龍翼航空
MAJESTIC DRAGON

龍翼航空科技控股有限公司
MAJESTIC DRAGON AEROTECH HOLDINGS LIMITED

(formerly known as State Energy Group International Assets Holdings Limited)
(Incorporated in Bermuda with limited liability)
Stock Code : 918

2025/26
ANNUAL REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:
Mr. Zhang Jinbing *(Chairman)*
Mr. Yang Zeyun
Mr. Wang Yuelai
Mr. Wang Jian
Mr. Zhang Che (resigned on 3 June 2025)

Independent Non-executive Directors:
Ms. Choi Ka Ying
Ms. He Xiaodong
Mr. Jie Yinghan

COMPANY SECRETARY

Ms. Lee Eva

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Unit 13, 5/F, Tower 1
Harbour Centre
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

AUDITOR

Global Link CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKER

Bank of Communications (Hong Kong) Limited

SOLICITORS

Bermuda:
Conyers Dill & Pearman

Hong Kong:
WE Lawyers

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda:
Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton HM11
Bermuda

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

STOCK CODE

00918

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Majestic Dragon AeroTech Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am delighted to present the annual report of the Group for the year ended 31 March 2026 (the "**Year**").

During the Year, the Group continued its principal businesses in the wholesale of consumer products including timepieces and accessories and garment and sportswear products (the "**Wholesale Business**"), the sale of unmanned aerial vehicles and related parts (the "**Unmanned Aerial Vehicles Business**") and property investment (the "**Property Investment Business**").

The Group recorded a revenue of approximately HK$104.5 million, representing a 12% decrease as compared with approximately HK$118.8 million for the year ended 31 March 2025 (the "**Previous Year**"). This decline was primarily attributable to reduced revenue from the Wholesale Business. Despite the revenue drop, overall gross profit rosed by approximately HK$8.8 million from approximately HK$25.5 million in the Previous Year to approximately HK$34.3 million in the Year.

Loss attributable to the owners of the Company narrowed significantly to approximately HK$5.5 million in the Year, an improvement of approximately HK$15.8 million compared with the loss of approximately HK$21.3 million in the Previous Year. This improvement was mainly driven by the increase in gross profit coupled with reductions in selling and distribution expenses (HK$4.2 million) and administrative expenses (HK$7.5 million), and offset by an increase in impairment losses on trade and other receivables of HK$6.4 million.

Throughout the Year, the Group navigated a challenging and complex environment marked by global and domestic difficulties. Nevertheless, China's economy advanced with innovation-driven and high-quality growth. In response, the Group refined its development strategy, remained focused on its core businesses, and pursued breakthroughs in scientific and technological innovation. These initiatives strengthened our aviation R&D capabilities and enhanced our industry position.

Looking ahead, while uncertainties persist in both global and local economic outlooks, the Group remains cautiously optimistic about gradual market stabilization. The Government Work Report for 2026 emphasised the importance of cultivating and strengthening emerging industries, including aviation and aerospace, the low-altitude economy, quantum technology, embodied AI, brain-computer interfaces, as well as expanding AI plus initiatives. Notably, the low-altitude economy has been highlighted in the Government Work Report for the third consecutive year, following 2024 and 2025, underscoring its strategic significance.

CHAIRMAN'S STATEMENT

With a clear strategic direction, the Group has established a nationwide sales network to expand market share, strengthened R&D to upgrade core products and offerings, and will continue to exercise rigorous cost control. These measures position the Group to capture opportunities and deliver sustainable growth.

On behalf of the Board, I would like to express our utmost sincere gratitude towards our respectable business partners, clients and shareholders for their continuous support and trust and to thank our management team and all staff members for their hard work. Moving forward, the Group will be united as one and put our best foot forward in the face of future opportunities and challenges, and endeavor to optimise the return to our shareholders.

Zhang Jinbing
Chairman

Hong Kong, 12 June 2026

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Jinbing ("Mr. Zhang")

Mr. Zhang, aged 54, is the chairman and executive Director and was appointed as the chairman of remuneration committee and nomination committee of the Company since October 2018. He is also the controlling shareholder (as defined in the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) of the Company. Mr. Zhang graduated with a Bachelor of Arts degree from Guangzhou Foreign Language Institute in 1994. Mr. Zhang has extensive experience in corporate management. He has served as co-chairman of the board of directors and non-executive director of Apollo Future Mobility Group Limited ("**Apollo FMG**"), a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 860) for the period from 24 November 2017 to 19 March 2021. Prior to that, he was an executive director of Apollo FMG for the period from January 2015 to 23 November 2017 and also appointed as chairman in June 2015 until 23 November 2017. Mr. Zhang has also served as Chairman and Executive Director of Chong Kin Group Holdings Limited, (delisted in April 2024) since 2018. Mr. Zhang was an executive director of Synertone Communication Corporation, a company listed on the Stock Exchange (stock code: 1613), for the period from August 2012 to April 2014.

Mr. Yang Zeyun ("Mr. Yang")

Mr. Yang, aged 44, has been the chief executive officer and executive Director since 22 August 2023. He graduated from Shandong Gymnastic Sports School in 2005, and was awarded the title of Sports Master by the State General Administration of Sports in the PRC. Mr. Yang is the legal representative and chief executive officer of Shangdong Longyi. Mr. Yang has over 20 years of UAVs and related areas including research and development, production and marketing. Mr. Yang possesses strong leadership and execution power. He possesses advanced industrial-grade UAV knowledge and manufacture technology and has developed and completed the first multi-rotor UAV in China. In May 2006, Mr. Yang was hired as the production supervisor of 佛山市安爾康姆航空科技有限公司, Foshan Anercom Aviation Technology Co., Ltd.*, and served until 2013. During his tenure, Mr. Yang received training in UAV system development and production in Germany. In 2015, Mr. Yang co-founded Shangdong Longyi which was located in Jining National High-tech Zone, Shandong Province, the PRC. Mr. Yang led the research & development team of Shangdong Longyi in the research and development of industrial-grade drones, and has obtained 98 patents including but not limited to 13 invention patents, six registered computer software copyrights, with two published papers, and was awarded with more than ten provincial and municipal scientific and technological projects. Mr. Yang is also a part-time tutor of master student at 中國礦業大學(北京) China University of Mining & Technology, Beijing*, a member of 中國航空運動協會會員 (China Aviation Sports Association*), a national athlete, a leading talent in Jining City, a grassroots scientific and technological talent in the western uplift belt of Shandong Province, the PRC, Dean of the Low-Altitude Economy College at Tonghua Normal University, Visiting Professor at Shandong Polytechnic College, and Member of the Aviation Vocational Education Teaching Instruction Committee.

* for identification purpose only

DIRECTORS (CONTINUED)

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Wang Yuelai ("Mr. Wang Yuelai")

Mr. Wang Yuelai aged 55, has been the executive Director since 22 August 2023. He obtained the professional qualification of corporate finance in Jining Finance School, the People's Republic of China (the "**PRC**") in 1992. Mr. Wang Yuelai is the managing director of 山東龍翼航空科技有限公司 Shandong Longyi Aviation Technology Co., Ltd. ("**Shangdong Longyi**"), an indirect wholly-owned subsidiary of the Company. Mr. Wang Yuelai has over 20 years of business development and management experiences in the industry of unarmed aerial vehicles ("**UAVs**"). In June 2020, Mr. Wang Yuelai founded 山東頂峰航空科技有限公司 Shandong Dingfeng Aviation Technology Co., Ltd ("**Shandong Dingfeng**") in Jining High-tech Zone of the PRC and served as its director and chief executive officer. Total investment of Shandong Dingfeng was RMB250 million and had an annual output of 400 sets of flying robots. Mr. Wang Yuelai joined Shandong Longyi in November 2016 and serving as its managing director since then. He participated in the strategic development and reform of Shangdong Longyi, leading it to a new milestone. Mr. Wang Yuelai is vice president of 香港山東商會聯合總會 Hong Kong Federation of Shandong Chambers of Commerce, commissioner for business environment monitoring of 中國國際貿易促進委員會山東省委員會 Shandong Provincial Committee of China Council for the Promotion of International Trade and a researcher of academic committee of 中國管理科學研究院 Chinese Academy of Management Sciences.

Mr. Wang Jian ("Mr. Wang J")

Mr. Wang J, aged 51, has been appointed as an executive Director since 29 April 2024. He graduated from the department of fine art of Beijing Normal University. Mr. Wang J worked at a renowned automobile company (Dongfang Motor Corporation) in the PRC from 1997 to 2002. From 2010 to 2012, he served as China President of China Primary Energy Holdings Limited, a company incorporated under the law of Cayman Islands and listed on the GEM of The Stock Exchange of Hong Kong Limited (stock code: 8117). From October 2014 to January 2017, Mr. Wang J served as an executive director at China Best Group Holdings Limited, a company incorporated under the law of Bermuda and listed on the Stock Exchange (stock code: 370). From 2017 to 2020, he worked as a chief consultant at China Ludao Technology Company Limited, a company incorporated under the law of Cayman Islands and listed on The Stock Exchange (stock code: 2023). Mr. Wang J has extensive experience in finance, investment activities and corporate strategy and business management.

* for identification purpose only

DIRECTORS (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDS")

Ms. Choi Ka Ying ("Ms. Choi")

Ms. Choi, aged 41, joined the Group on 15 December 2021, is an independent non-executive Director. She is also the chairman of audit committee and member of remuneration committee of the Company. Ms. Choi obtained a bachelor of business in Hong Kong in 2006. Ms. Choi was the chief financial officer and the company secretary of Sino Golf Holdings Limited, a company listed on The Stock Exchange (stock code: 361) and resigned on April 2026. She is currently working in a family office. Ms. Choi was an independent non-executive director, chairman of audit committee, member of nomination and remuneration committee of Alco Holdings Limited, from June to September 2022, a company listed on The Stock Exchange (stock code: 328). Ms. Choi is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Prior to joining the Company, she worked for international audit firm and has over 19 years of experience in accounting, auditing and financial management.

Ms. He Xiaodong ("Ms. He")

Ms. He, aged 42, joined the Group on 15 March 2022, is an independent non-executive Director. She is also a member of audit committee, remuneration committee and nomination committee of the Company. Ms. He obtained a bachelor degree in Accountancy from South China Normal University in the PRC in January 2012. For the period from March 2017 to May 2019, Ms. He worked as an accountant at Guangzhou Big-Want Foods Ltd., a wholly-owned subsidiary of Want Want China Holdings Limited, a company listed on The Stock Exchange (stock code: 151). From July 2019 onwards, Ms. He worked as an accountant at 廣州市祥景陵園有限公司 (Guangzhou Xiangjing Cemetery Company Limited*).

Mr. Jie Yinghan ("Mr. Jie")

Mr. Jie, aged 51, has been appointed as an independent non-executive Director, member of audit committee and nomination committee of the Company since 29 April 2024. He obtained a bachelor of laws degree from Shanghai University, the PRC in 1997, a master of laws degree from Nankai University in 2006. Mr. Jie was a doctorate degree candidate at China University of Political Science and Law for the period from July 2007 to May 2009. Mr. Jie has been a qualified lawyer in the PRC since 2000. Mr. Jie is specialised in merger and acquisition, winding up and restructuring and investments. Mr. Jie worked as a partner at Guangdong Haijiming Law Firm (廣東海際明律師事務所) for the period from January 2000 to March 2010; Beijing Zhonglun (Guangzhou) Law Firm (北京中倫 (廣州) 律師事務所) for the period from March 2010 to June 2016; Beijing Dacheng (Guangzhou) Law Firm for the period from August 2019 to March 2022; as partner/consultant at Beijing King & Wood Mallesons (Guangzhou) Law Firm (北京金杜 (廣州) 律師事務所) for the period from March 2022 to April 2023 and he is now serving as a senior partner at Beijing Haotian (Guangzhou) Law Firm (北京浩天 (廣州) 律師事務所) since June 2023 and as the head of the Distressed Investment Committee of the Guangdong Bankruptcy Administrators Association (廣東省破產管理人協會困境投資委員會主任).

* for identification purpose only

BUSINESS OVERVIEW

During the year ended 31 March 2026 (the "**Year**", "**Reporting Period**"), the Group is principally engaged in the Wholesale Business, the Unmanned Aerial Vehicles Business and the Property Investment Business.

WHOLESALE BUSINESS

The Group is engaged in the wholesale and trading of garment and sportswear products in the Mainland China which are subsequently exported to overseas market including Africa. The Group is also engaged in the wholesale of timepieces and accessories in the Mainland China and Hong Kong.

China's economy recorded a year-to-year growth of 5.0% in Q1 2026, accelerating from 4.5% in Q4 and surpassing market expectations of 4.8%. This marked the fastest annual growth in three quarters, supported largely by resilient export performance although Beijing braces for potential fallout from the Iran conflict, and companies diversified shipments to Europe and Latin America to offset weak domestic consumption and US tariffs. Nevertheless, the economists expect China's growth momentum to weaken over the rest of the year of 2026, weighed down by mounting external headwinds, particularly if the Middle East crisis is prolonged.

In Hong Kong, retail sales grew by 9.8% year-on-year in March 2026, easing from a near three-year high of 17.5% in the previous month. The slowdown in overall retail sales growth was also driven by clothing and footwear and allied products (18.9% versus 4.1%) and department stores (1.3% versus 31.8%). Meanwhile, sales increased at a faster pace for consumer durable goods (42.4% versus 24.1%) and jewelry, watches and clocks, and valuable gifts (5.7% versus 4.4%).

During the Reporting Period, the Group's Wholesale Business experienced a decline in revenue, primarily due to the global economic slowdown and sluggish retail sales in certain categories in Hong Kong. While exports of garments and sportswears remained supported by diversified shipment channels, the wholesale of timepieces and accessories encountered headwinds from weaker demand in Hong Kong's jewelry and timepiece market.

The Group remains focused on strengthening its export channels and diversifying market exposure to mitigate external risks. Continued emphasis will be placed on operational efficiency and cost management to navigate the challenging macroeconomic environment and safeguard long-term growth.

UNMANNED AERIAL VEHICLES BUSINESS

The Group carries on the Unmanned Aerial Vehicles Business through Shandong Longyi Aviation Technology Co., Ltd, a wholly owned subsidiary of the Group, and its subsidiaries ("**Longyi Group**").

Longyi Group is based at High-tech Zone, Jining City, Shandong Province, the PRC. The Longyi Group is also recognised as a High and New Technology Enterprise (高新技術企業) ("**HNTE**") in the PRC, Specialised and Sophisticated Small and Medium-sized Enterprise ("**SME**") in Shandong Province (山東省專精特新企業) and National Technology-based SME (科技型中小企業).

Longyi Group has a wide range of product types and applications, and has developed a series of drone products with load capacities ranging from 20 kilograms to 600 kilograms, all of which have been applied in practice. Multiple models have demonstrated outstanding performance in industry applications, with superior performance, safety, and reliability, making important contributions to the development of industrial drones. The product application covers multiple fields such as emergency rescue, forest fire prevention, geographic information surveying, geological survey, disaster monitoring, meteorological detection, air traffic control, communication relay, power construction wiring, inspection, aerial photography, urban public safety, smart agriculture, and has received unanimous recognition and praise from customers.

