ incorporation	Place/country of operation	Particulars of issued capital/ registered capital	Percentage of ownership interest held by the Company subsidiaries		Principal activities
Herald Group Limited	The British Virgin Islands ("BVI")	Hong Kong	1 share of US\$1	100	–	Investment holding
Herald (Hong Kong) Limited	Hong Kong	Hong Kong	10,000 shares	–	100	Investment holding
Herald China Investments Limited	Hong Kong	Hong Kong	1,000,000 shares	–	100	Investment holding
Herald Investments (China) Company Limited [®]	People's Republic of China ("PRC")	PRC	Registered capital of US\$11,500,000	–	100	Investment holding
Herald Metal and Plastic Works Limited	Hong Kong	Hong Kong	100 shares	–	100	Trading of toys
			1,953,000 deferred shares	–	100	
Dongguan Herald Toys Company Limited [®]	PRC	PRC	Registered capital of HK\$55,000,000	–	100	Manufacture of toys
Dongguan Herald Metal and Plastic Company Limited [®]	PRC	PRC	Registered capital of HK\$105,400,000	–	100	Manufacture of toys
Herald Datanetics Limited	Hong Kong	Hong Kong	1,128,000 shares	–	100	Manufacture and sale of computer products
Zhuhai Herald Datanetics Limited [†]	PRC	PRC	Registered capital of HK\$38,000,000	–	80	Manufacture of computer products
Herald Houseware Limited	Hong Kong	Hong Kong	5,000,000 shares	–	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

13 Investments in subsidiaries (continued)

- (a) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary and the capital is fully paid up unless otherwise stated. (continued)

Name of companies	Place/country of establishment/ incorporation	Place/country of operation	Particulars of issued capital/ registered capital	Percentage of ownership interest held by the Company	Principal activities
Zhuhai Herald Houseware Limited [#]	PRC	PRC	Registered capital of HK\$30,000,000	– 80	Property investment
Zeon Limited	United Kingdom	United Kingdom	6,983,750 shares of GBP1 each	– 100	Sales and distribution of clocks, watches and electronic products
			165,417 preferred shares of GBP1 each	– 100	
Zeon Far East Limited	Hong Kong	Hong Kong	2 shares	– 100	Trading of clocks and watches
Jonell Limited	Hong Kong	Hong Kong	2 shares	– 100	Property investment
Premium Account Limited	BVI	PRC	1 share of US\$1 each	– 100	Property investment

[#] Equity joint ventures registered under the laws of the PRC as Sino-foreign Joint Venture Enterprises. The operation period of these equity joint ventures will be expired as follows:

- Zhuhai Herald Datanetics Limited: 1 August 2029
- Zhuhai Herald Houseware Limited: 8 June 2030

[@] Wholly-Owned Foreign Invested Enterprises registered under the laws of the PRC.

- (b) At 31 March 2025 and 2024, the Group's subsidiaries do not have material non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

14 Other financial assets

	2025 HK\$'000	2024 HK\$'000
Financial assets measured at FVPL		
– Unlisted equity securities	3,500	4,000

15 Trading securities

	2025 HK\$'000	2024 HK\$'000
Listed equity securities, at market value		
– in Hong Kong	42,025	29,951
– outside Hong Kong	4,793	3,322
	46,818	33,273
Unlisted managed funds, at fair value (note 15(a))	45,238	44,117
	92,056	77,390

- (a) The Group acquired certain managed funds for trading purposes. These managed funds are issued by financial institutions with high credit ratings and have underlying investments in both listed debt and equity securities and commodities around the world.
- (b) At 31 March 2025, trading securities of HK\$90,875,000 (2024: HK\$76,149,000) are pledged to banks to secure banking facilities, which include loan and investment trading lines granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

16 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2025 HK\$'000	2024 HK\$'000
Raw materials	22,250	31,930
Work in progress	18,939	16,331
Finished goods	77,166	74,398
	118,355	122,659

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Carrying amount of inventories sold	501,594	548,230
(Reversal of write-down)/write-down of inventories	(2,402)	2,829
	499,192	551,059

The reversal of write-down of inventories made in prior years arose due to an increase in the net realisable value of certain goods as a result of a change in consumer preferences.

17 Trade and other receivables

	2025 HK\$'000	2024 HK\$'000
Non-current assets		
Prepayment	–	841
Current assets		
Trade debtors and bills receivable, net of loss allowance of HK\$398,000 (2024: HK\$25,772,000)	101,399	96,243
Deposits, prepayments and other receivables	11,333	11,793
	112,732	108,036

All of the trade and other receivables are expected to be recovered or recognised as expense within one year, except for prepayment which was expected to be recognised as property, plant and equipment in the future and classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

17 Trade and other receivables (*continued*)

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2025 HK\$'000	2024 HK\$'000
Within 3 months	99,964	94,523
4 to 6 months	576	1,589
7 to 12 months	859	128
13 to 24 months	–	3
	101,399	96,243

Trade debtors and bills receivable are normally due within 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 26(a).

