



善裕集團
— SHANYU —

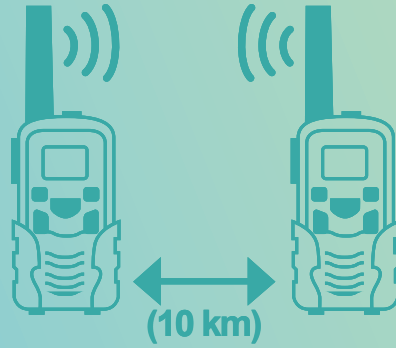
Shanyu Group Holdings Company Limited
善裕集團控股有限公司

(Formerly known as Zhao Xian Business Ecology International Holdings Limited

照現生態國際控股有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8245)



2024
ANNUAL REPORT



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

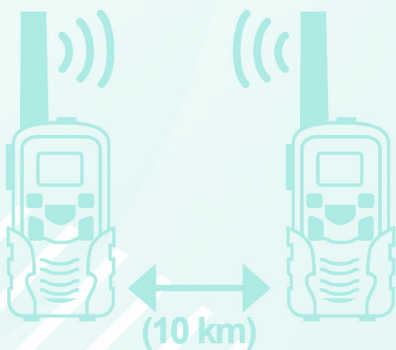
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*This report, for which the directors (the “**Directors**”, each a “**Director**”) of Shanyu Group Holdings Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Yeung Shing Wai
Ms. Wong Ming Kwan Victoria
Ms. Zhu Yuanyan (*Appointed on 5 May 2023*)
Ms. Zhu Xiu Zhi (*Retired on 17 August 2023*)

Independent Non-executive Directors:

Mr. Choi Pun Lap
Ms. Ip Sin Nam
Mr. Yu Lap Pan (*Appointed on 17 August 2023*)
Mr. Sheng Wei (*Retired on 17 August 2023*)

AUDIT COMMITTEE

Mr. Choi Pun Lap (*Chairman*)
Ms. Ip Sin Nam
Mr. Yu Lap Pan (*Appointed on 17 August 2023*)
Mr. Sheng Wei (*Retired on 17 August 2023*)

REMUNERATION COMMITTEE

Mr. Yu Lap Pan (*Chairman*) (*Appointed on 17 August 2023*)
Mr. Sheng Wei (*Chairman*) (*Retired on 17 August 2023*)
Mr. Choi Pun Lap
Ms. Ip Sin Nam

NOMINATION COMMITTEE

Mr. Choi Pun Lap (*Chairman*)
Mr. Sheng Wei (*Retired on 17 August 2023*)
Ms. Ip Sin Nam
Mr. Yu Lap Pan (*Appointed on 17 August 2023*)

COMPANY SECRETARY

Mr. Lo Cheuk Fei Jeffrey

COMPLIANCE OFFICER

Mr. Yeung Shing Wai

AUTHORISED REPRESENTATIVES

Mr. Yeung Shing Wai
Mr. Lo Cheuk Fei Jeffrey

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

AUDITOR

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

STOCK CODE

8245

COMPANY'S WEBSITE

www.shanyugroup.com

STATEMENT FROM THE BOARD OF DIRECTORS

Dear shareholders,

On behalf of the board of Directors (the “**Board**”) of Shanyu Group Holdings Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”), I am pleased to present to our shareholders the audited annual report of the Group for the financial year ended 31 March 2024 (hereafter referred as the “**Financial Year**”).

OVERVIEW

In the previous years, the outbreak of Novel Coronavirus (“**COVID-19**”) and the trade war between People’s Republic of China (“**PRC**”) and United States (“**US**”) (the “**trade war**”) have caused worldwide economic downturn and have brought significant operating pressure to the Group. These events have caused significant impact on the Group’s production and profitability since early 2020. The number of purchase orders received from our customers has decreased significantly due to diminished demand for two-way radio products caused by the worldwide economic downturn. It has led to a decrease in revenue by approximately 24.8% from approximately HK\$66.4 million for the year ended 31 March 2023 to approximately HK\$50.0 million for the year ended 31 March 2024.

Since the Group’s restructuring scheme had been implemented at the beginning of last year, results have proven that the scheme has been a successful campaign to assist the Group in adapting to new market dynamics and recovering from the impact of COVID-19 and the trade war. During the financial year, the Group recorded its first profit for the year since the outbreak of COVID-19 of HK\$2.0 million. Also, the Group has succeeded in improving its financial position significantly during the financial year. Although the Group maintained at its net current liabilities position as at 31 March 2024, the Group has successfully reversed its net liabilities position from the previous year and recorded a net asset of HK\$6.3 million as at the year ended 31 March 2024. The Board will continue to seek for appropriate measures to improve the Group’s financial position in the coming year and expects to reverse the net current liabilities position in the near future.

In conclusion, the Board is pleased inform all shareholders that the performance of the Group has been improved remarkably during the year and the Board will continuously evaluate the current business strategies of the Group and aims to streamline the Group’s business and to improve its overall performance.

STATEMENT FROM THE BOARD OF DIRECTORS

PROSPECT

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

STATEMENT FROM THE BOARD OF DIRECTORS

The economic downturn caused by impact of COVID-19 and the effect of trade war have brought about additional uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group will continue to keep track of development of the COVID-19 and trade war and to evaluate their impacts on the Group's financial position, cash flows and operating results. The Group holds a positive and optimistic attitude toward the possible impacts on Group's performance.

APPRECIATION

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

Wong Ming Kwan Victoria

Executive Director

Hong Kong
28 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group's revenue decreased from approximately HK\$66.4 million for the year ended 31 March 2023 to approximately HK\$50.0 million for the year ended 31 March 2024, representing a decrease of approximately 24.8%. Such decrease was mainly due to decrease of number of purchase orders from customers for two-way radios during the year ended 31 March 2024.

The Group's revenue of two-way radios decreased by approximately 33.1% from approximately HK\$60.2 million for the year ended 31 March 2023 to approximately HK\$40.3 million for the year ended 31 March 2024 mainly due to the decrease in number of purchase orders received from our customers.

The Group's revenue of baby monitors increased significantly from approximately HK\$47 thousand for the year ended 31 March 2023 to approximately HK\$5.9 million for the year ended 31 March 2024 mainly due to the increase in demand of our baby monitor products.

The Group's revenue of plastic products increased by approximately 33.4% from approximately HK\$2.8 million for the year ended 31 March 2023 to approximately HK\$3.8 million for the year ended 31 March 2024.

The Group's revenue of other communication devices decreased by 100% from approximately HK\$3.3 million for the year ended 31 March 2023 to HK\$Nil for the year ended 31 March 2024 mainly due decrease in demand of our other communication devices.

The following table sets forth the breakdown of the revenue of the Group by product/service categories for the year ended 31 March 2024 and 2023:

	2024		For the year ended 31 March 2023		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Two-way radios	40,275	80.6	60,170	90.6	(19,895)	(33.1)
Baby monitors	5,891	11.8	47	0.1	5,844	12,434.0
Plastic products	3,794	7.6	2,845	4.3	949	33.4
Other communication devices	—	0.0	3,335	5.0	(3,335)	(100.0)
Total	49,960	100.0	66,397	100.0	16,437	(24.8)

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost, direct labour costs and subcontracting fees. The cost of sales decreased by approximately 39.6% from approximately HK\$57.1 million for the year ended 31 March 2023 to approximately HK\$34.5 million for the year ended 31 March 2024. The gross profit margin increased from approximately 14.0% for the year ended 31 March 2023 to approximately 31.0% for the year ended 31 March 2024, which was mainly contributed by the successful implementation of the Group's restructuring scheme.

Selling and Distribution Expenses

The selling and distribution expenses increased from approximately HK\$0.1 million for the year ended 31 March 2023 to approximately HK\$0.2 million for the year ended 31 March 2024, which was mainly due to increase in logistics expenses.

Administrative Expenses

The administrative expenses decreased from approximately HK\$12.3 million for the year ended 31 March 2023 to approximately HK\$8.8 million for the year ended 31 March 2024, which was mainly contributed by the successful implementation of the Group's restructuring scheme.

Profit Attributable to Owners of the Company

The Group recorded a profit of HK\$2.0 million for the year ended 31 March 2024, compared to loss of HK\$26.4 million for the year ended 31 March 2023. The profit was mainly contributed by the successful implementation of the Group's restructuring scheme which has lowered the cost of sales and administrative expenses during the year.

Dividends

The Board does not recommend the payment of a dividend for the year ended 31 March 2024 (2023: HK\$Nil).

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

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Group during the year ended 31 March 2024. The Group did not have any other immediate plans for material investment and capital asset as at the date of the report.

Treasury policies

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

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and remuneration policies

As at 31 March 2024, the Group had a total of 17 staff (2023: 23). Total staff costs (including Directors' emoluments) were approximately HK\$5.4 million for the year ended 31 March 2024 (2023: approximately HK\$9.1 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

Liquidity and financial resources

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 March 2024, we had short term borrowings and lease liabilities of approximately HK\$6.4 million (as at 31 March 2023: approximately HK\$9.0 million), including factoring loan for trade receivables representing an decrease of approximately HK\$2.6 million as compared to that as at 31 March 2023.

Net current liabilities decreased from approximately HK\$22.0 million for the year ended 31 March 2023 to approximately HK\$10.2 million for the year ended 31 March 2024, which was mainly due to the revenue recognised in relation to contract liabilities and decrease of trade and other payables during the year.

The Group requires cash primarily for working capital need. As of 31 March 2024, the Group had approximately HK\$4.8 million in bank balances and cash (as at 31 March 2023: approximately HK\$8.4 million), representing an decrease of approximately HK\$3.6 million as compared to that as at 31 March 2023.

Gearing Ratio

As at 31 March 2024, the gearing ratio of the Group was approximately 151.1% (as at 31 March 2023: approximately negative 231.9%). The gearing ratio is calculated based on the sum of borrowings, amount due to related parties and lease liabilities divided by the total equity at the end of the reporting period. The decrease of the gearing ratio was mainly attributed by the reversal of financial position from net liabilities to net asset during the year.

Contingent Liabilities

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

Up to the date of this report, the outcome of the proceedings is still uncertain. As the Directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group's consolidated financial position, no further provision was made as at 31 March 2024.

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

Pledged of Assets

At the end of the reporting period, the Group's banking facilities were secured by:

- (i) pledged bank deposits with carrying amount of approximately HK\$Nil (2023: HK\$Nil);
- (ii) a corporate guarantee from the Company with an aggregate amount of approximately HK\$Nil (2023: HK\$Nil).