During the Reporting Period, the Unmanned Aerial Vehicles Business had shown an increase in revenue, supported by the introduction and implementation of low-attitude economy in the PRC. According to the recent report released by National Development and Reform Commission (NDRC) saying that the low-altitude economy is expected to become a trillion-dollar new economic race track, and predicted that the shortage of drone pilots will reach one million. As such, the Group believed that there will be more opportunities with the high technology business in Unmanned Aerial Vehicles in order to capture the prospective return on investment.

Longyi Group established two low-attitude economic education and training centres in Tonghua City and Jining City to provide drone technology education training, drone pilot license training services and also drone talent training and industry education for talents and youth. The centres are large-scale education and training centres providing training services to government departments, major universities and other enterprises with comprehensive solutions for education and training, and also work with partners to connect education chain, talent chain, industrial chain, and innovation chain around the low-altitude economy, and to cultivate an ecology of low-altitude economy and to increase the Group's revenue in coming years.

PROPERTY INVESTMENT BUSINESS

As at 31 March 2026, the Group held six investment properties located in the Mainland China and five investment properties (including three car parking spaces) located in Hong Kong for generating rental income purposes (the "**Investment Properties**"). As at 31 March 2026, four investment properties were leased out (2025: four), and the remaining investment properties were vacant.

The value of the Investment Properties amounted to approximately HK$88.6 million based on the independent valuation of the Investment Properties as at 31 March 2026 (2025: approximately HK$91.8 million).

FINANCIAL REVIEW

REVENUE

The Group recorded a revenue of approximately HK$104.5 million for the Year, representing a decrease of 12% as compared to that of approximately HK$118.8 million for the year ended 31 March 2025 (the "**Previous Year**").

Revenue derived from the Wholesale Business decreased by approximately 26% from approximately HK$90.9 million for the Previous Year to approximately HK$67.6 million for the Year.

Revenue derived from Unmanned Aerial Vehicles Business increased by approximately 27% from approximately HK$26.9 million for the Previous Year to approximately HK$34.1 million for the Year.

Revenue derived from Property Investment Business was increased by approximately 170% from approximately HK$1.0 million the Previous Year to approximately HK$2.7 million for the Year.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK$34.3 million, representing an increase of approximately 35% as compared to approximately HK$25.5 million for the Previous Year. The gross profit margin for the Year was approximately 33%, as compared to the gross profit margin of 22% for the Previous Year. The increase in gross profit margin was mainly attributable from increase in revenue of high gross profit margin products in Unmanned Aerial Vehicles Business.

The Group recorded a gross profit and gross profit margin of approximately HK$13.9 million and 21% respectively in the Wholesale Business for the Year, representing an increase of approximately 26% as compared to gross profit of approximately HK$11.0 million for the Previous Year. The increase was mainly attributable from the increase in revenue driven from certain aged inventories, which were fully impaired in prior years, no impairment provision of inventories was provided in the Year.

The Group recorded a gross profit and gross profit margin of approximately HK$17.7 million and 52% respectively of the Unmanned Aerial Vehicles Business for the Year, representing an increase of approximately 31% as compared to approximately HK$13.5 million for the Previous Year. The increase was in line with the increase in revenue.

The Group recorded a gross profit of approximately HK$2.7 million in respect of the property investment business for the Year, representing an increase of approximately 170% as compared to gross profit of approximately HK$1.0 million for the Previous Year. The increase was in line with the increase in revenue.

SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses decreased by approximately 30% from approximately HK$13.8 million for the Previous Year to approximately HK$9.6 million for the Year. The decrease was mainly due to decrease in selling and distribution expenses in timepieces and accessories product line under Wholesale Business, upon the termination of exclusive distribution rights bearing certain trademarks as disclosed in last fiscal year of annual report.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 23% from approximately HK$32.3 million for the Previous Year to approximately HK$24.9 million for the Year. The administrative expenses mainly represented depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, legal and professional fees, and staff costs including directors and corporate employees.

IMPAIRMENT LOSSES ON ASSETS

Trade and other receivables

Impairment losses under expected credit loss ("**ECL**") model, net of reversal represented the net impairment losses on trade and other receivables, which increased by 181% from the reverse of approximately HK$3.6 million for the Previous Year to approximately HK$2.9 million for the Year.

Goodwill and other intangible assets

During the Previous Year, the exclusive distribution right of the timepieces and accessories bearing certain trademarks in territories of the Mainland China, Hong Kong and Taiwan was terminated in accordance with a settlement for termination of bilateral agreement entered between a subsidiary of the Company and supplier. The management of the Group considered the sales of the timepieces and accessories products would decrease and determined impairment of the related goodwill and distribution rights under other intangible assets amounting to HK$0.7 million and HK$1.6 million respectively. During the Year, there is no impairment on the remaining goodwill and other intangible assets.

Analysis of trade and lease receivables and allowance for credit losses at 31 March 2026:

Exposure to credit risk by business segments	As at 31 March 2026		
	Trade receivable, gross HK$'000	Allowance for credit losses HK$'000	Trade receivable, net HK$'000
Low risk			
Wholesale Business	**70,854**	**(4,820)**	**66,034**
Property Investment	**1,194**	**(31)**	**1,163**
Unmanned Aerial Vehicles Business	**22,579**	**(2,626)**	**19,953**
	94,627	**(7,477)**	**87,150**
Loss			
Wholesale Business	**76,750**	**(76,750)**	**–**
Property Investment	**6,197**	**(6,197)**	**–**
Unmanned Aerial Vehicles Business	**–**	**–**	**–**
	82,947	**(82,947)**	**–**
Total	**177,574**	**(90,424)**	**87,150**

In assessing the ECL of the Group's trade and lease receivables, a credit rating analysis of the underlying debtors was adopted by reviewing the historical observed default rates, external information published by external credit rating agency and subsequent settlement of the grouped debtors and are adjusted for the forward-looking information.

Trade and lease receivables under loss credit risk exposure were fully provided with impairment losses.

Trade receivables under low credit risk exposure, impairment losses of approximately HK$7.5 million were provided, representing 8% of gross balance at 31 March 2026. Subsequently up to the date of this report, the Group received settlement approximately HK$22.9 million, representing 24% of the gross balance as at 31 March 2026.

Based on the above assessment, the management considered the impairment losses on trade and lease receivables provided were sufficient.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The net loss on fair value change of investment properties of approximately HK$4.7 million (Previous Year: net loss of approximately HK$3.8 million) represented fair value adjustment of the Group's properties located in Hong Kong and the Mainland China as at 31 March 2026.

These properties were revalued based on their open market value as at 31 March 2026 by Vincorn Consulting and Appraisal Limited, an independent qualified professional valuer.

FINANCE COSTS

Finance costs decreased by approximately 90% from approximately HK$2.0 million for the Previous Year to approximately HK$0.2 million for the Year. The finance costs in the Year was predominantly contributed by bank and other borrowings in the Mainland China and in Hong Kong, the bank and certain other borrowings were fully repaid during the Year resulted in decrease in the finance costs.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the Year, the Group financed its operations and investments mainly by internally generated funds and debt financing.

CASH POSITION

The Group had total cash and bank balances of approximately HK$7.6 million as of 31 March 2026 (31 March 2025: approximately HK$33.1 million).

BANK AND OTHER BORROWINGS

As of 31 March 2026, the Group has approximately HK$9.4 million of the bank and other borrowings (31 March 2025: approximately HK$0.6 million of other borrowings).

LEVERAGE

The ratio of current assets to current liabilities of the Group was approximately 2.3 as at 31 March 2026, which was steady as the same as at 31 March 2025. The Group's gearing ratio as at 31 March 2026 was approximately 3.6% (31 March 2025: approximately 0.2%), which is calculated based on the Group's bank and other borrowings of approximately HK$9.4 million (31 March 2025: approximately HK$0.6 million) and the Group's equity attributable to owners of the Company approximately HK$261.7 million (31 March 2025: approximately HK$261.7 million). The gearing ratio was increased as compared with the Previous Year due to increase in bank and other borrowings.

The cash and bank balances can provide adequate liquidity and capital resources for the ongoing operation needs of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade and other payables, bank borrowings and lease liabilities. The Group also has various financial assets and financial liabilities arising from our business operations. The Group's financial instruments are mainly subject to foreign currency risk, credit risk and liquidity risk. The Group aims to minimise these risks and hence maximise investment returns.

FOREIGN CURRENCY RISK

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**") and United States dollars ("**US$**"). In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the Year. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and the Group mitigates the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 March 2026 and 2025, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

CREDIT RISK

The Group's credit exposure generally arises from counterparty risk in the course of engaging in the Wholesale Business, the Unmanned Aerial Vehicles Business and the Property Investment Business. As at 31 March 2026, trade receivables and trade payables of the Group were approximately HK$87.2 million and approximately HK$55.7 million (31 March 2025: approximately HK$60.9 million and approximately HK$49.6 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

LIQUIDITY RISK

Liquidity risk is the risk that funds will not meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. The objectives of the Group's liquidity risk management are: (1) maintaining the stability of the Group's principal business, timely monitoring cash and bank balances position; (2) projecting cash flows; and (3) evaluating the level of current assets to maintain sufficient liquidity of the Group.

TREASURY POLICIES

As at 31 March 2026, bank and other borrowings of approximately HK$9.4 million were denominated in RMB (31 March 2025: other borrowings of approximately HK$0.6 million were denominated in HK$). The Group's bank borrowings at 31 March 2026 were subject to floating interest rates and the other borrowing was subject to fixed interest rate.

Cash and cash equivalents held by the Group were mainly denominated in HK$, US$ and RMB. The Group currently does not have foreign currency and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SIGNIFICANT INVESTMENT

The Group had no significant investment during the Year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries or associated companies during the Year.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the Year are set out in note 6 to the consolidated financial statements attached to this Annual Report.

CAPITAL COMMITMENTS

Capital expenditure contracted for but not yet provided by the Group as at 31 March 2026 was approximately HK$159,000 (31 March 2025: HK$2,023,000), which was mainly related to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES AND LITIGATION

The Company has no executed guarantees for the banking facilities made by its subsidiaries as at 31 March 2026 (31 March 2025: No). As at 31 March 2026, the utilised facilities amounted to approximately HK$5.6 million (31 March 2025: Nil).

Except for the foregoing, as at 31 March 2026, the Group had no other significant contingent liabilities or pending litigation.

EVENTS AFTER THE REPORTING PERIOD

As from 31 March 2026 to the date of this Annual Report, save as disclosed in this Annual Report, the Board is not aware of any significant events requiring disclosure that have occured.

STAFF AND REMUNERATION POLICIES

As of 31 March 2026, the Group had a total of 107 employees (2025: 125 employees). Total staff costs (including directors' emoluments) for the Year amounted to approximately HK$13.5 million (Previous Year: approximately HK$12.5 million). Primary means of remuneration include competitive wages, contributory provident funds, insurance and standard medical benefits. The emoluments of the directors are decided by the remuneration committee of the Company (the "**Remuneration Committee**") based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As of 31 March 2026, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "**Audit Committee**") include reviewing and supervising of the Group's financial reporting process, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2026 and decided that such statements were properly prepared in accordance with the statutory requirements and applicable accounting standards.

The Audit Committee currently comprises of three independent non-executive directors, namely Ms. Choi Ka Ying, Mr. Jie Yinghan and Ms. He Xiaodong.

USE OF NET PROCEEDS FROM THE PLACING OF NEW SHARES

Reference is made to the announcement of the Company dated 14 August 2023, 15 August 2023 and 4 September 2023 relating to the placing of new ordinary shares of HK$0.01 each (the "Share") of the Company, the Company and the placing agent (the "**Placing Agent**") entered into the placing agreement (the "**Placing Agreement**"), pursuant to which the Company agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as placing agent for the purpose of procuring, as agent of the Company, placees (the "**Placees**") for, or failing which on a best effort basis, a maximum of 185,678,193 placing shares (the "**Placing Share(s)**") to not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the placing price of HK$0.180 per Placing Share (the "**Placing**"), all conditions set out in the Placing Agreement have been fulfilled and completion of the Placing took place on 4 September 2023.

The net proceeds after deducted from professional fees and other related expenses ("**Net Proceeds**") from the Placing were approximately HK$32.60 million, on such basis, the net price of each Share under the Placing is approximately HK$0.176.

The net proceeds applied by the Group during the period from the completion date up to 31 March 2026 are as follows:

	Planned use of proceeds HK$'000	Actual use of proceeds HK$'000	Unused amount HK$'000	Expected timeline for utilising the remaining net proceeds (Note)
Existing operations	22,820	(22,820)	—	
Potential investment	6,520	—	6,520	End of 2026
General working capital	3,260	(3,260)	—	
Total	32,600	(26,080)	6,520	

Note: The expected timeline for utilising the remaining net proceeds is based on the best estimation of the Company taking into accounts, among others, prevailing and future market conditions and business development and needs, and therefore is subject to change.

Any net proceeds that were not applied immediately have been placed at the short-term deposits with licensed banks in order to generate higher returns.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2026.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the Wholesale Business, the Unmanned Aerial Vehicles Business and Property Investment Business.

An analysis of the Group's results, assets and liabilities by business and geographical segments is set out in note 6 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The description of principal risks and uncertainties facing the Group are set out in the "Management Discussion and Analysis" on pages 8 to 17.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2026 attributable to the Group's major customers and suppliers are as follows:

	2026	2025
	%	%
Sales		
— The largest customer	**23**	28
— Five largest customers combined	**64**	74
Purchases		
— The largest supplier	**61**	34
— Five largest suppliers combined	**85**	82

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers as mentioned above.

ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the "Management Discussions and Analysis" on pages 8 to 17.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2026 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 51 to 52.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2026 (2025: HK$Nil).

DIVIDEND POLICY

The Company aims to provide a set of standard procedures/guidelines to be followed by the Board in deciding/recommending the amount of dividend (interim or final) per share. The objective of the dividend policy of the Company is to reward its shareholders by sharing a portion of the profits/earnings, while also ensures that enough funds are retained for future growth and operation of the Company. In proposing any dividend payout, the Company would consider various factors including but not limited to the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity position, future expansion plans, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group. Any declaration and payment as well as the amount of the dividends will be subject to any restrictions under the applicable laws and regulations and the Company's constitutional documents. The Company does not have any predetermined dividend distribution proportion or distribution ratio. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

RESERVES

Movements in the reserves of the Group and those of the Company during the year ended 31 March 2026 are set out in page 55 and note 34 to the consolidated financial statements respectively.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity of the Group during the year ended 31 March 2026 is shown on page 55.

DONATIONS

The Group did not make any donations during the year ended 31 March 2026 (2025: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the investment properties held by the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves as at 31 March 2026 (2025: HK$Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years ended 31 March 2026 is set out on page 145.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares during the year ended 31 March 2026.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2026 are set out in note 35 to the consolidated financial statements.