18 Pledged bank balances

The following bank balances of the Group are pledged to banks to secure banking facilities, which include loan and investment trading lines granted to the Group:

	2025 HK\$'000	2024 HK\$'000
Cash at bank	7,096	3,607

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

19 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2025 HK\$'000	2024 HK\$'000
Deposits with banks	127,282	51,042
Cash at bank and on hand	138,823	178,146
Cash and cash equivalents	<u>266,105</u>	<u>229,188</u>

(b) Reconciliation of profit/(loss) before taxation to cash generated from operations:

	Note	2025 HK\$'000	2024 HK\$'000
Profit/(loss) before taxation		30,768	(17,357)
Adjustments for:			
Interest income		(4,736)	(2,069)
Dividend income from listed securities		(3,474)	(2,650)
Depreciation		24,163	33,619
Amortisation of intangible assets		34	34
Net gain on disposal of property, plant and equipment		(393)	(604)
(Gains)/losses on early termination of leases		(181)	98
Net valuation losses on investment properties	11(a)	10,978	7,465
Net realised and unrealised (gains)/losses on trading securities		(14,668)	3,039
Finance costs		196	1,115
Net foreign exchange loss/(gain)		1,594	(4,761)
Change in fair value of other financial assets		500	2,476
Changes in working capital:			
Decrease in inventories		4,349	58,984
(Increase)/decrease in trade and other receivables		(4,573)	38,320
Increase in trade and other payables and contract liabilities		30,308	7
Increase in provision for long service payments		970	602
Cash generated from operations		<u>75,835</u>	<u>118,318</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

19 Cash and cash equivalents and other cash flow information (*continued*)

(c) Reconciliation of liabilities arising from financing activities:

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

	Bank loans HK\$'000	Lease liabilities HK\$'000 (Note 21)	Total HK\$'000
At 1 April 2023	10,000	19,350	29,350
Changes from financing cash flows:			
Repayment of bank loans	(10,000)	–	(10,000)
Interest paid	(453)	–	(453)
Capital element of lease rentals paid	–	(6,210)	(6,210)
Interest element of lease rentals paid	–	(662)	(662)
Total changes from financing cash flows	(10,453)	(6,872)	(17,325)
Exchange adjustments	–	(435)	(435)
Other changes:			
Interest expenses (note 5(a))	453	662	1,115
Increase in lease liabilities from entering into new leases during the year	–	398	398
Increase in lease liabilities from lease modification during the year	–	1,132	1,132
Decrease in lease liabilities from early termination of leases during the year	–	(2,473)	(2,473)
Total other changes	453	(281)	172
At 31 March 2024	–	11,762	11,762

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

19 Cash and cash equivalents and other cash flow information *(continued)*

(c) Reconciliation of liabilities arising from financing activities: *(continued)*

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

	Lease liabilities HK\$'000 (Note 21)
At 1 April 2024	11,762
Changes from financing cash flows:	
Capital element of lease rentals paid	(3,919)
Interest element of lease rentals paid	(196)
Total changes from financing cash flows	(4,115)
Exchange adjustments	35
Other changes:	
Interest expenses (note 5(a))	196
Increase in lease liabilities from entering into new leases during the year	1,670
Decrease in lease liabilities from early termination of leases during the year	(5,760)
Total other changes	(3,894)
At 31 March 2025	3,788

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

19 Cash and cash equivalents and other cash flow information (*continued*)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	806	1,773
Within financing cash flows	4,115	6,872
	4,921	8,645

These amounts relate to lease rentals paid for the year.

20 Trade and other payables and contract liabilities

	Note	2025 HK\$'000	2024 HK\$'000
Trade and other payables	(a)		
Trade creditors and bills payable		15,009	14,221
Accruals and other payables		153,274	122,653
		168,283	136,874
Contract liabilities	(b)		
Forward sales deposits		7,956	9,119
		176,239	145,993

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

20 Trade and other payables and contract liabilities (*continued*)

(a) Trade and other payables

All of the trade and other payables are expected to be settled or recognised as income within one year.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 month	11,641	10,047
Over 1 month but within 3 months	3,182	3,675
Over 3 months	186	499
	<u>15,009</u>	<u>14,221</u>

(b) Contract liabilities

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives advances from certain customers for sale of goods when they place sales orders. This deposit is recognised as a contract liability until the sales transactions are completed. The amount of the deposit is negotiated on a case-by-case basis with customers.