Capital Commitments

The Company had no capital commitments on acquisition of property, plant and equipment as at 31 March 2024 (as at 31 March 2023: HK\$Nil).

FUND RAISING ACTIVITIES

Placing of New Shares Under General Mandate

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

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

As at 31 March 2024, the net proceeds of the Placing had been utilised as follows:

	Actual net proceeds Allocated	Amount utilised up to 31 March 2024	Balance as at 31 March 2024
	HK\$ Million	HK\$ Million	HK\$ Million
General working capital	8.63	5.98	2.65

In respect of the use of the HK\$8.63 million from the net proceeds of placing of new shares under general mandate, approximately HK\$2.0 million was used for the repayment of other borrowings; approximately HK\$ 0.7 million was used for the acquisition of machines; and approximately HK\$3.3 million was used as general working capital of the Group.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yeung Shing Wai (楊成偉) (“**Mr. Yeung**”), aged 38, was appointed as executive Director on 21 September 2019. Mr. Yeung had over ten years of working experience in power and data cord industry. He was the executive director of Century Energy International Holdings Limited (stock code: 8132) from November 2010 to December 2014. Afterwards, he makes private investments in various industries. Mr. Yeung was re-appointed as the executive director of Century Energy International Holdings Limited (stock code: 8132) on 16 February 2020.

Ms. Wong Ming Kwan Victoria (王明君) (“**Ms. Wong**”), aged 44, was appointed as executive Director on 2 September 2022. Ms. Wong received her education in Vancouver, Canada. She has over 10 years of extensive experience in the finance industry. She oversees product developments for worldwide brand and participates in global exhibitions.

Ms. Zhu Yuanyan (祝鶯燕) (“**Ms. Zhu**”), aged 45, was appointed as executive Director on 5 May 2023. Ms. Zhu serves as the chairman of the board of Zhejiang Shanyu Health Management Co., Ltd. and devotes herself to the development of the internet health field. Her duties include but not limited to organizing, discussing and deciding the company’s annual business goals, development plans, and investment plans. She is responsible for the company’s overall operations and formation of the company’s management system. Her duties also include reviewing the company’s financial statements and departmental reports on a regular basis to oversee the financial status of the company. She established a health drinks and internet medical system, with a management team of more than 500 people. She has over 22 years of practical marketing experience and 10 years of corporate management experience. She leads a team of 100 people to create an operating income of hundreds of millions a year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Pun Lap (蔡本立) (“**Mr. Choi**”), aged 46, was appointed as independent non-executive Director on 21 April 2022. Mr. Choi is a valuation practitioner of International Association of Certified Valuation Specialists since 2019. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a member of Certified Practising Accountants Australia and a member of Chartered Global Management Accountant. Mr. Choi graduated from Hong Kong Metropolitan University with a Master of Law (Chinese Business Law) in Hong Kong in 2017. He obtained a Bachelor of Business (Accounting) from Central Queensland University in Australia in 2003 and further studied Postgraduate Diploma of Accounting in Monash University in Australia in 2005.

Mr. Choi is an executive director of Aurum Pacific (China) Group Limited (stock code: 8148), Zhejiang United Investment Holdings Group Limited (stock code: 8366) and Simplicity Holding Limited (stock code: 8367), appointed on 1 June 2021, 30 September 2021 and 26 April 2022 respectively. He is an independent non-executive director and the chairman of audit committee of Sunway International Holdings Limited (stock code: 0058), which is listed on the Main Board of the Stock Exchange of Hong Kong Limited. In addition, he was a financial controller of a company which is listed on the GEM Board in 2019. Mr. Choi was a senior audit manager in the audit department of HLB Hodgson Impey Cheng Limited (“**HLB**”) in Hong Kong. He has worked in HLB for more than ten years from February 2007 to December 2017.

Ms. Ip Sin Nam (葉善嵐) (“**Ms. Ip**”), aged 29, was appointed as independent non-executive Director on 2 September 2022. Ms. Ip graduated from Boston University with a Bachelor’s of Arts in Psychology and a Bachelor’s of Science in Communications, majoring in Public Relations. She has extensive experience in project management, marketing, and business development in the financial services industry.

Mr. Yu Lap Pan (余立彬) (“**Mr. Yu**”), aged 42, obtained a bachelor’s degree in applied accounting from Oxford Brookes University in 2007 and a master’s degree in corporate governance from the Hong Kong Polytechnic University in 2020. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and an associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Mr. Yu have extensive experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Yu is an independent non-executive director of Goldway Education Group Limited (stock code: 8160).

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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 March 2024, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

CORPORATE GOVERNANCE STRUCTURE

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, all the Directors of the Company had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors’ securities transactions during the year ended 31 March 2024.

BOARD OF DIRECTORS

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

Executive Directors:

Mr. Yeung Shing Wai

Ms. Wong Ming Kwan Victoria

Ms. Zhu Yuanyan

Independent Non-executive Directors:

Mr. Choi Pun Lap

Ms. Ip Sin Nam

Mr. Yu Lap Pan

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

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

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

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year ended 31 March 2024 is set out in the following table:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General Meeting
Number of meetings held during the year	10	3	2	2	4
Name of Directors	Number of meetings attended/Number of meetings entitled to attend				
Executive Directors					
Mr. Yeung Shing Wai	9/10	N/A	N/A	N/A	4/4
Ms. Zhu Xiu Zhi (<i>Retired on 17 August 2023</i>)	4/4	N/A	N/A	N/A	2/2
Ms. Wong Ming Kwan Victoria	10/10	N/A	N/A	N/A	4/4
Ms. Zhu Yuanyan (<i>Appointed on 5 May 2023</i>)	9/9	N/A	N/A	N/A	1/4
Independent Non-executive Directors					
Mr. Choi Pun Lap	10/10	3/3	2/2	2/2	4/4
Mr. Sheng Wei (<i>Retired on 17 August 2023</i>)	13/13	2/2	1/1	1/1	2/2
Ms. Ip Sin Nam	10/10	3/3	2/2	2/2	3/4
Mr. Yu Lap Pan (<i>Appointed on 17 August 2023</i>)	5/5	1/1	N/A	N/A	2/2

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Following the resignation of the former Chairman on 1 April 2022, the Company had no designated Director to act as a chairman or a chief executive. The responsibility of a chairman or a chief executive rests with the board of directors of the Company and the Company fails to comply with Code Provision C.2.1 of the Code contained in Appendix 15 to the Listing Rules.

The Company has made endeavors however more time is required to identify suitable candidate to be the chairman and chief executive in order to comply with the Code. The Company will continue with such endeavors and will comply with the Code as soon as possible.

APPOINTMENT, RE-ELECTION AND REMOVAL

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

- (i) developing and reviewing the Company's policies and practices on corporate governance;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2024 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD DIVERSITY POLICY

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

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

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

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

During the year, the Audit Committee held 3 meetings. The Audit Committee oversaw the internal control system of the Group, reviewed the consolidated financial statements of the Group for the year ended 31 March 2024, quarterly and half yearly results, the accounting principles and practices adopted by the Group, selection and appointment of the external auditor, reports to the Board on any material issues, and made recommendations to the Board. There had been no disagreement between the Board and the Audit Committee during the financial year ended 31 March 2024.

As at 31 March 2024, the Audit Committee comprises three members namely:

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

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

REMUNERATION COMMITTEE

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

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

The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2024.

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

As at 31 March 2024, the Remuneration Committee comprises three members namely:

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

All the members are INEDs.

CORPORATE GOVERNANCE REPORT

In addition, pursuant to Code Provision E.1.8 of the CG Code, the number of non-director senior management whose annual remuneration by band during the year ended 31 March 2024 is set out below, details of the Directors remuneration are set out in note 14:

2024

Nil to HK\$1,000,000	3
HK\$1,500,001 to HK\$2,000,000	1

NOMINATION COMMITTEE

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

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, reviewing and recommending for the Board's approval of the proposed resolution for re-election of the retiring Directors at 2024 AGM, reviewing the structure, size, composition and diversity of the Board and assessing the independence of each INED.

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

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

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

As at 31 March 2024, the Nomination Committee comprises three members namely:

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

All the members are INEDs.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

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

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION OF THE COMPANY

Fan, Chan & Co. Limited (“**Fan Chan**”) was appointed as the external auditor for the financial year ending 31 March 2024. The statement of Fan Chan in respect of its reporting responsibilities and opinion on the Group’s consolidated financial statements for the year ended 31 March 2024 is set out in the section headed “Independent Auditor’s Report” in this annual report.

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

The fees paid/payable to Fan Chan during the year ended 31 March 2024 are set out as follows:

	Fee paid/payable HK\$'000
Audit services	420

COMPANY SECRETARY

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

During the year ended 31 March 2024, Mr. Lo Cheuk Fei Jeffrey had undertaken no less than 15 hours of relevant professional training to update their skill and knowledge.

INVESTOR RELATIONS

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

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

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

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

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

SHAREHOLDER COMMUNICATION

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

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

CONSTITUTIONAL DOCUMENTS

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

MANAGEMENT OF INSIDE INFORMATION

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

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

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

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

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

INFORMATION DISCLOSURE

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

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

REPORT OF THE DIRECTORS

The Board has the pleasure in presenting the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2024.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 39 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2024 are set out in the consolidated financial statements on pages 33 to 103 of this annual report.

The Board does not recommend payment of a dividend in respect of the year ended 31 March 2024 (2023: Nil).

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospects of the Group's business are provided in the sections headed "Statement from the Board of Directors" on pages 4 to 5 and "Management Discussion and Analysis" on pages 6 to 9 of the annual report. The discussion forms part of this Director's report.

SHARE CAPITAL

Details of the shares capital of the Company for the year ended 31 March 2024 are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2024, calculated under Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$Nil (2023: HK\$Nil).

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 104 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed “Share Option Scheme” below, share options granted was disclosed in note 37 for the year ended 31 March 2024.

SHARE OPTION SCHEME

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

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

On 24 November 2022, 3,200,000 share options had been granted to 4 employees of the Company pursuant to the Former Scheme adopted by the Company on 16 September 2015 to subscribe for an aggregate of 38,400,000 new ordinary shares of the Company. The 3,200,000 share options were lapsed upon the cessation of employment of the 4 employees in December 2023.

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

Details of the share options granted are set out in note 37 to the consolidated financial statement.