ANALYSIS OF BANK AND OTHER BORROWINGS

The Group's bank and other borrowings (disregarding the effect of any repayment on demand clause) as at 31 March 2026 were repayable over the following periods:

	Bank borrowings HK$'000	Other borrowings HK$'000	Total HK$'000
Within one year or on demand	**5,605**	**1,121**	**6,726**
More than two years, but not exceeding five years	**—**	**2,649**	**2,649**
Total	**5,605**	**3,770**	**9,375**

DIRECTORS

The Directors during the year ended 31 March 2026 and up to the date of this report are as follows:

Executive Directors

Mr. Zhang Jinbing *(Chairman)* ("Mr. Zhang")
Mr. Yang Zeyun *(Chief Executive Officer)* ("Mr. Yang")
Mr. Wang Yuelai ("Mr. Wang Yuelai")
Mr. Wang Jian ("Mr. Wang J")

Independent non-Executive Directors

Ms. Choi Ka Ying ("Ms. Choi")
Ms. He Xiaodong ("Ms. He")
Mr. Jie Yinghan ("Mr. Jie")

At least one-third of the Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with Bye-law 86(2), 87(1) and 87(2) (as the case may be) of the Company's Bye-laws (the "**Bye-laws**").

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang has entered into a service agreement with the Company on 12 September 2018, pursuant to which he has been appointed for a term of two years as an executive Director with effect from 12 September 2018 and renewable automatically for a successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws. Mr. Yang, Mr. Wang Yuelai and Mr. Wang J entered into a service agreement with the Company on 22 August 2023, 22 August 2023 and 29 April 2024 respectively, pursuant to which Mr. Yang, Mr. Wang Yuelai and Mr. Wang J been appointed for a term of two years as an executive Director with effect from 22 August 2023, 22 August 2023 and 29 April 2024 respectively, subject to rotation, removal, vacation and termination in accordance with the Bye-laws.

Each of the independent non-executive Directors (the "**INEDs**"), Ms. Choi, Ms. He and Mr. Jie has entered into a service agreement with the Company with effect from 15 December 2021, 15 December 2021, and 29 April 2024. respectively, pursuant to which each of the INEDs has been appointed for a term of three years, three years and two years as an INED with effect from the date of their appointment, and renewable automatically for a successive term of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws.

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

Details of the Directors' emoluments are set out in note 10(A) to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in 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 nor had there been any contract of significance which had been entered into between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Except for the Directors' service contracts as mentioned above, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2026.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 March 2026, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 or as recorded in the register maintained by the Company pursuant to section 352 of Part XV of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(I) LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Director or chief executive	Nature of interest	Number of issued shares held	Percentage of the issued share capital
Mr. Zhang	Interest in controlled corporation *(Note 1)*	527,238,938 *(Note 1)*	47.33%
	Beneficial owner	12,414,000	
Mr. Yang	Interest in controlled corporated *(Note 2)*	154,731,827 *(Note 2)*	13.88%
Mr. Wang Yuelai	Interest in controlled corporated *(Note 2)*	154,731,827 *(Note 2)*	13.88%

Note:

1 These shares were held by Always Profit Development Limited ("**Always Profit**"). Always Profit was wholly-owned by Mr. Zhang. Hence Mr. Zhang was deemed to be interested in the 527,238,938 Shares in the Company held by Always Profit pursuant to the SFO.

2 154,731,827 shares were held by Golden Bold Holdings Limited. ("**Golden Bold**"). Mr. Wang and Mr. Yang beneficially own 53.7% and 26.10% of issued share capital of Golden Bold respectively and were deemed to be interested in the 154,731,827 Shares in the Company held by Golden Bold pursuant to the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (CONTINUED)

(II) LONG POSITIONS IN THE SHARES OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director or chief executive	Name of associated corporation	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Zhang	Always Profit	Beneficial owner *(Note 1)*	1	100%
Mr. Yang	Golden Bold	Beneficial owner *(Note 2)*	13,064	26.10%
Mr. Wang Yuelai	Golden Bold	Beneficial owner *(Note 2)*	26,853	53.70%

Note:

(1) Always Profit is a company incorporated in British Virgin Islands with limited liability which owned 527,238,938 Shares of the Company (representing 47.32% of the issued share capital of the Company), and thus was the direct holding company of the Company.

(2) Golden Bold is a company incorporated in British Virgin Island with limited liability which owned 154,731,827 Shares of the Company (representing 13.88% of the issued share capital of the Company), and thus was the direct shareholder of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of 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 or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2026.

Save as disclosed above, as at 31 March 2026, none of the Directors or chief executives was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company in which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of an acquisition of Shares, or debentures of the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the year ended 31 March 2026.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executives of the Company, as at 31 March 2026, the following persons (other than a Director or chief executive of the Company) had an interest or a short position 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 THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Number of issued shares of the Company held	Approximate percentage of the issued share capital of the Company
Always Profit	Beneficial owner	527,238,938	47.32%
Golden Bold	Beneficial owner	154,731,827	13.88%

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any 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 as at 31 March 2026.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10(A) and note 10(B) to the consolidated financial statements attached to this annual report.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved and adopted by resolutions of the shareholders at the annual general meeting held on 28 September, 2016.

(1) Who may join?

(i) Any executive or non-executive director including independent non-executive director or any employee (whether full-time or part-time) of each member of the Group; (ii) any discretionary object of a discretionary trust established by any substantial shareholder of the Company or any employees, executive or non-executive director of each member of the Group; (iii) any consultant, professional and other adviser to each member of the Group; (iv) any chief executive or substantial shareholder of each member of the Group; (v) any associate of director, chief executive or substantial shareholder of each member of the Group; (vi) any employee (whether full-time or part-time) of any substantial shareholder of each member of the Group; (vii) any supplier of goods or services to any member of the Group; and (viii) any customer of any member of the Group, provided that the Board shall have absolute discretion to determine whether one falls within the aforesaid categories (collectively, the "**Participants**").

(2) Purpose

The purpose of the Share Option Scheme is for the Company to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

(3) Maximum number of shares subject to the share options

The shares which may be issued upon exercise of all right to subscribe for Shares (the "**Options**") to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 77,540,600 Shares (representing 10% of the aggregate of the Shares in issue as at the date of approval of the Share Option Scheme on 28 September 2016 (the "**Scheme Mandate Limit**").

The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable), shall not exceed 30% of the Shares in issue from time to time ("**Scheme Limit**").

SHARE OPTION SCHEME (CONTINUED)

(4) Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Any further grant of Options to any Participant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

(5) Option period

The period within which the shares shall be taken up under an Option shall be a period to be notified by the Board to each grantee of the Option at the time of making an offer, which shall be determined by the Board in its absolute discretion at the date of grant of the relevant Option, but such period shall not expire later than 10 years from the date of grant of the relevant Option.

(6) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an Option must be held before it can be exercised shall be determined by the Board at its absolute discretion and notified by the Board to each grantee of the Option at the time of making an offer.

(7) Payment on acceptance of Option offer

An Option shall remain open for acceptance by the Participant concerned for a period of 28 days exclusive of the date on which the offer is made to the Participant. HK$1.00 is payable by the grantee of the Option to the Company on acceptance of the offer of the Option.

(8) Subscription price

The subscription price shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer at the time of the offer, and shall be no less than the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant Option, which shall be a business day;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant Option; and

(c) the nominal value of a Share on the date of grant of the relevant Option.

(9) Remaining life of the Share Option Scheme

Ten years from 28 September 2016, that is, up to 27 September 2026.

SHARE OPTION SCHEME (CONTINUED)

The number of options available to be granted under the Share Option Scheme were 77,540,600 as of both 1 April 2025 and 31 March 2026.

77,540,600 Shares are available for issue under the Share Option Scheme representing approximately 6.96% out of 1,114,069,159, being the total number of issued Shares as at 12 June 2026.

No Options under the above scheme were granted nor exercised during the year ended 31 March 2026 and no Options were outstanding as at 31 March 2026.

At no time during the year ended 31 March 2026 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of an acquisition of Shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company's auditor in matters coming within the scope of audit of the Group. It also reviews the effectiveness of the external audit, the internal controls and risk evaluation.

The Audit Committee currently comprises of three INEDs, namely Ms. Choi, Mr. Jie Yinghan and Ms. He. Two meetings were held during the year ended 31 March 2026.

AUDITORS

Global Link CPA Limited ("**Global Link**") was appointed as auditor of the Company on 11 March 2024 following the resignation of CL Partners resigned as auditor of the Company on 8 March 2024. For details, please refer to the announcements of the Company dated 8 March 2024 and 11 March 2024. Save as disclosed above, there was no change in auditor during the past three years.

The consolidated financial statements for the Year have been audited by Global Link who will retire at the conclusion of the 2026 annual general meeting and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming annual general meeting to re-appoint Global Link as the independent auditor.

ENVIRONMENTAL, SOCIAL AND GOVERNMENT REPORT

A separate environmental, social and governance report will be published on the respective websites of the Stock Exchange and the Company at the same time of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws and the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers in order to meet its immediate and long term goals. During the year ended 31 March 2026, there is no material or significant dispute between the Group and its supplier and customers.

PERMITTED INDEMNITY PROVISION

Under the Bye-laws, every Director or other officer of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of their duty in their respective offices.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, 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 ended 31 March 2026.

CONNECTED TRANSACTIONS

During the year under review, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. Details of related party transactions undertaken in the usual course of business are set out in Note 36 to the consolidated financial statement. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operations of the Group during the year under review.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs, namely Ms. Choi, Ms. He, and Mr. Jie, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2026.

AUDITOR

The consolidated financial statements for the year ended 31 March 2026 have been audited by Global Link CPA Limited who will retire at the conclusion of the 2026 annual general meeting and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming annual general meeting to re-appoint Global Link CPA Limited as the independent auditor.

For and on behalf of the Board

Zhang Jinbing
Chairman & Executive Director

Hong Kong, 12 June 2026

CORPORATE CULTURE AND VALUE

The Company embeds with a strong corporate culture for compliance, corporate governance and corporate social responsibilities, and at the same time, strives to provide high quality and reliable products and services, and to create values to the stakeholders through sustainable growth and continuous development.

The Company acts as an investment holding company and the principal activities of its subsidiaries (together with the Company, "**Group**") include the Wholesale Business, the Unmanned Aerial Vehicles Business and the Property Investment Business. As a group with diversified businesses, it is the role of the board of directors of the Company ("**Board**" and "**Directors**", respectively) to foster a corporate culture with the following principles to guide the conduct and behaviours of its employees, and ensure that the Company's vision, mission, policies and business strategies are aligned to it:

(i) preserve and enhance the values of the Group's investments;

(ii) preserve and enhance the Group's reputation;

(iii) deliver high quality products and services in a timely manner to the market;

(iv) control and optimize all cost elements; and

(v) meet the Company's financial targets.

Please refer to the Chairman's Statement and the Management Discussion and Analysis of this annual report for more details in relation to the Group's performance.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. It believes that a high standard of corporate governance provides a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain a high standard of accountability and protect interests of the shareholders and other stakeholders.

The Company has applied the principles and complied with the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the year ended 31 March 2026 (the "**Year**").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors regarding any non-compliance with the Model Code during the year ended 31 March 2026, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2026.

The Company has also established written guidelines for senior management and employees in certain functions in respect of their dealings in the securities of the Company for their strict compliance. The Company issued notices to all Directors, senior management and relevant employees reminding them to comply with the restriction on dealing of securities of the Company under the above code and guidelines 60 days prior to the publication of the annual results and 30 days prior to the publication of the interim results.

BOARD OF DIRECTORS

The Board currently consists of a total of seven Directors, comprising three executive Directors and three INEDs. The composition of the Board during the Year and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr. Zhang Jinbing *(Chairman)*
Mr. Yang Zeyun
Mr. Wang Yuelai
Mr. Wang Jian

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Choi Ka Ying
Ms. He Xiaodong
Mr. Jie Yinghan

None of the existing Directors have any personal relationship (including financial, business, family or other material/relevant relationship), with any other existing Director.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

In compliance with code provision A.6.5 of the CG Code, the Company encourages the Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains relevant. All the Directors have confirmed with the Company that they have participated in appropriate continuous professional development activities, which relate to financial and general management, regulatory and compliance requirement and corporate governance, either by attending seminars or by reading materials relevant to the Group's business or Directors' duties and responsibilities during the year ended 31 March 2026.

The individual training records of each existing Director for the year ended 31 March 2026 are set out below:

Name of Directors	Attending seminars/ conferences/forums	Reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.
Executive Directors		
Mr. Zhang Jinbing *(Chairman)*	√	√
Mr. Yang Zeyun	√	√
Mr. Wang Yuelai	√	√
Mr. Wang Jian	√	√
INEDs		
Ms. Choi Ka Ying	√	√
Ms. He Xiaodong	√	√
Mr. Jie Yinghan	√	√

INEDS

Throughout the year ended 31 March 2026, the Company has complied with the requirements under Rules 3.10A, 3.10(1) and (2) of the Listing Rules that require every board of directors of a listed issuer to include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. One INED is a qualified accountant.

The INEDs actively participated in board meetings of the Company. The members of Audit Committee, the Remuneration Committee, Nomination Committee of the Company comprise a majority of INEDs.

INEDS (CONTINUED)

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of directors. The Company has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers that all INEDs are independent.

RESPONSIBILITIES OF DIRECTORS AND MANAGEMENT

The Board is responsible for ensuring continuity of leadership, development of sound business strategies, availability of adequate capital and managerial resources to implement the adopted business strategies, adequacy of systems of financial and internal controls and conduct of business in conformity with applicable laws and regulations. All Directors have made full and active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group.

All newly appointed Directors will receive a formal and tailored induction on the first occasion of their appointment in order to ensure that they will have a proper understanding of the operations and business of the Company and that they will be fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal and other regulatory requirements, and the Company's business and governance policies.

The executive Directors and the senior management are delegated with respective levels of authorities with regard to key corporate strategies and policy and contractual commitments. Senior management is responsible for the day-to-day operations of the Group with divisional heads responsible for different aspects of the Group's business.

The Board is also responsible for the preparation of the consolidated financial statements. The Company has adopted the generally accepted accounting standards in Hong Kong in preparing the consolidated financial statements, appropriate accounting policies have been adopted and applied consistently, and reasonable and prudent judgement and estimates have been made.

CORPORATE GOVERNANCE FUNCTION

According to Code Provision D.3.1 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board has the following duties and responsibilities for performing the corporate governance duties of the Company:

1. to develop and review the Group's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of the Directors and senior management of the Group;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
5. to review the Group's compliance with the Code and disclosure in the corporate governance report and in the annual report of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

SUMMARY OF THE BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having diversity which will enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard as to whether it will benefit the Board's diversity. The implementation and effectiveness of the Board Diversity Policy is reviewed annually by the Board.

MEASURABLE OBJECTIVES

Selection of candidates for Board membership will be based on a range of perspectives to maintain the Board's diversity, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

MONITORING AND REPORTING

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skills and experiences appropriate for the business of the Company.