	2025 HK\$'000	2024 HK\$'000
Movements in contract liabilities		
At the beginning of the year	9,119	9,244
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(8,698)	(6,910)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	7,535	6,785
At the end of the year	<u>7,956</u>	<u>9,119</u>

The amount of forward sales deposits received are expected to be recognised as income within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

21 Lease liabilities

At 31 March 2025, the lease liabilities were repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	2,813	5,226
After 1 year but within 2 years	432	4,314
After 2 years but within 5 years	543	2,222
	975	6,536
	3,788	11,762

22 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2025 HK\$'000	2024 HK\$'000
Provision for Hong Kong Profits Tax for the year	1,462	756
Provisional Profits Tax paid	(527)	(503)
	935	253
Balance of Profits Tax provision relating to prior years	470	504
	1,405	757
Taxation outside Hong Kong	27,504	28,747
Current tax payable	28,909	29,504

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

22 Income tax in the consolidated statement of financial position *(continued)*

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Differences between depreciation allowances and the related depreciation HK\$'000	Right-of-use assets HK\$'000	Lease liabilities HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Provisions HK\$'000	Undistributed profits of a subsidiary HK\$'000	Total HK\$'000
At 1 April 2023	2,946	2,601	(2,601)	35,310	(3,128)	(3,707)	722	32,143
Charged/(credited) to profit or loss	25	(976)	976	(3,056)	(3,764)	1,498	(186)	(5,483)
Exchange adjustment	-	(128)	128	(1,829)	(217)	132	-	(1,914)
At 31 March 2024	<u>2,971</u>	<u>1,497</u>	<u>(1,497)</u>	<u>30,425</u>	<u>(7,109)</u>	<u>(2,077)</u>	<u>536</u>	<u>24,746</u>
At 1 April 2024	2,971	1,497	(1,497)	30,425	(7,109)	(2,077)	536	24,746
(Credited)/charged to profit or loss	(137)	(1,492)	1,492	(5,811)	3,033	(573)	(107)	(3,595)
Exchange adjustment	-	(5)	5	(221)	(50)	7	-	(264)
At 31 March 2025	<u>2,834</u>	<u>-</u>	<u>-</u>	<u>24,393</u>	<u>(4,126)</u>	<u>(2,643)</u>	<u>429</u>	<u>20,887</u>
						2025 HK\$'000	2024 HK\$'000	
Net deferred tax assets recognised in the consolidated statement of financial position						(4,145)	(5,614)	
Net deferred tax liabilities recognised in the consolidated statement of financial position						25,032	30,360	
						20,887	24,746	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

22 Income tax in the consolidated statement of financial position (*continued*)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets totalling HK\$80,996,000 (2024: HK\$84,202,000) in respect of cumulative tax losses of HK\$332,945,000 (2024: HK\$349,806,000) and other deductible temporary differences of HK\$95,592,000 (2024: HK\$95,373,000) as it is not probable that future taxable profits against which the losses and other temporary differences can be utilised will be available in the relevant tax jurisdictions and entities.

Included in the unrecognised cumulative tax losses is an amount of HK\$8,216,000 (2024: HK\$7,269,000) which can be carried forward for up to five years from the year in which the loss originated. The remaining balance of HK\$324,729,000 (2024: HK\$342,537,000) does not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 March 2025, temporary differences relating to undistributed profits of subsidiaries not recognised as deferred tax liabilities amounted to HK\$23,532,000 (2024: HK\$25,169,000). Deferred tax liabilities of HK\$1,177,000 (2024: HK\$1,258,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

23 Provision for long service payments

	2025 HK\$'000	2024 HK\$'000
At the beginning of the year	1,844	1,242
Provision made during the year	970	662
Provision utilised during the year	—	(60)
At the end of the year	2,814	1,844

According to Part VB of the Hong Kong Employment Ordinance ("the Ordinance"), the Group is liable to make long service payments to employees who are employed under the jurisdiction of the Ordinance and have completed the required number of years of service on termination of their employment, where the termination of employment meets the required circumstances as specified in the Ordinance.

A provision has been made by the Group based on the best estimate of the long service payments that are required to be made to these employees in respect of their service to date, less any amounts that would be expected to be met out of the Group's contributions to its defined contribution retirement schemes and mandatory provident funds.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

24 Employee benefits

(a) Employee retirement benefits

- (i) The principal subsidiaries of the Company in Hong Kong operate defined contribution retirement schemes for their qualifying employees. The assets of the schemes are held separately under provident funds managed by independent fund managers or insurance companies. Pursuant to the rules of the schemes, employers are required to make contributions to the schemes calculated at 5% to 10% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employers' contributions and the accrued income after completion of ten years' service, and at an increasing scale rate between 50% and 90% after completion of five to nine years' service.