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

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

DIRECTORS

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

Executive Directors:

Mr. Yeung Shing Wai

Ms. Zhu Xiu Zhi (*Retired on 17 August 2023*)

Ms. Wong Ming Kwan Victoria

Ms. Zhu Yuanyan (*Appointed on 5 May 2023*)

Independent Non-executive Directors:

Mr. Choi Pun Lap

Mr. Sheng Wei (*Retired on 17 August 2023*)

Ms. Ip Sin Nam

Mr. Yu Lap Pan (*Appointed on 17 August 2023*)

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

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS

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

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

As at 31 March 2024, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The shares of associated corporation held by a director

Name of director	Name of associated corporation	Capacity/Nature	No. of share held in the associated corporation	% of shareholding in the associated corporation	No. of share held in the Company
Ms. Wong Ming Kwan Victoria	DD Innovation Limited	Beneficial interest	1	100%	96,590,909

REPORT OF THE DIRECTORS

The shares of the Company directly held by directors

Name of director	Number of shares
Ms. Wong Ming Kwan Victoria	17,045,455
Ms. Zhu Yuanyan	70,350,000

Saved as disclosed above, as at 31 March 2024, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

At 31 March 2024, so far as known to the Directors, the following substantial shareholders had, or were deemed to have, interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
DD Innovation Limited ("DD Innovation") (Note 1)	Beneficial owner	96,590,909	11.21%
Ms. Wong Ming Kwan Victoria ("Ms. Wong") (Note 1)	Beneficial owner and interest in a controlled corporation	113,636,364	13.19%

Notes:

- Ms. Wong is the sole beneficial shareholder of DD Innovation. Therefore, Ms. Wong is deemed to be interested in the 96,590,909 Shares of the Company held by DD innovation under the SFO. In addition, Ms. Wong directly holds 17,045,455 shares of the Company.
- All interests stated above represent long positions.

Save as disclosed above, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 March 2024.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

	Percentage of the Group's total purchases
The largest supplier	76.3%
Five largest suppliers in aggregate	92.5%

	Percentage of the Group's total sales
The largest customer	61.6%
Five largest customers in aggregate	98.7%

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

DONATIONS

No charitable donations and other donation has been made during the year (2023: HK\$Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The possible business risks and uncertainties, interest rate risk and foreign exchange rate risk facing by the Group are set out in section headed "Management Discussion and Analysis" on pages 6 to 9. The financial risk management objectives and policies of the Group are set out in note 33 to the consolidated financial statement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

A summary of the related transactions entered into by the Group during the year ended 31 March 2024 is contained in note 35 to the consolidated financial statements. Certain related party transactions also constituted continuing connected transactions, but are exempted from the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTEREST IN CONTRACTS

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

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISIONS

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

AUDITOR

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

On behalf of the Board
Wong Ming Kwan Victoria
Executive Director

28 June 2024

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF SHANYU GROUP HOLDINGS COMPANY LIMITED
(formerly known as “Zhao Xian Business Ecology International Holdings Limited”)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shanyu Group Holdings Company Limited (formerly known as “Zhao Xian Business Ecology International Holdings Limited”) (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 33 to 103, which comprise the consolidated statement of financial position as at 31 March 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the consolidated financial statements, which indicates that as at 31 March 2024, the Group’s current liabilities exceeded its current assets by HK\$10,225,000, while its total cash and cash equivalents amounted to HK\$4,848,000. As stated in Note 3, these conditions along with other matters as set forth in Note 3 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters

Impairment assessment of goodwill

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

As at 31 March 2024, the Group’s goodwill was allocated to the CGU engaged in the supply of high quality plastic products and amounted to approximately HK\$15,855,000 before recognition of impairment loss for the year then ended. Details are disclosed in Notes 19 and 36 to the consolidated financial statements.

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

As disclosed in Note 19, no impairment loss has been recognised against the goodwill for the year ended 31 March 2024.

OTHER INFORMATION

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

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

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

How our audit addressed the key audit matters

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

- Evaluating the competence, capabilities, and objectivity of the valuer engaged by management and obtaining an understanding of the valuer’s scope of work and their terms of engagement;
- Evaluating the appropriateness of the valuer’s valuation approach to assess if it meets the requirements of the HKFRSs and industry norms;
- Challenging the reasonableness of the key assumptions adopted and appropriateness of valuation model applied based on available data and our knowledge;
- Assessing the reasonableness of key inputs used in the valuation;
- Checking arithmetical accuracy of calculations; and
- Understanding the impairment assessment process, including the impairment model, basis of allocation of goodwill to CGU through enquiries with the management.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

We also:

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

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fan, Chan & Co. Limited

Certified Public Accountants

Leung Kwong Kin

Practising Certificate Number: P03702

Hong Kong, 28 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	5	49,960	66,397
Cost of sales		(34,483)	(57,081)
Gross profit		15,477	9,316
Other income	7	208	369
Other (losses)/gains, net	8	(3,052)	90
Impairment loss on goodwill	19	—	(34,227)
Impairment losses under expected credit loss model, net of reversal	9	(474)	11,059
Selling and distribution expenses		(187)	(149)
Administrative expenses		(8,790)	(12,256)
Finance costs	10	(259)	(576)
Profit/(loss) before tax	11	2,923	(26,374)
Income tax expense	12	(963)	(74)
Profit/(loss) for the year		1,960	(26,448)
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Reclassification adjustment for deregistration of foreign operations		1,292	—
Exchange differences arising on translation of foreign operations		—	(5,665)
Other comprehensive income/(expense) for the year		1,292	(5,665)
Total comprehensive income/(expense) for the year		3,252	(32,113)
Profit/(loss) for the year attributable to:			
Owners of the Company		1,961	(26,300)
Non-controlling interests		(1)	(148)
		1,960	(26,448)
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		3,253	(31,965)
Non-controlling interests		(1)	(148)
		3,252	(32,113)
Earnings/(loss) per share (HK cents)	13		(Restated)
Basic and diluted		0.93	(19.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	16	—	92
Right-of-use assets	17	—	336
Deposits	23	679	—
Goodwill	19	15,855	15,855
		16,534	16,283
Current assets			
Inventories	20	476	1,424
Other financial assets	21	—	2,869
Financial assets at fair value through profit and loss ("FVTPL")	22	388	—
Trade and other receivables	23	19,022	10,210
Amount due from a related party	27	—	82
Bank balances and cash	24	4,848	8,429
		24,734	23,014
Current liabilities			
Trade and other payables	25	24,950	31,773
Borrowings	26	6,412	8,686
Amounts due to related parties	27	3,122	4,200
Current tax liabilities		475	—
Lease liabilities	28	—	341
		34,959	45,000
Net current liabilities		(10,225)	(21,986)
Net assets/(liabilities)		6,309	(5,703)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
Capital and reserves			
Share capital	29	10,772	8,977
Reserves		(4,377)	(14,595)
Equity attributable to owners of the Company		6,395	(5,618)
Non-controlling interests		(86)	(85)
Total equity/(capital deficiency)		6,309	(5,703)

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2024.

Mr. Yeung Shing Wai
Director

Ms. Wong Ming Kwan Victoria
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	PRC statutory reserve	Share option reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (note (a))	HK\$'000 (note (b))	HK\$'000	HK\$'000 (note (c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2022	7,481	93,897	1,465	2,670	–	4,373	(138,000)	(28,114)	63	(28,051)
Loss for the year	–	–	–	–	–	–	(26,300)	(26,300)	(148)	(26,448)
Other comprehensive expense for the year										
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(5,665)	–	(5,665)	–	(5,665)
Total comprehensive expense for the year	–	–	–	–	–	(5,665)	(26,300)	(31,965)	(148)	(32,113)
Recognition of equity-settled share based payment	–	–	–	–	240	–	–	240	–	240
Placing of new shares (Note 29(ii))	75	1,305	–	–	–	–	–	1,380	–	1,380
Issue of consideration shares (Note 29(iii))	1,421	51,420	–	–	–	–	–	52,841	–	52,841
As at 31 March 2023 and 1 April 2023	8,977	146,622	1,465	2,670	240	(1,292)	(164,300)	(5,618)	(85)	(5,703)
Profit for the year	–	–	–	–	–	–	1,961	1,961	(1)	1,960
Other comprehensive income for the year										
Reclassification adjustment for a foreign operation deregistration	–	–	–	–	–	1,292	–	1,292	–	1,292
Total comprehensive income/ (expense) for the year	–	–	–	–	–	1,292	1,961	3,253	(1)	3,252
Placing of new shares (Note 29(i))	1,795	6,965	–	–	–	–	–	8,760	–	8,760
Transfer to accumulated losses upon deregistration of a subsidiary	–	–	–	(2,670)	–	–	2,670	–	–	–
Lapse of share options	–	–	–	–	(240)	–	240	–	–	–
At 31 March 2024	10,772	153,587	1,465	–	–	–	(159,429)	6,395	(86)	6,309

Notes:

- The capital reserve represents the aggregate par value of shares which have been repurchased and cancelled.
- According to the People's Republic of China (the "PRC") Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners. The amounts have been derecognised during the year because of the deregistration of a subsidiary.
- Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) which are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the deregistration of the foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
Operating Activities		
Profit/(loss) before taxation	2,923	(26,374)
Adjustments for:		
– Bank interest income	(10)	(7)
– Loss on deregistration of a subsidiary	1,720	653
– Finance costs	259	576
– Depreciation of property, plant and equipment	–	18
– Depreciation of right-of-use assets	–	304
– Impairment loss on goodwill	–	34,227
– Write down of inventories	–	3,793
– Fair value loss/(gain) on other financial assets	2,869	(127)
– Fair value gain on financial assets at FVTPL	(22)	–
– Waiver of amount due to a director	(1,094)	–
– Share-based payment	–	240
– Withholding tax	(488)	–
– Impairment losses/(reversal of) under expected credit loss model, net of reversal	474	(11,059)
Operating cash flows before movements in working capital	6,631	2,244
Decrease in inventories	948	12,709
(Increase)/decrease in trade and other receivables	(8,871)	33,658
Decrease in trade and other payables	(6,823)	(44,188)
Purchase of financial assets at FVTPL	(366)	–
Cash (used in)/generated from operation	(8,481)	4,423
Income tax paid	–	(74)
Net cash (used in)/generated from operating activities	(8,481)	4,349

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
Investing activities		
Purchase of property, plant and equipment	—	(20)
Acquisition of a subsidiary	—	88
Interest received	10	7
Repayment from a related company	82	—
Net cash generated from investing activities	92	75
Financing activities		
Interest paid	(292)	(576)
Proceeds from issuance of shares upon placement of shares	8,760	1,380
Proceeds from borrowings	—	1,811
Repayment of borrowings	(2,274)	—
Repayment of lease liabilities	(341)	(456)
Repayment to related companies	(1,045)	(594)
Net cash generated from financing activities	4,808	1,565
Net (decrease)/increase in cash and cash equivalents	(3,581)	5,989
Cash and cash equivalents at the beginning of the reporting period	8,429	7,949
Effect of foreign exchange rate changes	—	(5,509)
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	4,848	8,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are first effective for the current accounting period of the Group.