BOARD MEETING

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year ended 31 March 2026, 3 meetings have been held by the Board and the attendance of each of the Directors is as follows:

	Attendance/number of meetings held during the year ended 31 March 2026				
Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meetings
Executive Directors					
Mr. Zhang Jinbing *(Chairman)*	3/3	n/a	1/1	1/1	1/1
Mr. Yang Zeyun	3/3	n/a	n/a	n/a	1/1
Mr. Wang Yuelai	3/3	n/a	n/a	n/a	1/1
Mr. Wang Jian	3/3	n/a	n/a	n/a	1/1
INEDs					
Ms. Choi Ka Ying	3/3	2/2	1/1	1/1	1/1
Ms. He Xiaodong	3/3	2/2	1/1	1/1	1/1
Mr. Jie Yinghan	3/3	2/2	1/1	1/1	1/1

AUDIT COMMITTEE

The Audit Committee currently comprises three INEDs:

Ms. Choi Ka Ying *(Chairman)*
Ms. He Xiaodong
Mr. Jie Yinghan

The Audit Committee was responsible for, amongst other things, overseeing the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control and risk management of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

During the year ended 31 March 2026, there was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor. The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements.

During the year ended 31 March 2026, the Audit Committee held two meetings. Matters considered at the meetings included review of the Group's interim results for the six months ended 30 September 2025 and the annual results for the year ended 31 March 2026, the fees for engaging the external auditors to provide the audit for the relevant years, the independence of the external auditors, and the Company's financial control, internal control and risk management system. The attendance of each member at the Audit Committee meetings held during the year has been disclosed earlier in this report.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two INEDs and one executive Director:

Mr. Zhang Jinbing *(Chairman)*
Ms. Choi Ka Ying
Ms. He Xiaodong

The objectives of the Remuneration Committee are to determine and maintain an appropriate and competitive level of remuneration to attract, retain and motivate Directors and key executives to operate the Company successfully. The Remuneration Committee also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies. The Remuneration Committee is provided with other resources to enable it to fully discharge its duties. The terms of reference of the Remuneration Committee, which describe its authority and duties, are available on the Company's website.

During the year ended 31 March 2026, one Remuneration Committee meeting were held and the attendance of each of the members of the Remuneration Committee has been disclosed earlier in this report. The Remuneration Committee has considered the remuneration of the executive Directors and senior management and made recommendations to the Board. The Board has no disagreement with the Remuneration Committee on remuneration or compensation arrangements with regard to executive Directors and senior management.

Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. Further particulars regarding Directors' remuneration and the five highest paid employees are shown in note 10 to the consolidated financial statements.

Remuneration payable to senior managements who are not Directors for the year ended 31 March 2026 is set out below:

	Number of employees
Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	–
	–

NOMINATION COMMITTEE

The Nomination Committee comprises two INEDs and one executive Director:

Mr. Zhang Jinbing *(Chairman)*
Ms. He Xiaodong
Mr. Jie Yinghan

The objectives of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The Nomination Committee should identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals eligible for nomination of directorships, assess the independence of the INEDs, and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Board has adopted the following policies for the nomination of directors.

Nomination Policy

In determining the suitability of a candidate, the Nomination Committee and the Board shall consider the potential contributions that a candidate can bring to the Board and/or the Group.

The Nomination Committee would consider a candidate in terms of qualifications, skills, experiences, independence and other factors. The following shows a non-exhaustive list of selection criteria:

- the candidate's race, reputation, character and integrity;
- the candidate's qualifications, skills, knowledge, business judgement and experiences which are relevant to the operations of the Group; and
- the relevant factors set out in the Board Diversity Policy (as amended from time to time).

During the year ended 31 March 2026, one Nomination Committee meeting were held and the attendance of each of the members of the Nomination Committee has been disclosed earlier in this report.

NOMINATION COMMITTEE (CONTINUED)

Nomination Procedures

The evaluation, recommendation, nomination, selection and appointment or re-appointment of each proposed director shall be assessed and considered by the Nomination Committee and the Board against the selection criteria and the Board Diversity Policy.

In the context of appointment of any proposed candidate to the Board:

- the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of candidates, including referrals from the Directors, shareholders, management, advisers of the Company;
- the Nomination Committee shall identify and ascertain the character, qualification, knowledge and experience of the candidate and perform adequate due diligence in respect of such candidate; and
- the Nomination Committee shall make recommendations by submitting the candidate's personal profile to the Board for its consideration.

A new director will be informed of the role of the Board and his/her duties and obligation of being a director of a listed company. The terms of reference of the Nomination Committee, which describe its authority and duties, are available on the Company's website.

During the year ended 31 March 2026, the Nomination Committee held one meeting to consider the revision of the structure, size and composition of the Board, qualifications of all Directors and senior management of the Group and independence of the INEDs. The attendance of each of the members of the Nomination Committee has been disclosed earlier in this report.

COMPANY SECRETARY

Ms. Lee Eva ("**Ms. Lee**") was appointed as the Company Secretary of the Company (the "**Company Secretary**") on 5 September 2019. The role of the Company Secretary is to ensure that the Directors have access to all necessary information and that all Board procedures are followed. She also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Ms. Lee reports directly to the chairman and the senior management of the Company, and all Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. Ms. Lee has confirmed that she has fulfilled the requirement of taking no less than 15 hours of relevant professional training during the year ended 31 March 2026.

AUDITOR'S REMUNERATION

The fees paid to the external auditor of the Company, for audit services for the year ended 31 March 2026 amounted to approximately HK$650,000.

In considering the re-appointment of the external auditor, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Global Link CPA Limited as the external auditor of the Company for the year ending 31 March 2026, subject to approval by the shareholders of the Company at the forthcoming annual general meeting. There is no external auditor of the Company acting as a member of the Audit Committee within one year commencing on the date of his cessation of being a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

ACCOUNTABILITY

Being accountable for the proper stewardship of the Group's affairs, the Directors acknowledge their responsibility for ensuring that proper accounting records are kept and relevant consolidated financial statements, as in the annual report and the interim report of the Company, are prepared to give a true and fair view of the state of affairs of the Group for each of the financial periods.

In preparing the consolidated financial statements for the year ended 31 March 2026, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants
- selected and applied consistently the appropriate accounting policies
- made judgements and estimates that are prudent and reasonable
- prepared the consolidated financial statements on the going concern basis

The management provides the Board with such information and explanations necessary to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The statement by the auditor of the Company about their reporting responsibilities are set out on pages 49 to 50 of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has, through the Audit Committee, conducted interim and annual reviews of the adequacy and effectiveness of the Group's internal control system covering the financial, operational, compliance and risk management functions. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievements of the Group's objectives.

While the Audit Committee conducts continuous review on the adequacy and effectiveness of existing internal controls and risk management systems of the Company on behalf of the Board, the day-to-day responsibility for the conduct of these control procedures, the on-going monitoring of risks and the effectiveness of the corresponding internal controls rest with the management of each business unit.

The Company has engaged Silver Wand Business Consultancy Company Limited ("Silver Wand") to perform a review of the procedures, systems, controls, potential risk areas for the Group. Silver Wand has submitted its internal control review and risk assessment reports for the Group to the Audit Committee and the Board in June 2026. Findings and recommendations concerning improvements to the Group's internal controls have been reviewed by the Audit Committee and the Board. The Board considered the Group's internal control system to be effective and adequate, and to further enhance the effectiveness of the internal control and risk management, the Company has implemented an ongoing internal control and risk management review measure suggested by Silver Wand. The Board has conducted an annual review, which included consideration on the changes, since the last annual review, in the nature and extent of significant risks (including environmental, social and governance risks), and the Company's ability to respond to changes in its business and the external environment.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy (the "**Policy**") to maintain an on-going dialogue with its shareholders and investors in a timely and transparent manner. The implementation and effectiveness of the Policy is reviewed annually with the latest review made in March 2025. It emphasises the Company's commitment to enhance communication with shareholders and the investment community and specifies various communication platforms and channels through which its shareholders and investors can communicate their views with the Company, the Company considered that the policy was effective.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at annual general meetings and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR NOMINATION OF A DIRECTOR

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his/her willingness to be elected together with his/her personal particulars and information required to be disclosed under Rule 13.51(2) of the Listing Rules shall be lodged at the Company's principal place of business (Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong) or at its branch share registrar in Hong Kong, Tricor Investor Services Limited (17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the dispatch 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.

RIGHT AND PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Special general meetings shall be convened on the written requisition of one or more shareholders of the Company holding, at the date of 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 of Directors or the Company Secretary (Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such meeting shall be held within two months after the deposit of such requisition.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
MAJESTIC DRAGON AEROTECH HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Majestic Dragon Aerotech Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 51 to 144, which comprise the consolidated statement of financial position as at 31 March 2026, 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 and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2026, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") as 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**"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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.

Key audit matter	How our audit addressed the key audit matter
Valuations of land and building included in property, plant and equipment and investment properties Refer to notes 14 and 15 to the consolidated financial statements	
As at 31 March 2026, the fair value of land and buildings included in property, plant and equipment of the Group was approximately HK$28,220,000. Decrease in fair value of land and buildings included in property, plant and equipment of approximately HK$14,000 was recognised in other comprehensive income for the year ended 31 March 2026. As at 31 March 2026, the fair value of investment properties of the Group was approximately HK$88,638,000. Decrease in fair value of investment properties of approximately HK$4,681,000 were recognised in profit or loss for the year ended 31 March 2026. To support management's determination of the fair value, the Group engaged an independent external valuer to perform valuations on the land and building and investment properties at the end of the reporting period. Given that the valuations are significant to the Group and significant estimation and judgement are required by management to determine the fair value of the land and building and investment properties, we have identified the valuations of land and building included in property, plant and equipment and investment properties as key audit matter.	We have performed the following procedures to address this key audit matter: • Evaluating the competence, capabilities and objectivity of the independent external valuer; • Evaluating the valuation techniques and assessing the reasonableness of the key inputs used in the valuations based on available market data; • Assessing the integrity of information provided by the management to the independent external valuer by comparing the details of rentals on a sample basis to the respective underlying existing lease agreements; and • Checking, on a sample basis, the market transactions and market rents of similar properties and locations, and assessing the appropriateness of specific assumptions made on adjustments of the properties by reference to size and other individual factors which affect the valuations of land and building and investment properties.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and lease receivables Refer to notes 20 and 30(B)(d) to the consolidated financial statements	
As at 31 March 2026, the Group had trade receivables and lease receivables of approximately HK$87,150,000 (net of loss allowance of HK$90,424,000). Management recognises a loss allowance for lifetime expected credit losses ("**ECL**") on the trade receivables and lease receivables individually or collectively. Except for significant balances or credit-impaired amounts which are assessed for impairment individually, the remaining trade receivables and lease receivables are grouped under a collective assessment after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables and lease receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for supportable forward-looking information that is reasonable and supportable available without due costs or effort. We identified the impairment assessment of trade receivables and lease receivables as a key audit matter due to the involvement of significant management judgement and estimates in evaluating the ECL of the Group's trade receivables and lease receivables.	We have performed the following procedures to address this key audit matter: • Understanding key controls on how the management estimates the loss allowance for trade receivables and lease receivables; • Testing the accuracy of information used by the management in determining loss allowance including trade receivables and lease receivables ageing analysis as at 31 March 2026 on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents; • Inquiring management for the status of each of the material trade receivables and lease receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Discussing with the management and evaluating the basis in determining loss allowance on trade receivables and lease receivables as at 31 March 2026 including the reasonableness of the management's basis of estimated loss rates applied (with reference to historical observed default rates and forward-looking information).

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on goodwill We identified the impairment assessment on goodwill as a key audit matter due to the involvement of significant judgements and assumptions in estimating the recoverable amount of the cash-generating unit to which goodwill has been allocated. At 31 March 2026, the Group has goodwill with cost of HK$13,977,000 relating to cash-generating unit of unmanned aerial vehicles business. Based on the assessment made by management of the Group, no impairment was recognised relating to a cash-generating unit of unmanned aerial vehicles business during the year ended 31 March 2026. Details are disclosed in note 17 to the consolidated financial statements. The recoverable amount of the cash-generating unit was determined based on the value in use calculations which required the Group 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.	Our procedures in relation to the impairment assessment on goodwill included: • Obtaining an understanding of the management's process and basis adopted in preparing the cash flow forecasts, including significant assumptions; • Assessing the reasonableness of the key assumptions made by the management, including long-term growth rate and gross profit margin by comparing the prior year cash flow projections with the current year actual cash flows; • Testing the appropriateness of key inputs applied by the management in preparing the cash flow forecasts against historical performance, including revenue, cost of sales and operating expenses; • Assessing the key factors in determining the discount rates, including the Group's debt and equity ratio, return on investments and other risk factors, and comparing to discount rates adopted in the industries for reasonableness; and • Evaluating the sensitivity analysis performed by the management in respect of the growth rates and discount rates to assess the extent of impact on the value in use.