The subsidiaries in Hong Kong also participate in Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance commencing on 1 December 2000 for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement schemes. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, employers and employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF schemes vest immediately.

Where there are employees who leave the schemes, other than the MPF schemes, prior to vesting fully in the contributions, in accordance with the rules of the schemes, the forfeited employers' contributions shall be used to reduce the future contributions of the employers. At 31 March 2025, there was no forfeited contribution which is available to reduce the contributions payable in future years (2024: Nil).

- (ii) The employees of subsidiaries in the PRC participate in various state-sponsored retirement benefit schemes organised by the PRC government. The subsidiaries are required to contribute, based on a certain percentage of the employees' basic salaries, to the retirement benefit schemes to fund the benefits. The only obligation of the subsidiaries with respect to the retirement benefit schemes is to make the required contributions under these schemes. Contributions to these schemes vest immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

24 Employee benefits (continued)

(b) Share option scheme

The share option scheme adopted by the Company on 16 September 2013 ("2013 Share Option Scheme") expired on 15 September 2023, and a new share option scheme ("New Share Option Scheme") was adopted and became effective on 19 September 2023 ("Effective Date").

Eligible participants include directors (excluding any independent non-executive directors), chief executive, senior management and employees of the Group and related entities. Unless otherwise cancelled or amended, the New Share Option Scheme shall be valid and effective for a period of ten years ending 18 September 2033, after which no further options will be granted. The exercise price of options is the highest of the nominal value of the shares (if any), the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.

At 31 March 2024, an employee of the Group had the following interests in options to subscribe for shares of the Company granted for a nominal consideration of HK\$1 for acceptance of the offer under the 2013 Share Option Scheme of the Company. The options were unlisted. Each option gave the holder the right to subscribe for one ordinary share of the Company. On 22 January 2025, the granted share options have expired.

(i) The terms and conditions of the grants were as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to an employee:			
– On 23 January 2015	6,000,000	N/A	10 years

(ii) The number and weighted average exercise prices of share options are as follows:

	2025		2024	
	Weighted average exercise price	Number of share options '000	Weighted average exercise price	Number of share options '000
Outstanding at the beginning of the year	HK\$0.97	4,000	HK\$0.97	4,000
Outstanding at the end of the year	N/A	–	HK\$0.97	4,000
Exercisable at the end of the year	N/A	–	HK\$0.97	4,000

The share options outstanding at 31 March 2024 had an exercise price of HK\$0.97 and a weighted average remaining contractual life of 0.8 years.

There were no service and market conditions associated with the share option grants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

25 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 April 2023		47,150	20,928	813	263,400	332,291
Changes in equity for 2024:						
Profit and total comprehensive income for the year		–	–	–	39,730	39,730
Dividends approved in respect of the previous year	25(b)	–	–	–	(18,135)	(18,135)
Dividends declared in respect of the current year	25(b)	–	–	–	(18,135)	(18,135)
Balance at 31 March 2024 and 1 April 2024		47,150	20,928	813	266,860	335,751
Changes in equity for 2025:						
Profit and total comprehensive income for the year		–	–	–	39,854	39,854
Dividends approved in respect of the previous year	25(b)	–	–	–	(18,135)	(18,135)
Dividends declared in respect of the current year	25(b)	–	–	–	(18,135)	(18,135)
Expiry of share options granted	24(b)	–	–	(813)	813	–
Balance at 31 March 2025		47,150	20,928	–	271,257	339,335

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

25 Capital, reserves and dividends *(continued)*

(b) Dividends

(i) *Dividends payable to equity shareholders of the Company attributable to the year*

	2025 HK\$'000	2024 HK\$'000
Interim dividend declared and paid of HK3 cents (2024: HK3 cents) per share	18,135	18,135
Final dividend proposed after the end of the reporting period of HK3 cents (2024: HK3 cents) per share	18,135	18,135
	36,270	36,270

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2025 HK\$'000	2024 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents (2024: HK3 cents) per share	18,135	18,135

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

25 Capital, reserves and dividends *(continued)*

(c) Share capital

(i) *Authorised and issued share capital*

	2025		2024	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Shares of US\$0.01 each	<u>1,000,000</u>	<u>78,000</u>	<u>1,000,000</u>	<u>78,000</u>
Ordinary shares, issued and fully paid:				
At the beginning and the end of the year	<u>604,491</u>	<u>47,150</u>	<u>604,491</u>	<u>47,150</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) *Terms of unexpired and unexercised share options at the end of the reporting period*

Exercise period	Exercise price	2025	2024
		Number of options	Number of options
23 January 2015 to 22 January 2025	HK\$0.97	<u>–</u>	<u>4,000,000</u>

Each option entitled the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 24(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

25 Capital, reserves and dividends (*continued*)

(d) Nature and purpose of reserves

(i) *Capital reserve*

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(iv).