HKFRS 17	<i>Insurance Contracts and Related Amendments</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rule</i>

Except as described below, the application of the new and amendments to HKFRSs in the current year had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (Continued)

Changes in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

As disclosed in note 30, the Group is obliged to pay LSP to Hong Kong employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap. 57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (Continued)

Amendments to HKFRSs in issue but not yet effective

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
Amendments to HKFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-Current</i> and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to HKAS 7 and HKFRS 7, <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>Lack of Exchangeability</i>	1 January 2025

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

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

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

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

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

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

Basis of preparation of consolidated financial statements (Continued)

Going concern basis

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its net current liabilities position as at 31 March 2024. As at 31 March 2024, the Group's current liabilities exceeded its current assets by HK\$10,225,000, while its total cash and cash equivalents amount to HK\$4,848,000. These conditions cast significant doubt on the Group's ability to continue as a going concern.

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

- At the reporting date, the Group had obtained credit facilities granted by a related company of approximately HK\$10,000,000 for at least eighteen months from the end of the reporting period, which has not been drawn down as borrowings.
- On 12 April 2024, the Company entered into the placing agreement to place, on a best effort basis, up to 172,350,000 new shares at a price of HK\$0.034 per placing share. The placing was completed on 8 May 2024 and 172,350,000 new shares were issued at HK\$0.034 per placing share with net proceeds amounting to HK\$5,772,000.
- The management closely monitors the Group's financial performance and liquidity position. The management has been implementing measures to control operating costs including negotiating with the landlords for rental reduction, a salary reduction scheme for management, the minimisation of operating costs and administrative expenses. Meanwhile, the management expand its current business by acquisition of new product line.

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

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

The material accounting policies are set out below.

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

Basis of consolidation

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

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

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

Business combination

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

Goodwill

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

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

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

Disposal of subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Property, plant and equipment

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

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

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

Inventories

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

Derecognition

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

Financial instruments (Continued)

Impairment of financial assets (Continued)

(i) *Significant increase in credit risk (Continued)*

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

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

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

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

(ii) *Definition of default*

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

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

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

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

(v) Measurement and recognition of ECL

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

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

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

Financial instruments (Continued)

Impairment of financial assets (Continued)

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

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

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

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

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

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

Revenue from contracts with customers

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

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

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

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

Revenue from contracts with customers (Continued)

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

Revenue from sales of goods

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

Leases

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

The Group as a lessee

Short-term leases

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

Right-of-use assets

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

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

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

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

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

Borrowing costs

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

Government grants

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

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

Employee benefits

Retirement benefit costs

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

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

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

The employees employed by the Group’s subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes. The Group’s employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 March 2024, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

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

Employee benefits (Continued)

Short-term and other long-term employee benefits

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Taxation *(Continued)*

Deferred tax (Continued)

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

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

Provisions

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

Segment reporting

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

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

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign currencies (Continued)

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

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

Related party transactions

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

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

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

Related party transactions (Continued)

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's major accounting policies, which are described in Note 3 to the consolidated financial statements, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

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

Principal versus agent consideration

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

During the year ended 31 March 2024, the Group recognised revenue relating to sales of two-way radios, baby monitors, plastic products and other communication devices amounted to approximately HK\$49,960,000 (2023: HK\$66,397,000).

Key sources of estimation uncertainty

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade and other receivables

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

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

Impairment loss on goodwill

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

5. REVENUE

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

	Revenue from external customers	
	2024 HK\$'000	2023 HK\$'000
Revenue comprises revenue from sale of		
– Two-way radios	40,275	60,170
– Baby monitors	5,891	47
– Plastic products	3,794	2,845
– Other communication devices	–	3,335
	49,960	66,397

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

5. REVENUE (Continued)

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

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

Revenue from contracts with customers

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

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

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

6. SEGMENT INFORMATION

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

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

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

The CODM consider the business from a product perspective whereby the CODM assess the performance of two-way radios, baby monitors, plastic products and other communication devices based on gross profit less impairment loss on non-current assets arising in the course of the ordinary activities of a recurring nature.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

	Two-way radios HK\$'000	Baby monitors HK\$'000	Plastic products HK\$'000	Other communication devices HK\$'000	Total HK\$'000
For the year ended 31 March 2023					
Revenue from contracts with customers	60,170	47	2,845	3,335	66,397
Segment profit/(loss)	9,574	(12)	889	(1,135)	9,316
Other income and other gains and losses, net					459
Impairment loss on goodwill					(34,227)
Reversal of impairment losses under expected credit loss model, net of reversal					11,059
Selling and distribution expenses					(149)
Administrative expenses					(12,256)
Finance costs					(576)
Loss before tax					(26,374)
Amounts included in measure of segment profit or loss:					
Write down of inventories	354	20	—	3,419	3,793
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	17	—	—	1	18
Depreciation of right-of-use assets	—	—	304	—	304
Loss on deregistration of a subsidiary	653	—	—	—	653
Government grants	133	—	—	2	135
(Reversal of)/provision of impairment losses recognised on					
— trade receivables, net	(1,964)	—	15	(8,556)	(10,505)
— other receivables, net	(554)	—	—	—	(554)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

(b) Geographical information

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

	Revenue from external customers	
	2024 HK\$'000	2023 HK\$'000
Europe (Note (i))	2,498	1,306
People's Republic of China ("PRC")	15,406	64,866
The United Kingdom ("UK")	—	38
The United States ("USA")	322	187
Hong Kong	31,273	—
Taiwan	460	—
Australia	1	—
	49,960	66,397

Note:

(i) Europe includes but is not limited to France, Italy and Belgium.

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

(c) Information about major customers

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

	2024 HK\$'000	2023 HK\$'000
Customer A ¹	N/A	19,589
Customer B ¹	N/A	17,058
Customer C ²	14,979	13,163
Customer D ³	30,760	N/A

¹ Revenue from two-way radios segment

² Revenue from two-way radios segment and other communication devices segment.

³ Revenue from two-way radios segment and baby monitors segment.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER INCOME

	2024 HK\$'000	2023 HK\$'000
Bank interest income	10	7
Government grants (<i>Note</i>)	—	135
Sales of scrap materials	—	34
Sundry income	198	193
	208	369

Note: During the year ended 31 March 2023, the Group recognised government grants of Covid-19 related subsidies, of which all related to Employment Support Scheme provided by the Hong Kong Government.

8. OTHER (LOSSES)/GAINS, NET

	2024 HK\$'000	2023 HK\$'000
Exchange gains, net	421	616
Loss on deregistration of a subsidiary	(1,720)	(653)
Fair value gain on financial assets at FVTPL	22	—
Fair value (loss)/gain on other financial assets	(2,869)	127
Waiver of amount due to a director	1,094	—
	(3,052)	90

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2024 HK\$'000	2023 HK\$'000
Provision/(reversal) of impairment losses recognised on:		
— trade receivables, net	152	(10,505)
— other receivables, net	322	(554)
	474	(11,059)

10. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interests on:		
— borrowings	255	566
— lease liabilities	4	10
	259	576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. PROFIT/(LOSS) BEFORE TAX

	2024 HK\$'000	2023 HK\$'000
Profit/(loss) before tax has been arrived at after charging		
Directors' emoluments (<i>Note 14</i>)	1,338	1,528
Salaries, allowances and benefits in kind of employees excluding directors	4,005	7,416
Retirement benefit schemes contributions (excluding directors)	63	185
Total staff costs	5,406	9,129
Auditor's remuneration — audit services	420	400
Depreciation of property, plant and equipment	—	18
Depreciation of right-of-use assets	—	304
Cost of inventories sold recognised as an expense	28,883	49,201
Expenses relating to short-term leases	69	623
Legal and professional fees	1,471	2,088
Share based payment expense	—	240
Write down of inventories (included in cost of sales)	—	3,793

12. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current tax:		
Hong Kong Profits Tax	475	74
PRC Enterprise Income Tax (the "EIT")	488	—
	963	74

(i) Hong Kong Profits Tax

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

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

12. INCOME TAX EXPENSE (Continued)
(ii) PRC Enterprise Income Tax

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

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

	2024	2023
	HK\$'000	HK\$'000
Profit/(loss) before tax	2,923	(26,374)
Tax at domestic income tax rate	457	(4,869)
Tax effect of lower tax rate under two-tiered profits tax rate	(168)	—
Tax effect of expense not deductible for tax purposes	2,543	6,487
Tax effect of income not taxable for tax purpose	(475)	(3,487)
Tax effect of estimated tax loss not recognised	75	1,943
Utilisation of tax losses previously not recognised	(1,469)	—
Income tax expense for the year	963	74

As at 31 March 2024, the Group has unused estimated tax losses of approximately HK\$67,403,000 (2023: HK\$92,049,000). No deferred tax asset had been recognised in respect of these unused tax losses due to the unpredictability of future profit streams. As at 31 March 2024, all unrecognised tax losses will be carried forward indefinitely. As at 31 March 2023, except for unrecognised tax losses of the Group of approximately HK\$30,555,000 which would expire in the next five years ending in 2028, other unrecognised tax losses would be carried forward indefinitely.

Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits amounting to HK\$Nil (2023: HK\$1,402,000) of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. EARNINGS/(LOSS) PER SHARE

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

	2024 HK\$'000	2023 HK\$'000
Earnings/(loss)		
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share		
(Profit/(loss) for the year attributable to owners of the Company)	1,961	(26,300)
	2024 '000	2023 '000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/loss per share	210,728	138,068
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	210,728	138,068

The weighted average number of ordinary shares used to calculate the basic and diluted earnings/loss per share for both years have been adjusted to reflect the share consolidation (Note 43(b)). Accordingly, the basic and diluted loss per share for the year ended 31 March 2023 are restated.

No diluted earnings per share is presented for the year ended 31 March 2024 as there was no potential ordinary shares in issue as at 31 March 2024.