OTHER INFORMATION

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

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

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

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

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

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

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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

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

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

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

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

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

Global Link CPA Limited
Certified Public Accountants
Cheng Tsz Chin
Practising Certificate Number: P08403
Hong Kong
12 June 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2026

	Notes	2026 HK$'000	2025 HK$'000
Revenue	*6*	**104,456**	118,791
Cost of sales		**(70,176)**	(93,283)
Gross profit		**34,280**	25,508
Other income, other gains and losses	*7*	**1,509**	2,339
Selling and distribution expenses		**(9,598)**	(13,819)
Administrative expenses		**(24,860)**	(32,343)
Impairment losses under expected credit loss model, net of reversal		**(2,858)**	3,591
Impairment loss on intangible assets		**—**	(1,551)
Impairment loss on goodwill		**—**	(696)
Fair value loss on investment properties		**(4,681)**	(3,782)
Finance costs	*8*	**(197)**	(1,967)
Loss before taxation	*9*	**(6,405)**	(22,720)
Taxation	*11*	**870**	1,424
Loss for the year		**(5,535)**	(21,296)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**5,544**	(1,150)
Item that will not be reclassified to profit or loss:			
Loss on revaluation of land and building held for own use		**(14)**	(81)
Total comprehensive expense for the year		**(5)**	(22,527)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2026

	Notes	2026 HK$'000	2025 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(5,541)**	(21,296)
Non-controlling interests		**6**	—
Loss for the year		**(5,535)**	(21,296)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(11)**	(22,527)
Non-controlling interests		**6**	—
Total comprehensive expense for the year		**(5)**	(22,527)
Loss per share attributable to owners of the Company			
— Basic and diluted (HK cents)	*13*	**(0.50)**	(1.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

	Notes	2026 HK$'000	2025 HK$'000
Non-current assets			
Property, plant and equipment	*14*	**36,008**	33,001
Investment properties	*15*	**88,638**	91,807
Right-of-use assets	*16*	**134**	126
Goodwill	*17*	**13,977**	13,193
Other intangible assets	*18*	**22,338**	24,603
Prepayment for property, plant and equipment		**652**	2,285
Other receivables	*20*	**2,278**	—
		164,025	165,015
Current assets			
Inventories	*19*	**68,671**	67,564
Trade and other receivables	*20*	**106,653**	80,937
Tax recoverables		**104**	108
Financial assets at fair value through profit or loss		**543**	262
Bank balances and cash	*21*	**7,588**	33,065
		183,559	181,936
Total assets		**347,584**	346,951
Current liabilities			
Trade and other payables	*22*	**65,483**	68,156
Contract liabilities	*23*	**3,230**	1,383
Amount due to a director	*22*	**2,662**	10,534
Bank and other borrowings	*25*	**9,375**	600
Lease liabilities	*24*	**136**	128
		80,886	80,801
Net current assets		**102,673**	101,135
Total assets less current liabilities		**266,698**	266,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

	Notes	2026 HK$'000	2025 HK$'000
Non-current liabilities			
Rental deposits received	*22*	**131**	—
Deferred tax liabilities	*26*	**3,778**	4,446
		3,909	4,446
Net assets		**262,789**	261,704
EQUITY			
Share capital	*27*	**11,141**	11,141
Reserves		**250,552**	250,563
Equity attributable to owners of the Company		**261,693**	261,704
Non-controlling interests		**1,096**	—
Total equity		**262,789**	261,704

The consolidated financial statements on pages 51 to 144 were approved and authorised for issue by the board of directors on 12 June 2026 and are signed on its behalf by:

Zhang Jinbing
Chairman

Yang Zeyun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2026

	Attributable to owners of the Company										
	Share capital	Share premium Note (a)	Revaluation reserve Note (b)	Consolidation reserve Note (c)	Translation reserve Note (d)	Capital reserve Note (e)	Contributed surplus reserve Note (f)	Accumulated losses	Subtotal	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2024	11,141	262,845	9,654	2,214	(4,110)	10,254	93,718	(101,485)	284,231	–	284,231
Loss for the year	–	–	–	–	–	–	–	(21,296)	(21,296)	–	(21,296)
Other comprehensive expense for the year	–	–	(81)	–	(1,150)	–	–	–	(1,231)	–	(1,231)
Total comprehensive expense for the year	–	–	(81)	–	(1,150)	–	–	(21,296)	(22,527)	–	(22,527)
At 31 March 2025	**11,141**	**262,845**	**9,573**	**2,214**	**(5,260)**	**10,254**	**93,718**	**(122,781)**	**261,704**	**–**	**261,704**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,541)**	**(5,541)**	**6**	**(5,535)**
Other comprehensive (expense) income for the year	**–**	**–**	**(14)**	**–**	**5,544**	**–**	**–**	**–**	**5,530**	**–**	**5,530**
Total comprehensive (expense) income for the year	**–**	**–**	**(14)**	**–**	**5,544**	**–**	**–**	**(5,541)**	**(11)**	**6**	**(5)**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,090**	**1,090**
At 31 March 2026	**11,141**	**262,845**	**9,559**	**2,214**	**284**	**10,254**	**93,718**	**(128,322)**	**261,693**	**1,096**	**262,789**

Notes:

a) Share premium

The application of the share premium is governed by section 40 of the Companies Act 1981 of Bermuda.

b) Revaluation reserve

It represented gains/losses arising on the revaluation of the Group's land and buildings (other than investment properties). The balance on this reserve was wholly non-distributable.

c) Consolidation reserve

It represented the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the exchange of shares on group reorganisation.

d) Translation reserve

It represented all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve was dealt with in accordance with the accounting policies set out in note 4.

e) Capital reserve

It represented the differences between the loans nominal amount of approximately HK$183,162,000 and the fair value of approximately HK$172,908,000 of loans granted by a shareholder in between the year ended 31 March 2018 and year ended 31 March 2020. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loans nominal amount and present value of approximately HK$10,254,000 was treated as equity contribution from the shareholder and credited to the capital reserve account.

f) Contributed surplus reserve

It represented as a result of the Capital Reduction, a credit of approximately HK$93,718,000 deducted from the share capital arose, and was transferred to the contributed surplus account of the Company, together with the amount arising from the reduction of share premium account and any credit which arose as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation, was applied in full by the Board to set off the accumulated losses of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2026

	Note	2026 HK$'000	2025 HK$'000
Operating activities			
Loss before taxation		**(6,405)**	(22,720)
Adjustments for:			
Impairment losses under expected credit loss model, net of reversal		**2,858**	(3,591)
Amortisation of other intangible assets		**3,627**	5,970
Depreciation of property, plant and equipment		**3,845**	2,154
Depreciation of right-of-use assets		**261**	869
(Increase) decrease in fair value of financial assets at fair value through profit or loss		**(281)**	48
Fair value loss on investment properties		**4,681**	3,782
Bank interest income		**(602)**	(63)
Interest income from loan to third parties		**(159)**	(1,093)
Interest on bank and other borrowings		**190**	1,919
Interest on lease liabilities		**7**	48
Gain on lease termination		**—**	(12)
Impairment loss on intangible assets		**—**	1,551
Impairment loss on goodwill		**—**	696
Operating cash flows before movements in working capital		**8,022**	(10,442)
Increase in inventories		**(535)**	(11,457)
(Increase) decrease in trade and other receivables		**(34,455)**	54,789
(Decrease) increase in trade and other payables		**(3,541)**	11,417
Increase (decrease) in contract liabilities		**1,730**	(9,375)
Cash generated (used in) from operations		**(28,779)**	34,932
Hong Kong Profits Tax refund		**4**	317
Other Income Tax paid		**—**	(8)
Net cash flows (used in) from operating activities		**(28,775)**	35,241
Investing activities			
Additions of property, plant and equipment		**(2,788)**	(3,073)
Interest income received from loans to third parties		**544**	975
Bank interest received		**602**	63
Repayment from a loan to a third party		**5,300**	15,000
Deposit paid for acquisition of property, plant and equipment		**(1,940)**	(2,367)
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	40
Proceeds from disposal of property, plant and equipment		**—**	34
Net cash flows from investing activities		**1,718**	10,672

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2026

	2026 HK$'000	2025 HK$'000
Financing activities		
New bank and other borrowings raised	**10,364**	35,600
Repayment of bank borrowings	**(1,840)**	(77,123)
Interest paid	**(197)**	(2,260)
Repayment of lease liabilities	**(261)**	(858)
Repayment to a director	**(8,000)**	(7,800)
Advance from a director	**128**	10,534
Capital contribution from non-controlling interests	**1,090**	—
Net cash flows from (used in) financing activities	**1,284**	(41,907)
Net (decrease) increase in cash and cash equivalents	**(25,773)**	4,006
Cash and cash equivalents at the beginning of the year	**33,065**	29,393
Effects of exchange rate changes, net	**296**	(334)
Cash and cash equivalents at the end of the year, representing bank balances and cash	**7,588**	33,065

1. GENERAL INFORMATION

Majestic Dragon Aerotech Holdings Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability and its shares (the "**Share**") are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its immediate and ultimate holding company is Always Profit Development Limited, a company incorporated in British Virgin Islands. Its ultimate controlling party is Mr. Zhang Jinbing, who is also the Chairman and Executive Director of the Company. The address of its principal place of business is Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the "**Group**") are the wholesale of consumer products including timepieces and accessories and garment and sportswear products, the sale of unmanned aerial vehicles and related parts, provision of unmanned aerial vehicle services and property investment.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

AMENDMENTS TO AN HKFRS ACCOUNTING STANDARD THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability

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

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

NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards - Volume 11[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
Amendments to HKAS 21	Translation to Hyperinflationary Presentation Currency[3]
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosure[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2026.

[3] Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

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

NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

HKFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies*, *Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of HKFRS 18) and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies 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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. MATERIAL ACCOUNTING POLICY INFORMATION

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

BUSINESS COMBINATIONS

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

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 is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

GOODWILL

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

GOODWILL (CONTINUED)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating unit).

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.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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

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

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 on 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 on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 translation reserve (attributed to non-controlling interests as appropriate).

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Land and buildings comprise mainly office premises. Land and buildings are carried at fair values, based on periodic valuations by an independent external valuer, less subsequent depreciation and impairment losses, if any. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase in credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to related profits.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost, or revalued amount, less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

	Depreciation rates	Method
– Land and building	over the lease terms	straight-line
– Leasehold improvements	15-20% or over the lease terms, whichever is shorter	straight-line
– Furniture and fixtures	15-20%	reducing balance
– Motor vehicles	15-25%	reducing balance
– Office and computer equipment	15-33%	reducing balance

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

INTANGIBLE ASSETS

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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 those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount 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 cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 cash generating unit) for which the estimates of future cash flows have not been adjusted.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL (CONTINUED)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount. the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

CASH AND CASH EQUIVALENTS (CONTINUED)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction cost directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) 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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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 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.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

(i) AMORTISED COST AND INTEREST INCOME

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) FINANCIAL ASSETS AT FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in "other gains and losses" line item.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, lease receivables and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date 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 reporting date. Assessment 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 reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables.

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, in which case 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 reporting date 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (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;
- 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 30 days 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

(ii) Definition of default

For internal credit risk management, the Group considers an event occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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; or

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

(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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for trade receivables and lease 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 and other receivables and lease receivables where the corresponding adjustment is recognised through a loss allowance account.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

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.

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.

(B) FINANCIAL LIABILITIES AND EQUITY

CLASSIFICATION AS DEBT OR EQUITY

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(ii) Financial liabilities

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a director and bank and other borrowings are subsequently measured at amortised cost using the effective interest method.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND EQUITY (CONTINUED)

(ii) Financial liabilities (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND EQUITY (CONTINUED)

(ii) Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

DERECOGNITION/MODIFICATION 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.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND EQUITY (CONTINUED)

DERECOGNITION/MODIFICATION OF FINANCIAL LIABILITIES (CONTINUED)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

LEASES

(A) DEFINITION OF A LEASE

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception. 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.

(B) THE GROUP AS A LESSEE

ALLOCATION OF CONSIDERATION TO COMPONENTS OF A CONTRACT

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

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

LEASES (CONTINUED)

(B) THE GROUP AS A LESSEE (CONTINUED)

RIGHT-OF-USE ASSETS

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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 in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

REFUNDABLE RENTAL DEPOSITS

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

LEASES (CONTINUED)

(B) 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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

LEASES (CONTINUED)

(C) THE GROUP AS A LESSOR

CLASSIFICATION AND MEASUREMENT OF LEASES

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

REFUNDABLE RENTAL DEPOSITS

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred 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 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

TAXATION (CONTINUED)

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of- use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

TAXATION (CONTINUED)

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

EMPLOYEE BENEFITS

(A) RETIREMENT BENEFIT COSTS

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

(B) SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(C) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

CONTINGENT LIABILITIES

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

RELATED PARTIES

A related party is a person or entity that is related to the Group in these consolidated financial statements, as follows:

(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 entity.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going 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.

(A) CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

DEFERRED TAXATION ON INVESTMENT PROPERTIES

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment properties portfolios and concluded that while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from these investment properties located in Hong Kong, the management determined that the presumption that the carrying amounts of these investment properties measured using the fair value model are recovered through sale is not rebutted.

For the Group's investment properties located in the Mainland China, the management concluded that they are depreciable and are being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the Mainland China, the management determined that the presumption that the carrying amounts of these investment properties measured using the fair value model are recovered through sale is rebutted.

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

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY

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

FAIR VALUE OF LAND AND BUILDING INCLUDED IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Land and building included in property, plant and equipment, and investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in notes 14 and 15.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, travel restrictions implemented by many countries, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's land and building and investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

The directors of the Company have performed internal assessment on the risks of change in macroeconomic environment through performing sensitivity analysis in relation to the Group's land and building and investment properties.

As at 31 March 2026, the carrying amounts of the Group's land and building and investment properties are approximately HK$28,220,000 (2025: HK$29,530,000) and HK$88,638,000 (2025: HK$91,807,000) respectively.

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

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

IMPAIRMENT ASSESSMENT OF TRADE RECEIVABLES AND LEASE RECEIVABLES

The Group calculates ECL for the trade receivables and lease receivables individually or collectively. Except for significant balances or credit-impaired amounts which are assessed for impairment individually, the remaining trade receivables and lease receivables are grouped under a collective assessment after considering internal credit ratings of debtors, ageing, repayment history and/or past due status of respective trade receivables and lease receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for supportable forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, 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 receivables and lease receivables are disclosed in notes 20 and 30(B)(d).

ESTIMATED IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or a group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. The estimated uncertainty mainly includes gross margin, discount rate and growth rate. Where the actual future cash flows are less than expected, or change in facts and circumstances of which results in downward revision of future cash or upward revision of discount rate, a material impairment loss or a further impairment loss may arise.

As at 31 March 2026, the carrying amount of goodwill is HK$13,977,000 (2025: HK$13,193,000). Details of the recoverable amount calculation are disclosed in note 17.

6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the wholesale of consumer products including timepieces and accessories ("**Watch products**") and garment and sportswear products, sales of unmanned aerial vehicles and related parts, provision of unmanned aerial vehicle services and property investment. Revenue mainly represents the consideration of goods sold, provision of aerial vehicle services and rental income received. An analysis of revenue is as follows:

(i) Analysis of revenue

	2026 HK$'000	2025 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15 – at point in time basis		
Sales of garment and sportswear products	**62,518**	67,130
Sales of Watch products	**5,129**	23,794
Sales of unmanned aerial vehicles and related parts	**26,238**	26,850
	93,885	117,774
Revenue from contracts with customers within the scope of HKFRS 15 – Over time basis		
Provision of unmanned aerial vehicle services	**7,869**	—
Revenue from other sources		
Rental income	**2,702**	1,017
	104,456	118,791

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) Performance obligations for contracts with customers

Revenue from sales of Watch products and export sales and local sales of garment and sales of unmanned aerial vehicles and related parts and sportswear products is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Revenue from unmanned aerial vehicle services is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for sale of Watch products, export and local sales of garment and sales of unmanned aerial vehicles and related parts and provision of unmanned aerial vehicle services and sportswear products such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contracts for sale of Watch products, export sales and local sales of garments, sales of unmanned aerial vehicles and related parts, unmanned aerial vehicles services income and sportswear products that had an original expected duration of one year or less.

i) Wholesale business

The Group satisfies its performance obligation upon delivery of the goods sold to the customers;

ii) Property investment: Investing and letting of properties; and

iii) Unmanned aerial vehicles business: Sales of unmanned aerial vehicles and related parts and provision of unmanned aerial vehicle services.

Segment profit or loss represents the profit or loss from each segment without allocation of corporate income, central administrative costs, finance costs and professional expenses which are for corporate use purpose.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, goodwill, other intangible assets, inventories, financial assets at fair value through profit or loss ("FVTPL"), bank balances and cash, trade receivables, deposits, prepayments and other receivables. They exclude assets used for corporate functions.