(ii) *Share premium*

Under the Bye-laws of the Company, share premium is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(iii) *Contributed surplus*

Contributed surplus represents the excess value of the consolidated net tangible assets represented by the shares of the former holding company of the Group, Herald (Hong Kong) Limited, acquired by the Company over the nominal value of the shares issued by the Company in exchange pursuant to a Scheme of Arrangement in 1992, less dividends. Under the Bermuda Companies Act 1981, the contributed surplus is available for distribution to shareholders.

(iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(v) *Property revaluation reserve*

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings set out in note 1(f).

(vi) *PRC statutory reserve*

PRC statutory reserve includes general and other reserves which are made in accordance with the articles of association of the Group's PRC subsidiaries. These reserves are non-distributable but, as appropriate, can be used to make good losses and to convert into paid-up capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

25 Capital, reserves and dividends (*continued*)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio, which is calculated as a percentage of total liabilities over total assets. During 2025, the Group's strategy, which was unchanged from 2024, was to maintain the gearing ratio of no more than 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The gearing ratio of the Group as at 31 March 2025 was 29% (2024: 27%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, cash and bank deposits and trading securities. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 63% (2024: 68%) and 75% (2024: 83%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Cash and bank deposits are placed with financial institutions with sound credit ratings. Trading securities are principally listed or liquid securities issued by counterparties with a sound credit rating. Given their high credit ratings, management does not expect any counterparty failing to meet their obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

26 Financial risk management and fair values (continued)

(a) Credit risk (continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

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

	2025		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0%	98,443	–
Less than 1 month past due	0%	763	–
1 to 3 months past due	0%	1,821	–
4 to 12 months past due	0%	372	–
More than 12 months past due	100.0%	398	398
		101,797	398

	2024		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0%	92,336	–
Less than 1 month past due	0%	1,586	–
1 to 3 months past due	0%	2,016	–
4 to 12 months past due	3.5%	316	11
More than 12 months past due	100.0%	25,761	25,761
		122,015	25,772

These rates take into account the ageing of trade receivables, the repayment history, current market conditions, customer-specific conditions and forward-looking information over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2025 HK\$'000	2024 HK\$'000
At the beginning of the year	25,772	26,155
Provision/(reversal) of impairment losses	97	(383)
Written-off of impairment losses recognised	(25,471)	–
At the end of the year	398	25,772

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

26 Financial risk management and fair values (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	2025					Carrying amount HK\$'000
	Contractual undiscounted cash outflow				Total HK\$'000	
	On demand HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000		
Trade and other payables	-	168,283	-	-	168,283	168,283
Lease liabilities	-	2,878	464	542	3,884	3,788
	-	171,161	464	542	172,167	172,071

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

26 Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

2024					
Contractual undiscounted cash outflow					
On demand HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
Trade and other payables	–	136,874	–	–	136,874
Lease liabilities	–	5,590	4,494	2,281	12,365
	–	142,464	4,494	2,281	149,239
					148,636

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not hold any bank borrowings as at 31 March 2025 and 2024. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk. The Group's interest rate profile is set out in (i) below.

- (i) The following table, as reported to the management of the Group, details the interest rate profile of the Group's borrowings at the end of the reporting period.

	Notional amount	
	2025 HK\$'000	2024 HK\$'000
Fixed rate borrowings:		
Lease liabilities	3,788	11,762

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

26 Financial risk management and fair values (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US\$"), Pound Sterling and Renminbi. Management monitors the Group's exposure to currency risk and will consider hedging significant foreign currency exposure should the need arise.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies					
	2025			2024		
	United States Dollars HK\$'000	Pound Sterling HK\$'000	Renminbi HK\$'000	United States Dollars HK\$'000	Pound Sterling HK\$'000	Renminbi HK\$'000
Trading securities	44,059	4,793	–	33,771	3,328	–
Trade and other receivables	22,157	–	–	24,069	–	–
Pledged bank balances	2,339	31	–	1,393	31	–
Cash and cash equivalents	139,332	232	1,577	111,950	202	2,664
Trade and other payables	(9,710)	(1)	(14,062)	(14,591)	(1)	(15,840)
Net exposure arising from recognised assets and liabilities	198,177	5,055	(12,485)	156,592	3,560	(13,176)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

26 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit/(loss) after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this regard, it is assumed that the pegged rate between Hong Kong dollars and US\$ would be materially unaffected by any changes in movement in value of US\$ against other currencies.