Diluted loss per share for the year ended 31 March 2023 was equal to the basic loss per share because the exercise price of the Company's share options was higher than the average market price and therefore the outstanding share options were considered as anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments

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

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

	Year ended 31 March 2023				Total HK\$'000
	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
Executive directors:					
Mr. Au Yeung Yiu Chung (Note (5))	—	99	—	—	99
Ms. Sin Pui Ying (Note (6))	—	20	—	1	21
Ms. Wong Ming Kwan Victoria (Note (7))	—	275	—	—	275
Mr. Yeung Shing Wai	—	240	—	4	244
Ms. Zhu Xiu Zhi (Note (1))	—	210	—	—	210
Non-executive directors:					
Mr. Tao Hong Ming (Note (8))	320	—	—	3	323
Independent non-executive directors:					
Mr. Chan Shiu Man (Note (9))	50	—	—	—	50
Mr. Cheng Chai Fu (Note (10))	10	—	—	—	10
Mr. Choi Pun Lap (Note (11))	114	—	—	—	114
Ms. Ip Sin Nam (Note (12))	70	—	—	—	70
Mr. Sheng Wei (Note (3))	105	—	—	—	105
Mr. Wong Ching Wan (Note (13))	7	—	—	—	7
	676	844	—	8	1,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments (Continued)

Notes:

- (1) Ms. Zhu Xiu Zhi was appointed as an independent non-executive director effected from 11 April 2022, re-designated to executive director on 21 June 2022 and retired from an executive director on 17 August 2023.
- (2) Ms. Zhu Yuanyan was appointed as an executive director of the Company effected from 5 May 2023.
- (3) Mr. Sheng Wei was appointed as an independent non-executive director of the Company effected from 16 May 2022 and retired from an independent non-executive director of the Company on 17 August 2023.
- (4) Ms. Yu Lap Pan was appointed as an independent non-executive director of the Company effected from 17 August 2023.
- (5) Mr. Au Yeung Yiu Chung was appointed as an executive director of the Company effected from 3 May 2022 and has resigned on 30 September 2022.
- (6) Ms. Sin Pui Ying has resigned as an executive director of the Company effected from 30 April 2022.
- (7) Ms. Wong Ming Kwan Victoria was appointed as an executive director of the Company effected from 2 September 2022.
- (8) Mr. Tao Hong Ming has resigned as a non-executive director of the Company effected from 1 June 2022.
- (9) Mr. Chan Shiu Man has resigned as an independent non-executive director of the Company effected from 2 September 2022.
- (10) Mr. Cheng Chai Fu has resigned as an independent non-executive director of the Company effected from 30 April 2022.
- (11) Mr. Choi Pun Lap was appointed as an independent non-executive director of the Company effected from 21 April 2022.
- (12) Ms. Ip Sin Nam was appointed as an independent non-executive director of the Company effected from 2 September 2022.
- (13) Mr. Wong Ching Wan has resigned as an independent non-executive director of the Company effected from 22 April 2022.

No emoluments were paid by the Group to the directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. Mr. Yeung Shing Wai agreed to waive emoluments of HK\$1,094,000 due to him during the year ended 31 March 2024 (2023: HK\$Nil). Save as disclosed, none of the directors or chief executive waived or agreed to waive any emoluments in both years.

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

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

(a) Directors' emoluments (Continued)

The non-executive director's emoluments shown above were for his services as director of the Company and its subsidiaries, if applicable.

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

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2023: two) was a director for the year ended 31 March 2024. The emoluments of the one director (2023: two directors) are included in the disclosures in Note 14(a) above. The emoluments of the remaining four (2023: three) individuals, who are not directors of the Group were as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries, allowances and benefits in kind	3,175	2,524
Retirement benefit scheme contributions	38	73
	3,213	2,597

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

	Number of individuals	
	2024	2023
Nil to HK\$1,000,000	3	2
HK\$1,500,001 – HK\$2,000,000	1	1

During the years ended 31 March 2024 and 2023, no emoluments were paid or payable by the Group to the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office. None of the five highest paid individuals waived or agreed to waive any emoluments in both years.

15. DIVIDENDS

No final dividend was paid or proposed during the year, nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 April 2022	430	12	216	14,477	1,288	16,423
Additions	—	—	—	20	—	20
Deregistration of foreign operations	—	—	—	—	(263)	(263)
Exchange realignment	(27)	(1)	(8)	(498)	(39)	(573)
At 31 March 2023 and 1 April 2023	403	11	208	13,999	986	15,607
Deregistration of foreign operations	(407)	(11)	(124)	(13,502)	(313)	(14,357)
Exchange realignment	4	—	55	(213)	(72)	(226)
At 31 March 2024	—	—	139	284	601	1,024
Accumulated depreciation and impairment losses						
At 1 April 2022	430	12	216	14,383	1,288	16,329
Charge for the year	—	—	—	18	—	18
Deregistration of foreign operations	—	—	—	—	(263)	(263)
Exchange realignment	(27)	(1)	(8)	(494)	(39)	(569)
At 31 March 2023 and 1 April 2023	403	11	208	13,907	986	15,515
Deregistration of foreign operations	(407)	(11)	(124)	(13,410)	(313)	(14,265)
Exchange realignment	4	—	55	(213)	(72)	(226)
As at 31 March 2024	—	—	139	284	601	1,024
Carrying amount						
At 31 March 2024	—	—	—	—	—	—
At 31 March 2023	—	—	—	92	—	92

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

17. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
Cost	
At 1 April 2022	883
Acquired on acquisition of a subsidiary	640
Derecognised	(883)
	<hr/>
At 31 March 2023	640
	<hr/>
Accumulated depreciation	
At 1 April 2022	758
Charge for the year	304
Derecognised	(758)
	<hr/>
At 31 March 2023	304
	<hr/>
Carrying values	
At 31 March 2023	336
	<hr/>
Cost	
At 1 April 2023	640
Deregistration of foreign operations	(640)
	<hr/>
At 31 March 2024	—
	<hr/>
Accumulated depreciation	
At 1 April 2023	304
Deregistration of foreign operations	(304)
	<hr/>
At 31 March 2024	—
	<hr/>
Carrying Values	
At 31 March 2024	—
	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. RIGHT-OF-USE ASSETS (Continued)

	2024 HK\$'000	2023 HK\$'000
Expenses relating to short-term leases	69	623
Total cash outflow for lease ¹	373	1,098
Additions to right-of-use assets	—	640

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

For both years, the Group leases office for its operations. Lease contracts are entered into for fixed term of 3 months (2023: 2 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

18. INTANGIBLE ASSETS

	Knowhow HK\$'000
Cost	
As at 1 April 2022, 31 March 2023, 1 April 2023	11,114
Disposed on deregistration of foreign operations	(11,114)
As at 31 March 2024	—
Accumulated amortisation	
As at 1 April 2022, 31 March 2023, 1 April 2023	11,114
Disposed on deregistration of foreign operations	(11,114)
As at 31 March 2024	—
Carrying Amount	
As at 31 March 2024 and 31 March 2023	—

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

19. GOODWILL

	HK\$'000
Cost	
As at 1 April 2022	—
Addition	50,082
As at 31 March 2023, 1 April 2023 and 31 March 2024	50,082
Accumulated impairment	
As at 1 April 2022	—
Impairment for the year	(34,227)
As at 31 March 2023, 1 April 2023, and 31 March 2024	(34,227)
Carrying Amount	
As at 31 March 2024 and 31 March 2023	15,855

Impairment test for CGUs containing goodwill

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

Goodwill amounting to HK\$50,082,000 which arose from the acquisition of World Smarts Co. Limited (“**World Smarts**”) (see Note 36) was allocated to the cash generating unit represented by the whole operations of World Smarts (the “**CGU**”).

The recoverable amount of the CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a five-year period and the pre-tax discount rate of approximately 16.2% (2023: 16.5%) that reflects current market assessment of time value of money and the risks specific to the CGU. The Group engaged an independent professional valuer, B.I. Appraisals Limited, to assist with the calculation. The calculation uses cash flow projection based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

	2024 HK\$'000	2023 HK\$'000
Annual revenue growth rate during the forecast period	2.5%	2.5%
Gross profit margin	17.2%	17.9%
Growth rate beyond the forecast period	2.5%	2.5%
Pre-tax discount rate	16.2%	16.5%

19. GOODWILL (Continued)

Impairment test for CGUs containing goodwill (Continued)

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 2.5% per annum growth rate. The growth rate does not exceed the long-term average growth rate for the market.

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

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

The growth rate beyond the 5-year projection period of 2.5% (2023: 2.5%) is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value-in-use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. In the opinion of the directors of the Company, no material impairment loss is identified for the goodwill related to the World Smarts operation for the current year. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU represented by World Smarts to exceed its recoverable amount as at 31 March 2024.

For the year ended 31 March 2024, the recoverable amount of the CGU was HK\$18,100,000. Based on the results for the aforesaid impairment assessment, the directors concluded that no impairment on goodwill regarding the World Smarts was recognised for the year (2023: Impairment loss of HK\$34,227,000) as the recoverable amount of the CGU is higher than its carrying value.

For the year ended 31 March 2023, the carrying amount of the CGU was reduced to its recoverable amount of HK\$16,949,000. The impairment loss has been included in profit or loss in the other gains or losses, net line item. No other write-down of the assets is considered necessary.

19. GOODWILL (Continued)

Impairment test for CGUs containing goodwill (Continued)

The impairment loss for the year ended 31 March 2023 arose because on 24 June 2022, the acquisition date of World Smarts, the consideration shares issued as consideration for the acquisition of World Smarts were valued at the fair value of the consideration shares of HK\$52,841,000, representing 113,636,364 shares valued at the closing price of the Company's shares of HK\$0.465 per share as at the acquisition date. The closing price of the Company's shares as at 24 June 2022 was much higher than the agreed price for the consideration shares of HK\$0.132 per share as stipulated in the acquisition agreement dated 2 June 2022, amounting to HK\$15,000,000 based on the consideration shares priced at HK\$0.132 per share. The significant increase in the amount recognised as consideration transferred by the Group in the business combination of World Smarts due to the significant increase in the closing price of the Company's share during the period between the date of the acquisition agreement and the acquisition date was due to market price fluctuations of the Company's shares rather than due to significant increase in the value of World Smarts during this period. As a result, the goodwill recognised upon the acquisition of World Smarts was significantly higher than that expected at the date of the acquisition agreement thus resulted in the recognition of the impairment loss on the goodwill as at 31 March 2023.