Segment liabilities consist primarily of trade payables, other payables and accrued charges, contract liabilities, bank and other borrowings, rental deposit received and lease liabilities. They exclude tax payable, deferred tax liabilities and liabilities used for corporate functions.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

	2026			
	Wholesale business HK$'000	Property investment HK$'000	Unmanned aerial vehicles business HK$'000	Total HK$'000
Revenue	**67,647**	**2,702**	**34,107**	**104,456**
Segment operating profit (loss)	**10,863**	**(2,520)**	**(7,637)**	**706**
Unallocated corporate income				**168**
Unallocated corporate expenses				**(7,082)**
Operating loss				**(6,208)**
Finance costs				**(197)**
Loss before taxation				**(6,405)**
Income tax credit				**870**
Loss for the year				**(5,535)**
Segment assets	**134,872**	**89,983**	**93,085**	**317,940**
Unallocated assets				**29,644**
Total assets				**347,584**
Segment liabilities	**56,037**	**273**	**20,751**	**77,061**
Unallocated liabilities				**3,956**
Deferred tax liabilities				**3,778**
Total liabilities				**84,795**

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2026				
	Wholesale business HK$'000	Property investment HK$'000	Unmanned aerial vehicles business HK$'000	Corporate HK$'000	Total HK$'000
Amortisation of other intangible assets	–	–	3,627	–	3,627
Increase in fair value of financial assets at FVTPL	(281)	–	–	–	(281)
Depreciation of property, plant and equipment	10	–	2,539	1,296	3,845
Depreciation of right-of-use assets	–	–	261	–	261
Fair value loss on investment properties	–	4,681	–	–	4,681
Impairment losses under expected credit loss ("ECL") model, net of reversal	3,600	(98)	(644)	–	2,858

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2025			
	Wholesale business HK$'000	Property investment HK$'000	Unmanned aerial vehicles business HK$'000	Total HK$'000
Revenue	90,924	1,017	26,850	118,791
Segment operating loss	(541)	(3,466)	(11,247)	(15,254)
Unallocated corporate income				1,709
Unallocated corporate expenses				(7,208)
Operating loss				(20,753)
Finance costs				(1,967)
Loss before taxation				(22,720)
Income tax credit				1,424
Loss for the year				(21,296)
Segment assets	122,142	91,962	79,015	293,119
Unallocated assets				53,832
Total				346,951
Segment liabilities	19,467	269	46,526	66,262
Unallocated liabilities				14,539
Deferred tax liabilities				4,446
Total				85,247

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	2025				
	Wholesale business HK$'000	Property investment HK$'000	Unmanned aerial vehicles business HK$'000	Corporate HK$'000	Total HK$'000
Amortisation of other intangible assets	2,326	–	3,644	–	5,970
Decrease in fair value of financial assets at FVTPL	48	–	–	–	48
Depreciation of property, plant and equipment	27	–	808	1,319	2,154
Depreciation of right-of-use assets	607	–	262	–	869
Fair value loss on investment properties	–	3,782	–	–	3,782
Impairment losses under ECL model, net of reversal	(4,934)	(167)	1,510	–	(3,591)

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

	2026	
	Revenue HK$'000	Non-current assets HK$'000
Africa	**52,353**	**–**
Hong Kong	**17,275**	**153,197**
Mainland China	**34,828**	**8,550**
	104,456	**161,747**

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS (CONTINUED)

	2025	
	Revenue HK$'000	Non-current assets HK$'000
Africa	56,996	—
Hong Kong	17,575	95,000
Mainland China	39,578	70,015
Taiwan	4,642	—
	118,791	165,015

Revenue is allocated based on the country in which the customers are located. Non-current assets, excluding non-current other receivables, are allocated based on where the assets are located.

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2026 HK$'000	2025 HK$'000
Customer A from the Wholesale business	**23,967**	33,526
Customer B from the Wholesale business	**14,870**	23,470
Customer C[1] from the Wholesale business	**13,515**	N/A
Customer D[2] from the Unmanned aerial vehicles business	**N/A**	14,172

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2025.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2026.

7. OTHER INCOME, OTHER GAINS AND LOSSES

	2026 HK$'000	2025 HK$'000
Other income		
Interest income from loans to third parties	**159**	1,093
Bank interest income	**602**	63
Government grants (note)	**829**	264
Sundry income	**339**	289
	1,929	1,709
Other gains and losses		
Increase (decrease) in fair value of financial assets at FVTPL	**281**	(48)
Gain on lease termination	**—**	12
Net exchange (loss) gain	**(701)**	666
	(420)	630
	1,509	2,339

Note: During the year ended 31 March 2026, government grants of HK$829,000 (2025: HK$264,000) represent incentives received and recognised upon completion of related research activities and development projects.

8. FINANCE COSTS

	2026 HK$'000	2025 HK$'000
Interest on bank and other borrowings	**190**	1,919
Interest on lease liabilities	**7**	48
	197	1,967

9. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	2026 HK$'000	2025 HK$'000
Cost of inventories recognised as an expense	**69,668**	93,283
Auditor's remuneration	**650**	650
Amortisation of other intangible assets	**3,627**	5,970
Depreciation of property, plant and equipment	**3,845**	2,154
Depreciation of right-of-use assets	**261**	869
Legal and professional fees	**1,785**	951
Staff costs, including directors' emoluments		
—Salaries, bonus and allowance	**11,384**	10,531
—Retirement benefits scheme contributions	**2,113**	2,014
Total staff costs	**13,497**	12,545

10. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The remuneration of each director of the Company for the year ended 31 March 2026 is set out below:

	Fee HK$'000	Salaries HK$'000	Other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:					
Zhang Jinbing	–	–	–	–	–
Yang Zeyun	240	–	–	18	258
Wang Yuelai	–	–	–	–	–
Zhang Che (note)	21	–	–	1	22
Wang Jian	120	–	–	6	126
Independent non-executive directors:					
Choi Ka Ying	120	–	–	–	120
He Xiaodong	120	–	–	–	120
Jie Yinghan	120	–	–	–	120
Total	741	–	–	25	766

10. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

The remuneration of each director of the Company for the year ended 31 March 2025 was set out below:

	Fee HK$'000	Salaries HK$'000	Other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:					
Zhang Jinbing	–	–	–	–	–
Yang Zeyun	630	–	–	18	648
Wang Yuelai	600	–	–	18	618
Wu Tingjun	29	–	–	–	29
Zhang Che (note)	24	–	–	–	24
Wang Jian	111	–	–	5	116
Independent non-executive directors:					
Chen Chonghu	10	–	–	–	10
Choi Ka Ying	120	–	–	–	120
He Xiaodong	120	–	–	–	120
Jie Yinghan	111	–	–	–	111
Total	1,755	–	–	41	1,796

Note: Mr. Zhang Che was appointed as an executive director on 20 January 2025 and resigned as an executive director on 3 June 2025.

10. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

The executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

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

No waiver of emoluments, corporation loss and inducement to join or upon joining the Group nor paid to directors of the Company or the five highest paid individuals during both years.

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include none (2025: two) of the directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the five (2025: three) individuals during the year are as follows:

	2026 HK$'000	2025 HK$'000
Salaries and other benefits	**1,834**	1,558
Retirement benefits scheme contributions	**78**	49
	1,912	1,607

The emoluments fell within the following bands:

	Number of individuals	
	2026	2025
Nil to HK$1,000,000	**5**	3

11. TAXATION

The amount of taxation credited to the consolidated statement of profit or loss and other comprehensive income represents:

	2026 HK$'000	2025 HK$'000
Current tax		
Mainland China Enterprise Income tax (the "**EIT**")	**—**	—
Under provision in prior years:		
EIT	**—**	4
Deferred tax		
Current year	**(870)**	(1,428)
Income tax credit	**(870)**	(1,424)

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax was provided for the year ended 31 March 2026 and 2025 as there were no chargeable profits under Hong Kong Profits Tax.

Under the Law of the Mainland China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Of the following subsidiary of the Company in the PRC, 山東龍翼航空科技有限公司 (Shandong Longyi Aviation Technology Co., Ltd) was endorsed as High and New Technology Enterprises by relevant authorities in the PRC was charged income tax in the PRC at a reduced income tax rate of 15%.

Under the applicable corporate tax law in Taiwan, income tax is charged at 20% of the estimated assessable profits. No provision for Taiwan profit-seeking enterprise income tax has been made in the consolidated financial statements as the subsidiary operating in Taiwan has no assessable profits for both years.

11. TAXATION (CONTINUED)

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using applicable tax rates as follows:

	2026 HK$'000	2025 HK$'000
Loss before taxation	**(6,405)**	(22,720)
Tax credit at the domestic income tax rate of 16.5% (2025: 16.5%)	**(1,057)**	(3,749)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**232**	54
Tax effect of income not taxable for tax purpose	**(644)**	(854)
Tax effect of expenses not deductible for tax purpose	**252**	1,462
Tax effect of tax losses not recognised	**1,931**	3,854
Utilisation of tax losses previously not recognised	**(1,895)**	(2,113)
Tax effect of temporary differences not recognised	**311**	—
Under provision in prior years	**—**	4
Others	**—**	(82)
Income tax credit for the year	**(870)**	(1,424)

12. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 March 2026 and 2025.

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2026 HK$'000	2025 HK$'000
Loss attributable to owners of the Company	**(5,541)**	(21,296)

	Number of shares	
	2026 '000	2025 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,114,069**	1,114,069

14. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Other property plant and equipment HK$'000	Total HK$'000
Year ended 31 March 2026					
Opening net book amount	29,530	–	2,633	838	33,001
Additions and transfer from prepayment for property, plant and equipment	–	3,725	2,826	–	6,551
Depreciation	(1,296)	(891)	(1,323)	(335)	(3,845)
Loss upon revaluation	(14)	–	–	–	(14)
Exchange adjustment	–	78	196	41	315
Closing net book amount	28,220	2,912	4,332	544	36,008
At 31 March 2026					
Cost or valuation	28,220	4,431	6,418	1,732	40,801
Accumulated depreciation and impairment	–	(1,519)	(2,086)	(1,188)	(4,793)
Net book amount	28,220	2,912	4,332	544	36,008
Analysis of cost or valuation:					
At cost	–	2,912	4,332	544	7,788
At valuation	28,220	–	–	–	28,220
	28,220	2,912	4,332	544	36,008

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Other property plant and equipment HK$'000	Total HK$'000
Year ended 31 March 2025					
Opening net book amount	30,930	5	840	513	32,288
Additions	–	–	2,395	678	3,073
Disposals	–	–	(9)	(25)	(34)
Depreciation	(1,319)	(5)	(520)	(310)	(2,154)
Loss upon revaluation	(81)	–	–	–	(81)
Exchange adjustment	–	–	(73)	(18)	(91)
Closing net book amount	29,530	–	2,633	838	33,001
At 31 March 2025					
Cost or valuation	29,530	601	3,327	2,101	35,559
Accumulated depreciation and impairment	–	(601)	(694)	(1,263)	(2,558)
Net book amount	29,530	–	2,633	838	33,001
Analysis of cost or valuation:					
At cost	–	–	2,633	838	3,471
At valuation	29,530	–	–	–	29,530
	29,530	–	2,633	838	33,001

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's land and building were revalued on 31 March 2026 and 2025 by independent qualified professional valuers on the basis of market comparable approach. Valuations were carried out by Vincorn Consulting and Appraisal Limited (2025: Vincorn Consulting and Appraisal Limited), independent firms of The Hong Kong Institute of Surveyors. If the buildings were stated under the cost model, the amounts would be as follows:

	2026 HK$'000	2025 HK$'000
Cost	**37,700**	37,700
Accumulated depreciation and impairment loss	**(8,568)**	(7,272)
	29,132	30,428

Please refer to note 15 for details of fair value measurement of the land and buildings.

15. INVESTMENT PROPERTIES

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group leases out properties under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 3 years (2025: 3 months to 5 years).

The Group is exposed to foreign currency risk as a result of the lease arrangements, as certain leases are denominated in the currency other than functional currency of the group entity. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term. The financial risk management objectives and policies of the Group in managing the currency risk are set out in note 30 to the consolidated financial statements.

15. INVESTMENT PROPERTIES (CONTINUED)

	2026 HK$'000	2025 HK$'000
At the beginning of the year	**91,807**	95,858
Changes in fair value included in profit or loss	**(4,681)**	(3,782)
Exchange adjustment	**1,512**	(269)
At the end of the year	**88,638**	91,807

The fair value of the Group's investment properties as at 31 March 2026 and 2025 has been arrived at on the basis of a valuation carried out on the respective dates by Vincorn Consulting and Appraisal Limited (2025: Vincorn Consulting and Appraisal Limited), independent qualified professional valuers not connected to the Group. The management works closely with the quality external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of directors of the Company every half-year to explain the cause of fluctuations in the fair value of the properties.

FAIR VALUE MEASUREMENT OF PROPERTIES

(i) Fair value hierarchy

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

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

15. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(i) Fair value hierarchy (continued)

	Fair value at 31 March 2026 HK$'000	Fair value measurements as at 31 March 2026 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
— Industrial — Hong Kong	**57,380**	**—**	**—**	**57,380**
— Commercial — PRC	**25,918**	**—**	**—**	**25,918**
— Car parking spaces — Hong Kong	**5,340**	**—**	**—**	**5,340**
	88,638	**—**	**—**	**88,638**
Property held for own use:				
— Land and building — Hong Kong (note 14)	**28,220**	**—**	**—**	**28,220**

	Fair value at 31 March 2025 HK$'000	Fair value measurements as at 31 March 2025 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
— Industrial — Hong Kong	60,040	—	—	60,040
— Commercial — PRC	26,357	—	—	26,357
— Car parking spaces — Hong Kong	5,410	—	—	5,410
	91,807	—	—	91,807
Property held for own use:				
— Land and building — Hong Kong (note 14)	29,530	—	—	29,530

15. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(i) Fair value hierarchy (continued)

In estimating the fair value of the property, the highest and best use of the property is the current use.

There were no transfer into or out of Level 3 during the years ended 31 March 2026 and 2025.

(ii) Information about Level 3 fair value measurements

Investment properties	2026 HK$'000	2025 HK$'000	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
– Industrial – Hong Kong	**57,380**	60,040	Income approach	Taking into account the term yield ranged of 2.8% (2025: 3.0%), reversionary yield of 3.3% (2025: 3.3%), monthly term rental rate ranged from HK$13.8 to HK$18.0 (2025: HK$14.4 to HK$17.6) per square feet ("sqf"), and reversionary market unit rate ranged from HK$5,374 to HK$6,862 (2025: HK$5,708 to HK$5,745) per sqf.	The higher the term yield, the lower the fair value; The higher the reversionary yield, the lower the fair value; The higher the monthly term rental rate, the higher the fair value; The higher the reversionary market unit rate, the higher the fair value.
– Car parking spaces – Hong Kong	**5,340**	5,410	Sales comparison approach	Taking into account the recent transaction prices of similar properties, which ranged from HK$1,050,000 to HK$2,000,000 (HK$1,102,000 to HK$2,525,000) per unit.	The higher the price per car parking space, the higher the fair value.
– Commercial – PRC	**25,918**	26,357	Income approach	Taking into account the term yield ranged of 3.2% (2025: 3.0%), reversionary yield of 4.55% (2025: 4.55%) monthly term rental rate of RMB129.0 (2025: RMB138.7) per square meter ("sqm"), and an average reversionary market unit rate of RMB22,388 (2025: RMB24,121) per sqm.	The higher the term yield, the lower the fair value; The higher the reversionary yield, the lower the fair value; The higher the monthly term rental rate, the higher the fair value; The higher the reversionary market unit rate, the higher the fair value.
	88,638	91,807			

Land and building	2026 HK$'000	2025 HK$'000	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
– Industrial – Hong Kong	**28,220**	29,530	Sales comparison approach	Taking into account the market unit rate of similar properties, which is HK$5,110 (2025: HK$5,854) per sqf.	An increase in market unit rate used would result in an increase in the fair value of the properties, and vice versa.