	2025		2024	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits HK\$'000	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss after tax and increase/ (decrease) in retained profits HK\$'000
United States Dollars	10% (10)%	1,208 (1,208)	10% (10)%	66 (66)
Pound Sterling	10% (10)%	420 (420)	10% (10)%	356 (356)
Renminbi	10% (10)%	(1,141) 1,141	10% (10)%	(1,060) 1,060

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/(loss) after tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

26 Financial risk management and fair values (continued)

(e) Equity price risk

The Group is exposed to equity price changes mainly arising from listed equity investments and unlisted managed funds, which are classified as trading securities (see note 15).

The Group's listed investments are listed on the Stock Exchange of Hong Kong and London Stock Exchange and are included in the Hang Seng Index and FTSE 100 Index. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the respective indexes and other industry indicators, as well as the Group's liquidity needs.

The unlisted managed funds have underlying investments in listed and unlisted debt and equity securities and commodities around the world. Their performance is assessed at least bi-annually against performance of similar funds available in the market.

At 31 March 2025, it is estimated that an increase/decrease of 10% (2024: 10%) in the relevant stock market index, with all other variables held constant would have increased/decreased the Group's profit after tax (2024: decreased/increased the Group's loss after tax) and increased/decreased retained profits as follows. Other components of consolidated equity would not be affected by changes in the stock market indexes.

	2025		2024	
	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in profit after tax and retained profits HK\$'000	Increase/ (decrease) in the relevant risk variable	Decrease/ (increase) in loss after tax and increase/ (decrease) in retained profits HK\$'000
Stock market indexes in relation to listed investments				
– Hang Seng Index	10% (10)%	3,541 (3,541)	10% (10)%	2,430 (2,430)
– FTSE 100 Index	10% (10)%	508 (508)	10% (10)%	335 (335)

The sensitivity analysis indicates the instantaneous change in the Group's profit/(loss) after tax and retained profits that would arise assuming that the changes in the stock market index had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index, and that all other variables remain constant. The sensitivity analysis takes into account the equity price changes arising from the listed equity investments only as it is impractical to link the performance of the unlisted managed funds to specific stock market indexes. The analysis is performed on the same basis for 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

26 Financial risk management and fair values (continued)

(f) Fair values

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 March 2025	Fair value measurements as at 31 March 2025 categorised into			Fair value at 31 March 2024	Fair value measurements as at 31 March 2024 categorised into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements								
Assets:								
Trading securities								
– listed equity securities	46,818	46,818	-	-	33,273	33,273	-	-
– unlisted managed funds	45,238	-	45,238	-	44,117	-	44,117	-
Unlisted equity securities	3,500	-	-	3,500	4,000	-	-	4,000
	<u>95,556</u>	<u>46,818</u>	<u>45,238</u>	<u>3,500</u>	<u>81,390</u>	<u>33,273</u>	<u>44,117</u>	<u>4,000</u>

During the years ended 31 March 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period of the financial year in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

26 Financial risk management and fair values (*continued*)

(f) Fair values (*continued*)

(i) Financial instruments carried at fair value (*continued*)

Estimation of fair values

The fair values of listed equity securities are based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

The fair values of unlisted managed funds are based on prices quoted by financial institutions.

Information about Level 3 fair value measurements

	Valuation techniques	Significant Unobservable inputs	Percentage
Unlisted equity securities	Adjusted net assets value	Minority discount	23% (2024: 24%)

The fair value of unlisted equity instruments is determined using the adjusted net assets value of the unlisted company adjusted for minority discount. The fair value measurement is negatively correlated to the minority discount. As at 31 March 2025, it is estimated that with all other variables held constant, an increase/decrease in minority discount by 5% (2024: 5%) would have decreased/increased the Group's profit before/after tax by HK\$204,000 (2024: increased/decreased the Group's loss before/after tax by HK\$202,000).

During the years ended 31 March 2025 and 2024, there were no movements in the balance of these Level 3 fair value measurements.

The gain or loss arising from the remeasurement of the Group's unlisted equity securities are recognised in profit or loss. Any gains or losses arising from the disposal of the unlisted equity securities are presented in the "Other net income" line item in the consolidated statement of profit or loss.

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

27 Commitments

The Group entered into contracts related to obtaining rights to distribute timepieces products under licences, which require the payment of minimum guaranteed royalties. At 31 March 2025, the future minimum guaranteed royalties for licences are payable as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	2,490	3,408
After 1 year but within 5 years	10,519	13,376
	<u>13,009</u>	<u>16,784</u>

28 Material related party transactions

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2025 HK\$'000	2024 HK\$'000
Short-term employee benefits	23,240	24,869
Post-employment benefits	1,272	1,477
	<u>24,512</u>	<u>26,346</u>

Total remuneration is included in "staff costs" (see note 5(b)).