20. INVENTORIES

	2024	2023
	HK\$'000	HK\$'000
Raw materials	476	390
Work in progress	—	232
Finished goods	—	802
	476	1,424

21. OTHER FINANCIAL ASSETS

	Profit guarantee
	HK\$'000
As at 1 April 2022	—
Addition	2,742
Change in fair value for the year	127
As at 31 March 2023 and 1 April 2023	2,869
Change in fair value for the year	(2,869)
As at 31 March 2024	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. OTHER FINANCIAL ASSETS (Continued)

World Smarts

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

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

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

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

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

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

The fair value of the profit guarantee was determined to be approximately HK\$2,742,000 and HK\$2,869,000 by B.I. Appraisals Limited at completion date and as at 31 March 2023 respectively, using a discount rate of 2.47% to 3.16% per annum, under Monte Carlo simulation and taking into consideration of whether the profit guarantee is probable to meet. A fair value gain on other financial assets of approximately HK\$127,000 was recognised in profit or loss during the year ended 31 March 2023. Details of the valuation techniques and key input used for other financial assets are disclosed in Note 33 to the consolidated financial statements.

The Profit Guarantee has been met as at 31 March 2024, the net profit before tax of World Smarts for the year ended 31 March 2024 was HK\$3,900,000 (2023: HK\$155,000) and the fair value of the profit guarantee was derecognised as at 31 March 2024. No Compensation from the Vendor was required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL ASSETS AT FVTPL

	2024 HK\$'000	2023 HK\$'000
Hong Kong listed equity security, at market value	388	—

23. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Current:		
Trade receivables from contracts with customers		
— related parties*	—	955
— third parties	17,715	11,522
Less: Allowance for credit losses	(152)	(11,383)
	17,563	1,094
Prepayments	1,228	1,044
Value-added tax receivables	—	3,148
Deposits	4	83
Other receivables	8,164	12,456
Less: Allowance for credit losses	(7,937)	(7,615)
	1,459	9,116
Total trade and other receivables	19,022	10,210
Non-current:		
Deposits paid for acquisition of machinery (Note 44)	679	—

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

During the year ended 31 March 2020, the Company entered into assignment of debt agreement with the lender to factor trade receivables with the gross carrying amount of United States Dollars (“USD”) 1,008,900 (equivalent to approximately HK\$7,809,000) to lender with recourse associated with secured other borrowings. The trade receivables and the other borrowing have not been settled during the years ended 31 March 2024 and 2023.

As at 31 March 2024 and 2023, the Group’s other receivables included deposits paid for potential investments with gross carrying amount of HK\$7,600,000, which were fully impaired.

* The trade receivables are due from companies in which Mr. Tam Wing Ki (“Mr. Tam”), the ex-director and ex-chairman of the Company, is one of the directors of the relevant parties. Subsequent to his resignation as the director and chairman of the Company, Mr. Tam is still acting as director of certain subsidiaries of the Company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. TRADE AND OTHER RECEIVABLES (Continued)

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

	2024 HK\$'000	2023 HK\$'000
1 to 30 days	4,467	353
31 to 60 days	5,014	113
61 to 90 days	—	56
91 to 180 days	6,291	201
Over 180 days	1,791	371
	17,563	1,094

As at 31 March 2024, included in the Group's trade receivables (net of allowance for credit losses) balance are debtors with aggregate carrying amounts of approximately HK\$8,115,000 (2023: HK\$741,000) which are past due at the end of the reporting period. Out of the past due balances, HK\$7,970,000 (2023: HK\$429,000) (net of allowance for credit losses) has been past due and is not considered as in default because of no recent history of default and consideration of forward-looking information. The directors are in opinion of these balances are still considered as collectible.

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

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit-impaired) HK\$'000	Total HK\$'000
As at 1 April 2022	182	13,150	13,332
Impairment loss recognised	1,920	—	1,920
Impairment loss reversed	(182)	(12,243)	(12,425)
Write-back of impairment loss	—	8,556	8,556
	1,920	9,463	11,383
As at 31 March 2023 and as at 1 April 2023	50	102	152
Impairment loss recognised	(1,920)	(9,463)	(11,383)
Write off			
	50	102	152
As at 31 March 2024	50	102	152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. TRADE AND OTHER RECEIVABLES (Continued)

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

	12m ECL HK\$'000	Lifetime ECL (credit-impaired) HK\$'000	Total HK\$'000
As at 1 April 2022	9	8,160	8,169
Impairment loss recognised	15	—	15
Impairment loss reversed	(9)	(560)	(569)
As at 31 March 2023 and as at 1 April 2023	15	7,600	7,615
Impairment loss recognised	—	337	337
Impairment loss reversed	(15)	—	(15)
As at 31 March 2024	—	7,937	7,937

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

	2024 HK\$'000	2023 HK\$'000
USD	1,981	—

Details of impairment assessment are set out in Note 33.

24. BANK BALANCES AND CASH

Bank balances represented short-term deposits with a maturity of three months or less. As at 31 March 2024, bank balances carried at interest at floating rates and placed with creditworthy banks with no recent history of default.

As at 31 March 2024, the Group's bank balances and cash denominated in USD and Renminbi ("RMB"), which are other than the functional currency of relevant group entities, are approximately HK\$64,000 (2023: HK\$55,000) and HK\$1,000 (2023: HK\$3,994,000) respectively.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the government of the PRC. The Group's bank balances and cash denominated in RMB which are located in Hong Kong are not subject to the foreign exchange control.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	15,149	3,554
Accrued expenses and other payables	9,801	13,599
Contract liabilities	—	14,620
	9,801	28,219
	24,950	31,773

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

	2024 HK\$'000	2023 HK\$'000
1 to 30 days	11,549	—
31 to 60 days	1,779	—
61 to 90 days	1,448	3,382
More than 90 days	373	172
	15,149	3,554

The credit period on purchases of goods is 90 days.

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

	2024 HK\$'000	2023 HK\$'000
RMB	606	434

25. TRADE AND OTHER PAYABLES (Continued)

a. Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying products are yet to be delivered. The Group recognises revenue in the amount to which the Group has a right to invoice and that corresponds directly with transfer of control of the products to the customer.

b. Revenue recognised in relation to contract liabilities

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

	2024 HK\$'000	2023 HK\$'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Two-way radios	14,620	14,320
Baby monitors	—	—
Plastic products	—	—
Other communication devices	—	—
	14,620	14,320

26. BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Secured bank borrowings (Note (i))	812	1,086
Secured other borrowings (Notes (ii) & (iii))	5,600	7,600
	6,412	8,686

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

	2024 HK\$'000	2023 HK\$'000
Within one year	6,412	8,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. BORROWINGS (Continued)

Notes:

- (i) Secured bank borrowings were interest bearing at Prime Lending Rate less 2.25% (2023: 2.25%) per annum as at 31 March 2024 which are secured by guarantee provided by a director of the Company as appropriate.
- (ii) On 16 July 2019, the Company entered into assignment of debt agreement to borrow HK\$5,600,000 from the lender by factoring trade receivables with the gross carrying amount of approximately USD1,008,900 (equivalent to approximately HK\$7,809,000) to the lender with recourse. Upon the entering into of the assignment of debt agreement, the secured other borrowings, which were interest-free and would be settled upon settlement of the factored trade receivable, was recognised.
- (iii) The borrowing of HK\$Nil (2023: HK\$2,000,000) was interest bearing at 12% per annum, unsecured and repayable on demand.
- (iv) The effective interest rates (per annum) at the end of the respective reporting period are as follows:

	2024	2023
Variable-rate bank borrowings effective interest rate	3.375% to 3.625%	2.750% to 3.375%

27. AMOUNT DUE (TO)/FROM RELATED PARTIES

Name of related party	2024 HK\$'000	2023 HK\$'000
Xinxing On Time Electronics Limited (Note (1))	—	82
Mr. Tam	—	(1,068)
Mr. Tao Hong Ming ("Mr. Tao") (Note (2))	—	(251)
Ms. Wong Ming Kwan Victoria	(3,122)	(365)
Clearmoon International Limited (Note (3))	—	(2,516)

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

Notes:

1. Mr. Tam is one of the directors of Xinxing On Time Electronics Limited and key management personnel of the Company for the year ended 31 March 2023.
2. Mr. Tao is the ex-non-executive director of the Company.
3. Mr. Tam is one of the directors of Clearmoon International Limited and key management personnel of the Company for the year ended 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. LEASE LIABILITIES

	2024 HK\$'000	2023 HK\$'000
Lease liabilities payable:		
Within one year	—	341
Within a period of more than one year but not exceeding two years	—	—
	—	341
Less: Amount due for settlement with 12 months shown under current liabilities	—	(341)
Amounts due for settlement after 12 months shown under non-current liabilities	—	—

The incremental borrowing rate applied to lease liabilities range was nil for the year ended 31 March 2024 (2023: 2.75%).

29. SHARE CAPITAL

	Number of shares		Amount	
	2024 '000	2023 '000	2024 HK\$'000	2023 HK\$'000
Ordinary shares of HK\$0.0125 each				
Authorised:				
At the beginning of the reporting period and at the end of the reporting period	3,120,000	3,120,000	39,000	39,000
Issued and fully paid:				
At the beginning of the reporting period	718,136	598,500	8,977	7,481
Placing of new shares (<i>Notes (i) & (ii)</i>)	143,620	6,000	1,795	75
Issue of consideration shares (<i>Note (iii)</i>)	—	113,636	—	1,421
At the end of the reporting period	861,756	718,136	10,772	8,977

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. SHARE CAPITAL (Continued)

Notes:

- (i) On 12 October 2023, the Company issued a total of 143,620,000 new shares as a result of the placing. Net proceeds of approximately HK\$8,760,000 were raised. Details of the placing are set out in the announcements of the Company dated 20 September 2023 and 12 October 2023.
- (ii) On 20 June 2022, the Company issued a total of 6,000,000 new shares as a result of the placing. Net proceeds of approximately HK\$1,350,000 were raised. Details of the placing are set out in the announcement of the Company dated 20 June 2022.
- (iii) On 24 June 2022, the Company's directly wholly owned subsidiary has completed an acquisition for 100% equity interest in World Smarts at the consideration of HK\$15 million to be settled by the allotment and issue of 113,636,364 new shares.

30. RETIREMENT BENEFIT SCHEMES

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

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

The total expense recognised in consolidated profit or loss of approximately HK\$68,000 (2023: HK\$193,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans during the year ended 31 March 2024.