15. INVESTMENT PROPERTIES (CONTINUED)

ANALYSIS OF NET BOOK VALUE OF PROPERTIES

	2026 HK$'000	2025 HK$'000
In Hong Kong		
— medium-term leases	**90,940**	94,980
In the PRC		
— medium-term leases	**25,918**	26,357
	116,858	121,337

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
Cost	
As at 1 April 2024	6,811
Additions	1,377
Lease termination	(2,215)
As at 31 March 2025	5,973
Additions	261
As at 31 March 2026	6,234
Accumulated depreciation and impairment	
As at 1 April 2024	6,579
Depreciation charge	869
Lease termination	(1,605)
Exchange adjustment	4
As at 31 March 2025	5,847
Depreciation charge	261
Exchange adjustment	(8)
As at 31 March 2026	6,100
Carrying value	
At 31 March 2026	134
At 31 March 2025	126

16. RIGHT-OF-USE ASSETS (CONTINUED)

	2026 HK$'000	2025 HK$'000
Total cash outflows for leases	**268**	906

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leased properties	Over the lease term of 3 years

The Group entered into a lease arrangement for the use of retail store in Hong Kong and office premises in PRC for 1 to 3 years. The Group is required to make fixed monthly payments during the contract period. 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.

17. GOODWILL

	Acquisition of Sinoforce Group Limited ("Sinoforce") HK$'000	Acquisition of Longyi HK$'000	Total HK$'000
Cost			
At 1 April 2024	696	13,339	14,035
Exchange adjustment	—	(146)	(146)
At 31 March 2025	696	13,193	13,889
Exchange adjustment	—	784	784
At 31 March 2026	696	13,977	14,673
Impairment			
At 1 April 2024	—	—	—
Impairment loss recognised in profit or loss	(696)	—	(696)
At 31 March 2025 and 31 March 2026	(696)	—	(696)
Carrying value			
At 31 March 2026	—	13,977	13,977
At 31 March 2025	—	13,193	13,193

17. GOODWILL (CONTINUED)

IMPAIRMENT TESTING ON GOODWILL

	Goodwill	
	2026	2025
	HK$'000	HK$'000
Wholesale business - Watch (Unit A)	**—**	—
Unmanned aerial vehicles business (Unit B)	**13,977**	13,193
	13,977	13,193

In addition to goodwill above, property, plant and equipment (including right-of-use assets) and intangible assets that generate cash flows together with the related goodwill are also included in the respective cash generating unit for the purpose of impairment assessment.

UNIT A

During the year ended 31 March 2025, the exclusive distribution right of the watch products bearing certain trademarks in territories of the Mainland China, Hong Kong and Taiwan was terminated in accordance with a settlement for termination of bilateral agreement entered between a subsidiary of the Company and a supplier. The directors of the Company consider the sales of the products would decrease significantly and have revised Unit A's cash flow projection and have consequently determined impairment of goodwill directly related to Unit A amounting to HK$696,000. Goodwill related to Unit A amounting to HK$696,000 been fully impaired and impairment amounting to HK$1,551,000 have been allocated to intangible assets to the extent the carrying amount of the asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero.

UNIT B

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 21.5% (2025: 22.3%). The unit's cash flows beyond the five-year period are extrapolated using a 3% (2025: 3%) growth rate based on industry growth forecasts.

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows include budgeted sales with average growth rate of 3% (2025: 3%), such estimation is based on the unit's past performance and management's expectations for the market development.

During the years ended 31 March 2026 and 2025, management of the Group determines that there are no impairment on the unit. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the unit to exceed its recoverable amount.

18. OTHER INTANGIBLE ASSETS

	Distribution right HK$'000	Technical know-how HK$'000	Total HK$'000
Cost			
At 1 April 2024	8,142	30,803	38,945
Exchange adjustment	—	(337)	(337)
At 31 March 2025	8,142	30,466	38,608
Exchange adjustment	—	1,811	1,811
At 31 March 2026	8,142	32,277	40,419
Amortisation and impairment			
At 1 April 2024	4,265	2,371	6,636
Charge for the year	2,326	3,644	5,970
Impairment loss recognised in profit or loss (note 17)	1,551	—	1,551
Exchange adjustment	—	(152)	(152)
At 31 March 2025	8,142	5,863	14,005
Charge for the year	—	3,627	3,627
Exchange adjustment	—	449	449
At 31 March 2026	8,142	9,939	18,081
Carrying value			
At 31 March 2026	—	22,338	22,338
At 31 March 2025	—	24,603	24,603

The intangible assets represent distribution right and technical know-how with finite useful lives which were purchased as a part of a business combination during the year or in prior years. Such intangible assets are amortised on a straight-line basis over the periods ranging from 3.5 to 8.6 years.

19. INVENTORIES

	2026 HK$'000	2025 HK$'000
Raw materials	**7,934**	12,520
Work in progress	**36**	—
Finished goods	**60,701**	55,044
	68,671	67,564

20. TRADE AND OTHER RECEIVABLES

	2026 HK$'000	2025 HK$'000
Trade receivables		
– Contracts with customers	**170,183**	142,030
– Lease receivables	**7,391**	6,310
Less: Allowance for credit losses	**(90,424)**	(87,442)
Trade receivables, net	**87,150**	60,898
Deposits paid to suppliers (note i)	**13,760**	9,772
Other receivables, net (note ii)	**3,180**	7,153
Prepayments	**4,339**	2,428
Rental, utility and sundry deposits	**502**	686
	21,781	20,039
Total trade and other receivables	**108,931**	80,937
Less: current portion	**106,653**	80,937
Non-current portion	**2,278**	—

Notes:

(i) As at 31 March 2026, included in deposits paid to suppliers of approximately HK$13,760,000 (2025: HK$9,772,000) is deposits paid to suppliers for Unmanned aerial vehicles business.

(ii) As at 31 March 2026, other receivables comprised of a loan to a third party amounting to approximately HK$2,278,000 (2025: HK$5,905,000), net of loss allowance with repayment date more than two years but within three years and interest bearing at 3.5% per annum (2025: with repayment date within one year and interest bearing at 6% per annum).

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

At the end of the reporting period, the ageing analysis of trade receivables and lease receivables based on the invoice date and net of allowance for credit losses, is as follows:

	2026 HK$'000	2025 HK$'000
0-30 days	**401**	17,177
31-60 days	**269**	6,162
61-180 days	**14,748**	32,365
181-365 days	**53,127**	3,419
Over 1 year	**18,605**	1,775
	87,150	60,898

The trade receivables and lease receivables were denominated in United States dollars ("**US$**"), HK$ and Renminbi ("**RMB**").

The majority of the Group's customers for overseas sales are generally on open account from 120 to 150 days (2025: 120 to 150 days) from the date of invoice. The credit period granted to local customers is 30 to 90 days (2025: 30 to 90 days).

Details of impairment assessment are set out in note 30(B)(d).

21. BANK BALANCES AND CASH

Cash and cash equivalents are denominated in the following currencies:

	2026 HK$'000	2025 HK$'000
US$	**1,648**	10,004
RMB	**3,079**	7,840
HK$	**2,849**	11,339
Others	**12**	3,882
	7,588	33,065

At 31 March 2026 and 2025, bank balances carry interests at prevailing market rates.

The conversion of bank balances and cash of the Group denominated in RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC.

Details of impairment assessment are set out in note 30(B)(d).

22. TRADE AND OTHER PAYABLES AND AMOUNT DUE TO A DIRECTOR

	2026 HK$'000	2025 HK$'000
Trade payables	**55,705**	49,562
Deposits received	**273**	269
Accrued expenses	**4,561**	4,425
Other tax payables	**1,380**	11
Other payables	**3,695**	13,889
Total trade and other payables	**65,614**	68,156
Less: current portion	**65,483**	68,156
Non-current portion	**131**	—

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

	2026 HK$'000	2025 HK$'000
0 - 30 days	**433**	11,710
31 - 90 days	**610**	3,335
91 - 180 days	**12,975**	14,459
Over 180 days	**41,687**	20,058
	55,705	49,562

The trade payables were mainly denominated in HK$, US$ and RMB.

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days (2025: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (2025: 30 days).

The amount due to a director is unsecured, interest-free and repayable on demand.

23. CONTRACT LIABILITIES

	2026 HK$'000	2025 HK$'000
Sales of wholesale-business	**—**	358
Rental income	**66**	—
Sales of unmanned aerial vehicles	**3,164**	1,025
	3,230	1,383

As at 1 April 2024, contract liabilities amounted to HK$10,758,000.

The Group receives a designated amount of the contract value from customers in advance. The advances result in contract labilities being recognised as revenue until the customer obtains control of a promised products and the entity satisfies a performance obligation.

24. LEASE LIABILITIES

	2026 HK$'000	2025 HK$'000
Lease liabilities payable:		
Within one year	**136**	128
Less: Amount due for settlement within 12 months shown under current liabilities	**(136)**	(128)
Amount due for settlement after 12 months shown under non-current liabilities	**—**	—

The weighted average incremental borrowing rate applied to lease liabilities ranged from 5.1% to 5.4% (2025: ranged from 5.1% to 5.4%).

25. BANK AND OTHER BORROWINGS

	2026 HK$'000	2025 HK$'000
Fixed rate and unsecured other borrowings, repayable within one year	**3,770**	600
Variable rate and unsecured bank borrowings, repayable within one year	**5,605**	—
	9,375	600

At 31 March 2026, the other borrowings denominated in RMB (2025: HK$) carry interest at 3.0% (2025: 5.25%) per annum.

At 31 March 2026, the bank borrowings denominated in RMB (2025: Nil) carry interests at 1-year Loan Prime Rate per annum.

26. DEFERRED TAX (ASSETS) LIABILITIES

The following are the major deferred tax (assets) liabilities recognised by the Group:

	Depreciation allowance in excess of the related depreciation HK$'000	Revaluation of properties HK$'000	Fair value adjustment arising from acquisition of subsidiaries HK$'000	Unused tax losses HK$'000	Total HK$'000
At 31 March 2024	(37)	2,392	4,221	(688)	5,888
Exchange adjustment	—	—	(14)	—	(14)
Charge (credit) to profit or loss	37	(120)	(547)	(798)	(1,428)
At 31 March 2025	**—**	**2,272**	**3,660**	**(1,486)**	**4,446**
Exchange adjustment	—	—	202	—	202
Credit to profit or loss	—	(326)	(544)	—	(870)
At 31 March 2026	**—**	**1,946**	**3,318**	**(1,486)**	**3,778**

26. DEFERRED TAX (ASSETS) LIABILITIES (CONTINUED)

The following is the analysis of the deferred tax liabilities for financial reporting purpose:

	2026 HK$'000	2025 HK$'000
Deferred tax liabilities	**3,778**	4,446

At the end of the reporting period, the Group has unused tax losses of approximately HK$323,239,000 (2025: HK$323,025,000) available for offset against future profits. No deferred tax assets have been recognised for the tax losses of HK$314,019,000 (2025: HK$314,019,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK$31,051,000 (2025: HK$21,355,000) that will expire in 5 years. Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

As at 31 March 2026, deferred taxation had not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB3,589,000 (equivalent to HK$4,023,000) (2025: RMB11,880,000, equivalent to HK$12,570,000) as the Group was able to control the timing of the reversal of the temporary differences and it was probable that the temporary differences would not reverse in the foreseeable future.

27. SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

	Number of shares	Ordinary shares HK$'000
Authorised:		
At 1 April 2024, 31 March 2025 and 31 March 2026		
Ordinary shares of HK$0.01 each	30,000,000,000	300,000
Issued and fully paid:		
At 31 March 2025 and 31 March 2026	1,114,069,159	11,141

Note:

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

28. 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 capital structure of the Group consists of net debt, equity attributable to equity holders of the Company comprising share capital and reserves.

The Board of the Company reviews the capital structure periodically. As part of the review, the Board assesses the annual budget prepared by the finance department taking into account the provision of funding.

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

29. SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") which became effective on 28 September 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing prices of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options were granted nor exercised during both years. No share options were outstanding as at 31 March 2026 and 31 March 2025.

30. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2026 HK$'000	2025 HK$'000
Financial assets		
— At amortised cost	**112,180**	111,574
— At fair value through profit or loss	**543**	262
Financial liabilities		
— At amortised cost	**71,573**	74,713

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT

The Group's activities expose to a variety of financial risks including foreign currency risk, liquidity risk, cash flow and fair value interest rate risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) FOREIGN CURRENCY RISK

Foreign currency risk arises from transactions, recognised assets and liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate, primarily with respect to the US$, RMB, HK$, TWD and Euro Dollars. Any changes in the exchange rates will impact the Group's operating results.

As HK$ is pegged to US$, foreign currency exposure on US$ denominated transactions, assets or liabilities is considered as minimal. The volume of RMB, TWD and Euro Dollars denominated transactions and recognised assets and liabilities is not significant, therefore, the foreign currency risk is still considered as minimal. The Group currently does not undertake any foreign currency hedging.

(b) LIQUIDITY RISK

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) LIQUIDITY RISK (CONTINUED)

The Group relies on amount due to a director and bank and other borrowings as significant sources of liquidity. The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2026					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000
Trade payables	55,705	–	–	–	55,705	55,705
Other payables	3,695	–	–	–	3,695	3,695
Amount due to a director	2,662	–	–	–	2,662	2,662
Bank and other borrowings	9,597	–	–	–	9,597	9,375
Lease liabilities	138	–	–	–	138	136
	71,797	–	–	–	71,797	71,573

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) LIQUIDITY RISK (CONTINUED)

	2025					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000
Trade payables	49,562	–	–	–	49,562	49,562
Other payables	13,889	–	–	–	13,889	13,889
Amount due to a director	10,534	–	–	–	10,534	10,534
Bank and other borrowings	631	–	–	–	631	600
Lease liabilities	130	–	–	–	130	128
	74,746	–	–	–	74,746	74,713

(c) INTEREST RATE RISK

The Group's primary cash flow interest rate risk relates to its variable rate bank borrowings with details set out in note 25. The Group is also exposed to fair value interest rate risk in relation to bank balances, lease liabilities and fixed rate other borrowings. The Group has not used any derivative contracts to hedge its exposure to such interest rate risk, however, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from variable rate bank borrowings.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) INTEREST RATE RISK (CONTINUED)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis points increase or decrease is used when reporting interest risk internally to key management personnel and represents the management's assessment of the reasonably possible change in the interest rates.