29 Non-adjusting events after the reporting period

- (a) Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 25(b).
- (b) On 28 April 2025, the Company announced that Herald Investments (China) Company Limited ("Herald Investments"), an indirectly wholly-owned subsidiary of the Company, has entered into the relocation compensation agreements ("Relocation Compensation Agreements") with Baihe Town Planning, Construction and Ecological Environment Protection Office ("Baihe Land Office"), pursuant to which Herald Investments has agreed to surrender in aggregate two pieces of lands to Baihe Land Office in return for the payment by Baihe Land Office of the relocation compensation. The total relocation compensation to be received by Herald Investments in respect of the lands shall be approximately RMB20.89 million. Details refer to the Company announcement on 28 April 2025.

The first instalment, representing approximately 70% of the total relocation compensation, was received on 29 May 2025. Herald Investments completed the extinguishment of the real estate titles for the two pieces of land in June 2025. The remaining compensation amount is payable within 30 business days following the title extinguishment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

30 Company-level statement of financial position at 31 March 2025

	Note	2025 HK\$'000	2024 HK\$'000
Non-current asset			
Investments in subsidiaries		<u>328,178</u>	<u>328,178</u>
Current assets			
Other receivables		221	184
Amounts due from a subsidiary		11,226	7,886
Cash and cash equivalents		<u>2,765</u>	<u>2,631</u>
		<u>14,212</u>	<u>10,701</u>
Current liability			
Other payables		<u>3,055</u>	<u>3,128</u>
		<u>3,055</u>	<u>3,128</u>
Net current assets		<u>11,157</u>	<u>7,573</u>
NET ASSETS		<u>339,335</u>	<u>335,751</u>
CAPITAL AND RESERVES	25(a)		
Share capital		47,150	47,150
Reserves		<u>292,185</u>	<u>288,601</u>
TOTAL EQUITY		<u>339,335</u>	<u>335,751</u>

Approved and authorised for issue by the board of directors on 30 June 2025.

Robert Dorfman
Director

Lai Man-Pun
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

31 Accounting judgements and estimates

Note 26 contains information about the assumptions and their risk factors relating to financial instruments. Apart from the above, the Group believes the following critical accounting policies also involve significant judgements and estimates used in the preparation of the financial statements.

(a) Write-down of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. Based on this review, write-down of inventories will be made when the estimated net realisable values of inventories decline below their carrying amounts. However, actual consumption may be different from estimation and profit or loss could be affected by differences in this estimation.

(b) Impairment of property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the assets may be considered “impaired” and are tested for impairment in accordance with HKAS 36, *Impairment of assets*. An impairment loss is recognised when the asset’s recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. The asset’s recoverable amount will also be estimated if circumstances indicate that an impairment loss previously recognised no longer exists or may have decreased. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. In determining the recoverable amount, significant judgements are required and the Group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of the recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount.

(c) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cashflows.

Where the final outcome is different from initial assessment, the income tax provisions and deferred tax assets recognised could be affected by differences in this assessment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standard, which are not yet effective for the year ended 31 March 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates – Lack of exchangeability</i>	1 January 2025
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements, except for HKFRS 18, where the presentation and disclosure of the Group's consolidated financial statements are expected to change.

FIVE YEAR SUMMARY

	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000 (note)
Results					
Continuing operations					
Revenue	703,704	711,337	1,262,978	1,175,142	927,775
Profit/(loss) before taxation	30,768	(17,357)	117,879	(66,700)	23,698
Income tax	2,530	2,574	(35,591)	7,511	(3,953)
Profit/(loss) for the year from continuing operations	33,298	(14,783)	82,288	(59,189)	19,745
Profit for the year from discontinued operations	–	–	–	–	14,002
Profit/(loss) for the year	33,298	(14,783)	82,288	(59,189)	33,747
Attributable to:					
– Equity shareholders of the Company	32,875	(14,385)	82,327	(61,147)	33,921
– Non-controlling interests	423	(398)	(39)	1,958	(174)
Profit/(loss) for the year	33,298	(14,783)	82,288	(59,189)	33,747
Assets and liabilities					
Investment properties and other property, plant and equipment	221,913	260,160	310,725	355,640	353,521
Intangible assets	920	954	988	1,022	1,056
Other financial assets	3,500	4,000	2,300	4,250	2,300
Prepayment	–	841	–	–	–
Deferred tax assets	4,145	5,614	4,106	31,851	17,077
Current assets	596,344	540,880	585,386	579,700	574,392
Current liabilities	(207,961)	(180,723)	(196,768)	(294,059)	(188,321)
Total assets less current liabilities	618,861	631,726	706,737	678,404	760,025
Non-current liabilities	(28,821)	(38,740)	(51,035)	(47,564)	(41,440)
Net assets	590,040	592,986	655,702	630,840	718,585
Capital and reserves					
Share capital	47,150	47,150	47,150	47,150	47,150
Reserves	529,877	533,221	595,265	569,920	659,666
Total equity attributable to equity shareholders of the Company	577,027	580,371	642,415	617,070	706,816
Non-controlling interests	13,013	12,615	13,287	13,770	11,769
Total equity	590,040	592,986	655,702	630,840	718,585

Note to the five year summary

The housewares segment has been classified as discontinued operations as a result of the cessation of operations of this segment.