Defined benefit plan

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

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

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

30. RETIREMENT BENEFIT SCHEMES (Continued)

Defined benefit plan (Continued)

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

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

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

31. CAPITAL RISK MANAGEMENT

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. CAPITAL RISK MANAGEMENT (Continued)

The net debt-to-adjusted equity ratio at 31 March 2024 and 2023 was as follows:

	2024 HK\$'000	2023 HK\$'000
Total debts	9,534	13,227
Less: Bank balances and cash	4,848	8,429
Net debt	4,686	4,798
Total equity/(capital deficiency)	6,309	(5,703)
Net debt-to-adjusted equity ratio	74.3%	N/A

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets		
Financial assets at FVTPL	388	—
Other financial assets at FVTPL	—	2,869
Financial assets at amortised cost	23,321	14,529
Financial liabilities		
Financial liabilities at amortised cost	34,484	30,380

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk

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

The following table demonstrates the sensitivity to every 5% (2023: 5%) change in the fair value of the financial assets, with all other variables held constant and based on their carrying amounts at the end of the reporting period.

	Effect on profit after tax and retained profits	
	2024 HK\$'000	2023 HK\$'000
Increase/decrease in profit for the year	19	—

Market risk

Currency risk

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

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

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

	Assets		Liabilities	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
RMB	1	3,994	606	434

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year ended 31 March 2024 (2023: increase in post-tax loss) where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative. The analysis is performed on the same basis for the years ended 31 March 2024 and 2023.

	2024 HK\$'000	2023 HK\$'000
RMB	25	134

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

Interest rate risk

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

Sensitivity analysis

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

If interest rates on variable rate bank borrowings had been 50 basis points higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2024 would decrease by approximately HK\$4,000 (2023: post-tax loss would increase by approximately HK\$5,400), and vice versa. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**Credit risk and impairment assessment**

The Group's credit risk is primarily attributable to trade receivables, other receivables, deposits and bank balances. As at 31 March 2024, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to bank balances held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 March 2024 and 2023 was minimal.

For other receivables and deposits, the directors make periodic individual assessment on the recoverability of other receivables and based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For those receivables and deposits where there is no significant increase in credit risk of the Group's outstanding balances of other receivables and deposits since initial recognition, the Group provided impairment based on 12m ECL. Based on the assessment, reversal of impairment of other receivables amounting to approximately HK\$322,000 was recognised in profit or loss during the year ended 31 March 2024 (2023: reversal of impairment of other receivables amounting to approximately HK\$554,000 was recognised in profit or loss).

The Group has concentration of credit risk as 86% (2023: 28%) and 98% (2023: 87%) of the trade receivables was due from the Group's largest customer and five largest customers respectively.

The Group's policy to manage credit risk is to deal only with credit worthy counterparties. In order to minimise the credit risk, the management of the Group has formulated a credit policy and, delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken.

Trade receivables are assessed based on provision matrix. Impairment allowance of HK\$152,000 (2023: Reversal of impairment allowance of HK\$10,505,000) were recognised for ECL on trade receivables as at the end of the reporting period. The Group performed impairment assessment for the trade receivables equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

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

	Expected loss %	Gross carrying amounts HK\$'000	Loss allowance HK\$'000
As at 31 March 2024			
Current (not past due)	0.25	9,472	24
1 to 30 days past due	0.28	4,226	12
31 to 60 days past due	0.33	2,096	7
61 to 90 days past due	0.41	1,707	7
91 to 180 days past due	1.75	57	1
Over 180 days past due	64.33	157	101
		17,715	152
As at 31 March 2023			
Current (not past due)	0.56	355	2
1 to 30 days past due	0.88	114	1
31 to 60 days past due	—	56	—
61 to 90 days past due	1.38	145	2
91 to 180 days past due	1.68	179	3
Over 180 days past due	97.82	11,628	11,375
		12,477	11,383

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

During the year ended 31 March 2024, the Group recognised impairment amounts of approximately HK\$152,000 and HK\$322,000 (2023: the Group recognised reversal of impairment amounts of approximately HK\$10,505,000 and HK\$554,000) for trade receivables and other receivables respectively.

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

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

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

	Notes	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount		Loss allowance	
					At 31 March 2024	At 31 March 2023	At 31 March 2024	At 31 March 2023
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost								
Other receivables and deposits	23	n/a	Low risk	12-month ECL (assessed individually)	910	4,939	—	15
			Loss	Lifetime ECL (credit impaired)	7,937	7,600	7,937	7,600
Amount due from related parties	27	n/a	Low risk	12-month ECL (assessed individually)	—	82	—	—
Bank balances and cash	24	AAA to A+	Low risk	12-month ECL (assessed individually)	4,848	8,429	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

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

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

	As at 31 March 2024			Carrying amount HK\$'000
	Within one year or on demand HK\$'000	More than one year but less than two years HK\$'000	Total contractual undiscounted cash flow HK\$'000	
Non-derivative financial liabilities				
Trade and other payables	24,950	—	24,950	24,950
Borrowings	6,435	—	6,435	6,412
Amounts due to related parties	3,122	—	3,122	3,122
	34,507	—	34,507	34,484
	As at 31 March 2023			
	Within one year or on demand HK\$'000	More than one year but less than two years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
Non-derivative financial liabilities				
Trade and other payables	17,153	—	17,153	17,153
Borrowings	8,960	—	8,960	8,686
Amounts due to related parties	4,200	—	4,200	4,200
Lease liabilities	345	—	345	341
	30,658	—	30,658	30,380

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)
Fair value measurements

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

Financial assets	Fair value		Fair value hierarchy	Valuation technique and significant unobservable inputs
	2024 HK\$'000	2023 HK\$'000		
Financial asset at FVTPL				
Hong Kong listed equity security	388	—	Level 1	Quoted market price
Other financial asset				
Receivable arising from profit guarantee	—	2,869	Level 3	Probability approach Key inputs: Projected net profit before tax for 2024: HK\$2,206,000 to HK\$2,985,000, and discount rate 3.16% (Note (a))

Note:

- (a) A significant increase/(decrease) in net profit before tax would result in a significant decrease/(increase) in fair value of the profit guarantee receivable. A 5% increase/(decrease) in the projected net profit tax for 2024, holding all other variables constant, the fair value of the profit guarantee receivable would (decrease)/increase by approximately HK\$497,000 as at 31 March 2023.

A significant increase/(decrease) in the discount rate would result in a significant decrease/(increase) in the fair value of the profit guarantee receivable. A 5% increase/(decrease) in the discount rate, holding all other variables constant, the fair value of the profit guarantee receivable would (decrease)/increase by approximately HK\$133,000 as at 31 March 2023.

There have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 March 2024.

Reconciliation for financial instruments at recurring fair value measurement based on significant unobservable inputs (Level 3) is as follows:

Profit guarantee receivable arising from profit guarantee

	2024 HK\$'000	2023 HK\$'000
At beginning of the year	2,869	—
Addition	—	2,742
Change in fair value during the year	(2,869)	127
At end of the year	—	2,869
(Loss)/gain recognised in consolidated profit or loss relating to financial instruments held by the Group at the reporting date	(2,869)	127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. PLEDGE OF ASSETS

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

35. RELATED PARTIES TRANSACTIONS

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

a. Compensation of key management personnel

The remuneration of key management personnel of the Group during the years ended 31 March 2024 and 2023 are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries, allowances and benefits in kind	4,503	4,044
Retirement benefit schemes contributions	48	81
	4,551	4,125

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

b. In addition to the balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

Name of related party	Nature of transactions	Notes	2024 HK\$'000	2023 HK\$'000
Xinxing Ontime Electronics Limited	Rental and utilities expenses	(i)	—	526
Clearmoon Electronics (Yunfu) Co., Ltd	Sales	(i)	—	19,589
Shenzhen Anyue Innovation Electronic Technology Co., Ltd	Sales	(i)	—	17,058
Shenzhen Anyue Innovation Electronic Technology Co., Ltd	Purchases	(i)	—	16,859
Clearmoon International Limited	Consulting fee	(i)	—	360
Mr. Tam	Interest expenses	(i)	—	186
Mr. Tao	Interest expenses	(ii)	—	30

Notes:

- i. Mr. Tam, the ex-director and ex-chairman of the Company, is one of the directors of the relevant parties. Subsequent to the resignation of Mr. Tam as the director and chairman of the Company in October 2019, Mr. Tam acted as director of certain subsidiaries of the Group and key management personnel of the Company for the year ended 31 March 2023.
- ii. Mr. Tao is the ex-director of the Company and resigned on 1 June 2022.

36. BUSINESS COMBINATION

On 2 June 2022, a directly wholly-owned subsidiary of the Company entered into agreement to acquire 100% equity interest in World Smarts at the consideration of HK\$15 million to be settled by the allotment and issue of shares. World Smarts was incorporated in Hong Kong with limited liability and provides one-stop solutions in the supply of high quality plastic products and infants and children products to customers worldwide with aggregate fair value of the identifiable net assets at the date of acquisition amounting to HK\$17,000. The transaction was completed and the Group obtained control in World Smarts on 24 June 2022.

Leveraging on the years of experience in the B2B market and understanding of market needs, World Smarts is expanding into the B2C market through online platforms to capture more customers in different areas. The directors consider that the acquisition represents a good opportunity to expand its current business and to develop product diversification. The acquisition also served as a lateral expansion of the Group’s business in sale, trading, distribution, and processing of branded consumer products.

	At the date of acquisition HK\$'000
Consideration transferred:	
Shares issued	52,841
Less: Fair value of financial guarantee	2,742
	50,099
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Trade and other receivables	4,973
Right-of-use assets	640
Cash and bank balances	88
Borrowings	(1,275)
Trade and other payables	(3,769)
Lease liability	(640)
	17
Goodwill	50,082

Goodwill arose from the factor caused by the significant increase in the closing price of the Company’s shares during the period from the acquisition agreement date and acquisition date, details of which are explained in Note 19. Goodwill also arose from a number of other factors, the significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. BUSINESS COMBINATION (Continued)

Acquisition-related costs amounting to approximately HK\$39,000 had been excluded from consideration transferred and had been recognised as an expense during the year ended 31 March 2023, within the “administrative expense” line item in the consolidated statement of profit or loss and other comprehensive income.