PARTICULARS OF INVESTMENT PROPERTIES

Details of the major investment properties of the Group are as follows:

Location	Existing use	Term of lease
Major properties held for investment		
Portion of an Industrial Building No. 2 Cuizhu Third Street Xiangzhou District Zhuhai Guangdong Province The People's Republic of China	Industrial	Medium-term
Industrial Building No. 66 Anlian Road Qianshan Zhuhai Guangdong Province The People's Republic of China	Industrial	Medium-term

SHAREHOLDERS' RIGHTS

A. Procedures for Shareholders to convene special general meetings

Subject to the provisions of the bye-laws (the "Bye-laws") of the Company, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the applicable laws and regulations, shareholders of the Company (the "Shareholders") may convene special general meetings of the Company in accordance with the following procedures:

1. Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at the general meetings of the Company (the "Requisitionists") may require the board (the "Board") of directors (the "Directors") of the Company to convene a special general meeting ("SGM") of the Company by depositing a written requisition (the "Requisition") at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and a copy thereof at the head office of the Company in Hong Kong at 3110, 31/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong, for the attention of the company secretary.
2. The Requisition must specify the purposes of the SGM and be signed by the Requisitionists and may consist of several documents in like form, each signed by one or more of the Requisitionists.
3. Upon receipt of the Requisition, the Directors shall forthwith proceed duly to convene the SGM, and such SGM shall be held in the form of physical meeting only and within two months after the deposit of the Requisition.
4. If the Directors do not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene the SGM, the Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene such physical meeting, but any meeting so convened shall be held within three months from the date of deposit of the Requisition. The Requisitionists shall convene a SGM in the same manner, as nearly as possible, as that in which SGMs are to be convened by Directors. Under the Bye-laws and pursuant to the requirements of the Listing Rules, a notice (i) of not less than 14 clear days or 10 clear business days, whichever is the longer, provided that a SGM may be called by a shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the SGM, being a majority together representing not less than 95% of total voting rights at the meeting of all the Shareholders; (ii) specifying the time and place and the general nature of the proposed business to be transacted at the SGM shall be given to all Shareholders entitled to attend the SGM for consideration.

The notice period is exclusive of (i) the day on which the notice is served or deemed to be served; and (ii) the day on which the SGM is to be held.

5. If for any reason it is impracticable to call a meeting of the Company in any manner in which meetings of the Company may be called, any Shareholder who would be entitled to vote at the meeting may apply to the Supreme Court of Bermuda for an order for a meeting of the Company to be called, held and conducted in such manner as the Supreme Court of Bermuda thinks fit.

SHAREHOLDERS' RIGHTS

B. Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the company secretary by mail at the head office of the Company in Hong Kong at 3110, 31/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong or by e-mail at heraldhk@heraldgroup.com.hk.

Upon receipt of the enquiries, the company secretary will forward:

1. communications relating to matters within the Board's purview to the Board;
2. communications relating to matters within a Board committee's area of responsibility to the chair of the appropriate committee; and
3. communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company.

C. Procedures for Shareholders to move resolutions in general meetings

Subject to the provisions of the bye-laws of the Company and the applicable laws and regulations, Shareholders may move a resolution at the Annual General Meeting of the Company or give a statement (no more than one thousand words) in relation to any particular resolution being proposed in any general meeting of the Company in accordance with the following procedures:

1. The minimum number of Shareholders required to move a resolution or to circulate any statement (the "Requisitionists") shall be:
 - (i) any number of the Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having a right to vote at the relevant general meeting; or
 - (ii) not less than one hundred Shareholders.
2. The Requisitionists must sign a written request (the "Requisition") setting out the resolution to be moved at the next Annual General Meeting or the statement of not more than one thousand words in relation to any particular resolution being proposed or business to be dealt with in the relevant general meeting of the Company (as the case may be).
3. A copy of the Requisition, or two or more copies which between them contain the signatures of all the Requisitionists, must be deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, with a copy thereof deposited at the head office of the Company in Hong Kong at 3110, 31/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong, for the attention of the company secretary:
 - (i) not less than six weeks before the Annual General Meeting in the case of a Requisition requiring notice of a resolution, unless an Annual General Meeting is called for a date six weeks or less after the deposit of the Requisition, in which case the Requisition will be deemed to have been properly deposited; or
 - (ii) not less than one week before the relevant general meeting in the case of other Requisition.
4. The Requisitionists must deposit a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the Requisition.