The fair value and the gross contractual amount of trade and other receivables at the date of acquisition were HK\$4,973,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Net cash inflow on acquisition of World Smarts:

	HK\$'000
Cash consideration paid	—
Add: cash and cash equivalents acquired	88
	88

The acquired business of World Smarts contributed total revenue of HK\$7,565,000, net profit of HK\$377,000, and impairment loss on goodwill of HK\$34,227,000 to the Group for the period from its acquisition date to 31 March 2023. If World Smarts had been consolidated from 1 April 2022, the consolidated statement of comprehensive income for the year ended 31 March 2023 would show pro-forma revenue of HK\$67,227,000 and loss of HK\$26,446,000.

37. SHARE-BASED PAYMENT TRANSACTIONS

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

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

Share option

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

On 24 November 2022, 3,200,000 share options had been granted to 4 employees of the Company pursuant to the Former Scheme (as defined below) adopted by the Company on 16 September 2015 to subscribe for an aggregate of 38,400,000 new ordinary shares of the Company. The 3,200,000 share options were lapsed upon the cessation of employment of the 4 employees in December 2023.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option (Continued)

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

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

Terms of share option scheme

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option (Continued)

Terms of share option scheme (Continued)

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

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

As at 31 March 2024, no share options have been granted by the Company (2023: 3,200,000).

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

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

The 3,200,000 share options were lapsed upon the cessation of employment of the 4 employees in December 2023 (2023: 3,200,000 share options outstanding) under the Share Option Scheme. For the year ended 31 March 2023, the exercise in full of the remaining share options would, under the present capital structure of the Company, result in issue of 3,200,000 additional ordinary shares of the Company and additional paid-in share capital of approximately HK\$896,000 (before the issue expenses).

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option (Continued)

Terms of share option scheme (Continued)

The following major assumptions were used to calculate the fair values of the share options granted during the year ended 31 March 2023:

Inputs into the model

Fair value of option at measurement date	HK\$0.075
Grant date share price	HK\$0.260
Exercisable period	3 years
Vesting period	N/A
Exercise price	HK\$0.28
Expected life	2.65 years
Expected volatility	100.27%
Dividend yield	0.00%
Risk-free interest rate	4.273%

The Company has used the binominal option pricing model to value the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The expected life of the options was determined with reference to the historical share price records of the Company and the expected volatility was determined with reference to the historical volatilities of the share prices of the Company over the period that is equal to the expected life of the options before the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Investment in a subsidiary	16,949	16,949
Current assets		
Financial asset at FVTPL	388	—
Prepayments and other receivables	183	190
Amounts due from subsidiaries	679	—
Bank balances and cash	415	222
	1,665	412
Current liabilities		
Other payables and accruals	4,434	6,915
Amounts due to subsidiaries	342	594
Other borrowings	5,600	7,600
	10,376	15,109
Net current liabilities	(8,711)	(14,697)
Net assets	8,238	2,252
Capital and reserves		
Share capital	10,772	8,977
Reserves (<i>Note</i>)	(2,534)	(6,725)
Total equity	8,238	2,252

Signed on its behalf by:

Mr. Yeung Shing Wai
Director

Ms. Wong Ming Kwan Victoria
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note:

Reserves of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 April 2022	93,897	—	(113,043)	(19,146)
Loss for the year	—	—	(40,544)	(40,544)
Total comprehensive expense for the year	—	—	(40,544)	(40,544)
Recognition of equity-settled share based payment	—	240	—	240
Placing of new shares (Note 29(ii))	1,305	—	—	1,305
Issue of consideration shares (Note 29(iii))	51,420	—	—	51,420
As at 31 March 2023 and as at 1 April 2023	146,622	240	(153,587)	(6,725)
Loss for the year	—	—	(2,774)	(2,774)
Total comprehensive expense for the year	—	—	(2,774)	(2,774)
Placing of new shares (Note 29(i))	6,965	—	—	6,965
Lapse of share options	—	(240)	240	—
As at 31 March 2024	153,587	—	(156,121)	(2,534)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. SUBSIDIARIES OF THE COMPANY

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

Name of Company	Place/country of incorporation or establishment/operation	Issued and fully paid share capital/registered capital	Proportion ownership interest and voting power held by the Company				Principle activity
			Direct		Indirect		
			2024	2023	2024	2023	
On Real (BVI) Limited	BVI/BVI	Ordinary shares USD2	100%	100%	—	—	Investment holding
On Real Limited	Hong Kong/PRC	Ordinary shares HK\$2,000,000	—	—	100%	100%	Trading of two-way radios and servicing business
Onward Technology Development Limited	Hong Kong/PRC	Ordinary shares HK\$10,000	—	—	100%	100%	Trading of plastic covers to On Real Limited and its subsidiaries
Xinxing Great Success Plastic Limited [^] (Note)	PRC/PRC	Paid up capital HK\$8,000,000	—	—	—	100%	Design and manufacture of two-way radios and baby monitors
On Real I.O.T Group Limited	Hong Kong/PRC	Ordinary shares HK\$100	—	—	51%	51%	Technology development
Real Shine Investment Development Limited	BVI/BVI	Ordinary shares USD10,000	100%	100%	—	—	Investment holding
Empire Profit Limited	Hong Kong/Hong Kong	Ordinary shares HK\$100	—	—	100%	100%	Investment holding
Joyful Earn Holdings Limited	Hong Kong/Hong Kong	Ordinary shares capital HK\$100	100%	100%	—	—	Investment holding
Fuqiang Industrial Technology (Dongguan) Co., Ltd [*] (Note)	PRC/PRC	Paid up capital RMB500,000	—	—	100%	—	Trading and manufacturing of communication devices
World Smarts	Hong Kong/Hong Kong	Ordinary shares capital HK\$100	—	—	100%	100%	Production and sales of OEM, ODM and OBM plastic products with specialty in 3D items, infants and children products

All companies now comprising the Group, except for Fuqiang Industrial Technology (Dongguan) Co., Ltd^{*} which have adopted 31 December as the financial year end date, have adopted 31 March as the financial year end date.

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

All of the subsidiaries are private companies with limited liabilities.

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

Note:

Fuqiang Industrial Technology (Dongguan) Co., Ltd, which was incorporated on 14 March 2024 and Xinxing Great Success Plastic Limited, are wholly foreign owned enterprises.

[^]: Deregistered on 28 November 2023

^{*} For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payables HK\$'000	Borrowings HK\$'000	Amounts due to related parties HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 31 March 2022	—	5,600	4,712	316	10,628
Financing cash flows	—	1,811	(512)	(456)	843
Interest paid	(98)	(252)	(216)	(10)	(576)
Interest expense recognised (Note 10)	98	252	216	10	576
Acquisition of a subsidiary	—	1,275	—	640	1,915
Deregistration of a subsidiary	—	—	—	(159)	(159)
As at 31 March 2023	—	8,686	4,200	341	13,227
Financing cash flows	—	(2,274)	(1,045)	(341)	(3,660)
Interest paid	—	(185)	(103)	(4)	(292)
Interest expense recognised (Note 10)	—	185	70	4	259
As at 31 March 2024	—	6,412	3,122	—	9,534

41. TRANSFERS OF FINANCIAL ASSETS

The following was the Group's financial assets as at 31 March 2024 that were transferred to lender by endorsing these receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the receivables, it continues to recognise the full carrying amounts of the trade receivables and has recognised the relevant borrowings (Note 26). These financial assets are carried at amortised cost, net of allowance for credit losses, in the Group's consolidated statement of financial position.

	2024 HK\$'000	2023 HK\$'000
Carrying amounts of transferred assets — trade receivable (net of allowance for credit losses)	—	—
Carrying amounts of associated liabilities — borrowings	(5,600)	(5,600)
Net position	(5,600)	(5,600)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. CONTINGENT LIABILITIES

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

Up to the date of this report, the outcome of the proceedings is still uncertain. As the directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group’s consolidated financial position, no further provision was made as at 31 March 2024. Details of the debt and the related assigned trade receivables are disclosed in notes 26 (ii) and 41 respectively to the consolidated financial statements.

43. EVENTS AFTER THE REPORTING PERIOD

(a) Placing of shares

Subsequent to the end of the reporting period, on 12 April 2024, the Company entered into the placing agreement to place, on a best effort basis, up to 172,350,000 new shares at a price of HK\$0.034 per placing share. The placing was completed on 8 May 2024 and 172,350,000 new shares were issued at HK\$0.034 per placing share.

Details of the above placing are set forth in the announcements dated 12 April, 15 April and 8 May 2024.

(b) Share consolidation

On 2 May 2024, the board of directors proposed to implement the share consolidation on the basis that every five (5) issued and unissued Shares of HK\$0.0125 each will be consolidated into one (1) consolidated share of HK\$0.0625 each. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders at the EGM.

The extraordinary general meeting held on 20 June 2024 has approved the share consolidation.

Details of the above share consolidation are set forth in the announcement dated 2 May and 20 June 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. COMMITMENT

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

	2024 HK\$'000	2023 HK\$'000
Contracted, but not provided for the purchase of machinery	2,698	—

On 31 October 2023, the Group and an independent third party entered into a purchase and sale contract in relation to the acquisition of machines for a consideration of USD434,000 (equivalent to approximately HK\$3,377,000). The deposit of USD86,800 (equivalent to approximately HK\$679,000) (Note 23) was paid on 9 November 2023.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2024.

FINANCIAL SUMMARY

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

RESULTS

	Years ended 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	49,960	66,397	126,181	250,599	334,586
Profit/(loss) before tax	2,923	(26,374)	(60,447)	(34,417)	(18,344)
Income tax expense	(963)	(74)	—	(169)	(1,133)
Profit/(loss) for the year	1,960	(26,448)	(60,447)	(34,586)	(19,477)
Attributable to:					
Owners of the Company	1,961	(26,300)	(60,447)	(34,581)	(19,474)
Non-controlling interest	(1)	(148)	—	(5)	(3)
	1,960	(26,448)	(60,447)	(34,586)	(19,477)

ASSETS, EQUITY AND LIABILITIES

	As at 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Assets					
Non-current assets	16,534	16,283	219	5,849	3,123
Current assets	24,734	23,014	56,062	81,313	181,430
Total assets	41,268	39,297	56,281	87,162	184,553
Equity and liabilities					
Total equity/(total capital deficiency)	6,309	(5,703)	(28,051)	31,057	63,518
Non-current liabilities	—	—	—	315	—
Current liabilities	34,959	45,000	84,332	55,790	121,035
Total liabilities	34,959	45,000	84,332	56,105	121,035
Total equity and liabilities	41,268	39,297	56,281	87,162	184,553