The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

No sensitivity analysis was presented for the year ended 31 March 2026 as the management of the Group considers that the interest rate risk is immaterial.

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in the financial losses to the Group. The Group's credit risk exposures are primarily attributable to financial assets at amortised cost and lease receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and lease receivables.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures to ensure that follow-up action, not limited to agreeing repayment schedules or legal action, is taken to recover overdue debts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade receivables and lease receivables based on collective assessment or individually for significant balances.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

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

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets at amortised cost
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	Debtors frequently repay after due dates but usually settle in full. The counterparty has low default risk considering the business relationship and repayment history or other supportive information.	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

Trade receivables arising from contracts with customers and lease receivables

To assess impairment losses on trade and lease receivables, the Group aggregates all outstanding balances not subject to individual assessment into portfolios that share common risk characteristics. These characteristics are initially determined by business segment and further categorized based on the number of past-due days. The expected credit loss (ECL) is calculated using the methodology prescribed under HKFRS 9, as detailed in Note 4: Impairment of Financial Assets Subject to Impairment Assessment under HKFRS 9.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

Trade receivables arising from contracts with customers and lease receivables (continued)

Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK$82,947,000 (2025:HK$82,947,000) with loss allowances of HK$82,947,000 (2025: HK$82,947,000) were assessed individually.

The estimated default rates for trade and lease receivables are estimated based on historical observed default rates over the expected life of the trade and lease receivables, external information published by external credit rating agency and subsequent settlement and are adjusted for forward-looking information that is available without undue cost or effort, including macroeconomic data such as Hong Kong and Mainland China Gross Domestic growth rate. The identification of internal credit rating for debtors is regularly reviewed by management to ensure relevant information about specific debtor is updated.

The following table provides information about the exposure to credit risk for trade receivables and lease receivables by business segment

Internal credit rating		31 March 2026		31 March 2025	
		Gross carrying amount HK$'000	Allowance for credit losses HK$'000	Gross carrying amount HK$'000	Allowance for credit losses HK$'000
Property investment					
Low risk	Lifetime ECL (collective assessment)	**1,194**	**(31)**	113	—
Loss	Credit - impaired	**6,197**	**(6,197)**	6,197	(6,197)
Wholesales business					
Low risk	Lifetime ECL (collective assessment)	**70,854**	**(4,820)**	58,790	(1,208)
Watch List	Lifetime ECL (collective assessment)	**—**	**—**	—	—
Loss	Credit - impaired	**76,750**	**(76,750)**	76,750	(76,750)
Unmanned Aerial Vehicles Business					
Low risk	Lifetime ECL (collective assessment)	**22,579**	**(2,626)**	6,490	(3,287)
Watch List	Lifetime ECL (collective assessment)	**—**	**—**	—	—
Total		**177,574**	**(90,424)**	148,340	(87,442)

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and lease receivables under the simplified approach.

	Lifetime ECL (not credit impaired)	Lifetime ECL (credit-impaired)	Total
As at 31 March 2024	7,671	83,344	91,015
Changes due to financial instruments recognised as at 1 April 2024:			
– Reversal of impairment losses recognised	(5,083)	(397)	(5,480)
New financial assets	1,907	—	1,907
As at 31 March 2025	**4,495**	**82,947**	**87,442**
Change due to financial instruments recognised as at 1 April 2025:			
– Impairment losses recognised	**1,209**	**—**	**1,209**
New financial assets	**1,773**	**—**	**1,773**
As at 31 March 2026	**7,477**	**82,947**	**90,424**

During the year ended 31 March 2026, the Group had legal proceedings against a debtor with the gross carrying amount of approximately HK$6,197,000 (2025: HK$6,197,000), on which provision for impairment of approximately HK$6,197,000 (2025: HK$6,197,000) was made. As at the reporting date, the legal proceedings are still in progress.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

The Group is exposed to concentration of credit risk. At 31 March 2026, the Group had a concentration of credit risk as 37% (2025: 45%) of the Group's trade receivables and lease receivables were due from three (2025: three) major customers. As at 31 March 2026, included in the Group's trade receivables and lease receivables are debtors with aggregate carrying amount of approximately HK$171,984,000 (2025: HK$108,281,000) which are past due as at the reporting date. In view of their historical repayment pattern, long term relationships with the Group and taking into consideration of forward-looking information or other supportive information, the directors of the Company consider that the Group's credit risk is not material.

Management continues to focus on recovering long-aged receivables. Specific actions undertaken or planned include the initiation of legal proceedings and direct negotiation with debtors regarding settlement plans. In addition, enhanced collection follow-up procedures and strengthened receivables monitoring have been implemented to support timely collections and dispute resolution. These recovery activities are monitored closely and directly influence the level of impairment provisions recognized in the financial statements. Management is confident that these ongoing efforts will enhance the aging profile and overall quality of the receivable's portfolio.

During the year ended 31 March 2026, the Group recognised approximately HK$2,982,000 (2025: reversed approximately HK$3,573,000) loss allowance for trade receivables and lease receivables.

The tables below detail the credit risk exposures of the Group's other financial assets at amortised cost, which are subject to ECL assessment:

	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2026 HK$'000	Gross carrying amount 2025 HK$'000
Financial assets at amortised cost				
Other receivables and deposits	Low risk	Lifetime ECL – not credit-impaired	**3,043**	7,312
	Watch list	Lifetime ECL – not credit-impaired	**–**	–
			3,043	7,312
Bank balances	Low risk	12m ECL	**7,588**	33,065

30. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) CREDIT RISK AND IMPAIRMENT ASSESSMENT (CONTINUED)

Movement in the loss allowance account in respect of other receivables and deposits during the year is as follows:

	2026 Total and 12m ECL HK$'000	2025 Total and 12m ECL HK$'000
Balance at 1 April	**159**	177
Impairment losses reversed, net	**(124)**	(18)
Balance at 31 March	**35**	159

Other receivables and deposits

The management made periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of the Group believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Reversal of impairment loss of approximately HK$124,000 (2025: HK$18,000) was recognised during the year ended 31 March 2026.

Bank balances

The credit risk of bank balances is limited because the majority of the counterparties are international banks and state-owned banks with good reputation. Majority of the bank balances are placed in banks with credit ratings of AA and A. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	**Fair value 2026 HK$'000**	Fair value 2025 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL — Listed equity securities	**543**	262	Level 1	Quoted bid price in an active market

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS

The carrying amounts of the Group's financial instruments at amortised cost are not materially different from their fair values.

32. RECONCILIATION OF LIABILTIIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to a director HK$'000	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
Changes from financing cash flow:				
At 1 April 2024	7,800	41,954	236	49,990
New bank and other borrowings raised	—	35,600	—	35,600
Repayment of bank borrowings	—	(77,123)	—	(77,123)
Repayment of lease liabilities	—	—	(858)	(858)
Repayment to a director	(7,800)	—	—	(7,800)
Advance from a director	10,534	—	—	10,534
Interest paid	—	(1,919)	(48)	(1,967)
Total changes from financing cash flows	2,734	(43,442)	(906)	(41,614)
Other changes				
Interest expenses	—	1,919	48	1,967
Lease termination	—	—	(622)	(622)
New leases entered	—	—	1,377	1,377
Exchange adjustment	—	169	(5)	164
At 31 March 2025	10,534	600	128	11,262

32. RECONCILIATION OF LIABILTIIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Amount due to a director HK$'000	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
Changes from financing cash flow:				
At 1 April 2025	**10,534**	**600**	**128**	**11,262**
New bank and other borrowings raised	**—**	**10,364**	**—**	**10,364**
Repayment of bank borrowings	**—**	**(1,840)**	**—**	**(1,840)**
Repayment of lease liabilities	**—**	**—**	**(261)**	**(261)**
Repayment to a director	**(8,000)**	**—**	**—**	**(8,000)**
Advance from a director	**128**	**—**	**—**	**128**
Interest paid	**—**	**(190)**	**(7)**	**(197)**
Total changes from financing cash flows	**(7,872)**	**8,334**	**(268)**	**194**
Other changes				
Interest expenses	**—**	**190**	**7**	**197**
New leases entered	**—**	**—**	**261**	**261**
Exchange adjustment	**—**	**251**	**8**	**259**
At 31 March 2026	**2,662**	**9,375**	**136**	**12,173**

33. COMMITMENTS UNDER OPERATING LEASES

THE GROUP AS LESSOR

All of the properties held for rental purposes have committed lessees for the next three years. Certain of the Group's properties held for rental purposes.

Minimum lease payments receivable on leases are as follows:

	2026 HK$'000	2025 HK$'000
Within one year	**919**	901
In the second year	**802**	756
In the third year	**87**	756
	1,808	2,413

34. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2026 HK$'000	2025 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**118,496**	118,496
Current assets		
Other receivables	**135**	289
Amounts due from subsidiaries	**187,193**	186,436
Bank balances and cash	**49**	2,719
	187,377	189,444
Total assets	**305,873**	307,940
EQUITY		
Share capital	**11,141**	11,141
Reserves (note)	**276,814**	279,857
Total equity	**287,955**	290,998
LIABILITIES		
Current liabilities		
Other payables	**1,422**	1,501
Amounts due to subsidiaries	**16,496**	14,841
Bank and other borrowings	**—**	600
	17,918	16,942
Total liabilities	**17,918**	16,942
Total equity and liabilities	**305,873**	307,940
Net current assets	**169,459**	172,502
Total assets less current liabilities	**287,955**	290,998

34. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Note: The Company's reserves movement is as follows:

	Share premium	Contributed Surplus reserve (Note a)	Capital reserve (Note b)	Accumulated losses (Note c)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2024	**262,845**	**161,710**	**10,254**	**(143,969)**	**290,840**
Total comprehensive expense for the year	—	—	—	(10,983)	(10,983)
At 31 March 2025	**262,845**	**161,710**	**10,254**	**(154,952)**	**279,857**
Total comprehensive expense for the year	—	—	—	(3,043)	(3,043)
At 31 March 2026	**262,845**	**161,710**	**10,254**	**(157,995)**	**276,814**

34. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Notes: (continued)

a. Contributed surplus reserve

It represented the excess of the consolidated net assets value of Takson (B.V.I.) Limited upon its merger with the Company over the nominal value of the Company's shares issued in the exchange thereof approximately HK$67,992,000. Under the Companies Act 1981 of Bermuda (as amended) and the By-laws of the Company, the contributed surplus is distributable to the equity holders, unless there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

It also represented as a result of the Capital Reduction, a credit of approximately HK$93,718,000 deducted from the share capital arose, and was transferred to the contributed surplus account of the Company, together with the amount arising from the reduction of share premium account and any credit which arose as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation, was applied in full by the Board to set off the accumulated losses of the Company.

b. Capital reserve

It represented the differences between the loans nominal amount of approximately HK$183,162,000 and the fair value of approximately HK$172,908,000 of loans granted by a shareholder in between the year ended 31 March 2018 and year ended 31 March 2020. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loan nominal amount and present value of approximately HK$10,254,000 was treated as equity contribution from the shareholder and credited to the capital reserve account.

c. Accumulated losses

At 31 March 2026, the Company had no reserves available for distribution to shareholders (2025: nil).

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Issued share capital/ registered capital	Attributable equity interest held by the Company	
Interest held directly				2026	2025
Takson (B.V.I.) Limited	BVI	Investment holding	US$1,000	**100%**	100%
Sinoforce Group Limited	BVI	Investment holding	US$10,000	**100%**	100%
Interest held indirectly					
Takson Garment Manufacturing Company, Limited	Hong Kong	Property investment in the PRC	HK$200,000	**100%**	100%
Gold Wealth Holdings Limited	Hong Kong	Property investment in Hong Kong	HK$1	**100%**	100%
King Crest Limited	Hong Kong	Property investment in Hong Kong	HK$1	**100%**	100%
Gold Pine International Holdings Limited	Hong Kong	Sales of sportswear products and unmanned aerial vehicles and related parts	HK$1	**100%**	100%
Swiss Mechanical Time (Hong Kong) Limited	Hong Kong	Wholesale of timepieces and accessories	HK$10,000	**100%**	100%
Takson Sportswear Limited	BVI	Property investment in Hong Kong	US$50,000 (Paid up US$1)	**100%**	100%

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Issued share capital/ registered capital	Attributable equity interest held by the Company	
Unite Smart Limited	Hong Kong	Sales of garments	HK$500,000	**100%**	100%
Shandong Longyi Aviation Technology Co., Ltd 山東龍翼航空科技有限公司 ("**Longyi**")	PRC	Sales of unmanned aerial vehicles and related parts	RMB50,000,000	**100%**	100%
Shanghai Mechanical Time (Shanghai) Limited 上海柏時鐘錶有限公司	PRC	Wholesale of timepieces and accessories	RMB1,000,000	**100%**	100%

36. RELATED PARTY TRANSACTIONS

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel is deemed to be the members of the board of directors of the Company which has responsibility for planning, directing and controlling the activities of the Group. Remuneration paid for key management personnel is disclosed in note 10.

37. RETIREMENT BENEFITS PLANS

The employees of the Group's subsidiaries in Mainland China participate in retirement and medicare insurances in accordance with the Mainland China laws and related regulations. When an employee joins the Group, he is enrolled with the local retirement plan. Contributions to the retirement insurance, borne by the Group and the employee jointly at the proportions stipulated by the local Municipal Government, are paid to the social insurance institutions monthly. When the employee retires, he receives his retirement funds from the insurance company directly and is also entitled to enjoy medical benefits after retirement provided by the insurance company. Other than the contributions, the Group has no forfeited contribution nor obligation for any related retirement benefits.

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualified employees in Hong Kong. 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 payroll costs, with maximum of HK$1,500 per employee per month, to the MPF Scheme, which contribution is matched by employees.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of HK$2,059,000 (2025: HK$2,014,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

38. CAPITAL COMMITMENTS

	2026 HK$'000	2025 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**159**	2,023

FIVE-YEAR FINANCIAL SUMMARY

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

	2026	2025	2024	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Revenue	**104,456**	118,791	245,978	206,538	207,226
Loss attributable to Owners of the Company	**(5,541)**	(21,296)	(66,577)	(6,745)	(11,716)
Assets and Liabilities					
Total assets	**347,584**	346,951	407,899	492,630	409,045
Total liabilities	**84,795**	85,247	(123,668)	(216,425)	(108,779)
Net assets	**262,789**	261,704	284,231	276,205	300,266

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31 March 2026 and 31 March 2025 are as follows:

Location	Gross floor area (sq. ft.)	Type	Tenure
Workshop Units Nos. 11 and 12 On 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	13,665	Industrial	Medium Lease
Car Parking Spaces Nos. P19 and P20 On Basement Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
Car Parking Space No. L14 On Ground Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
中華人民共和國 上海市 延安西路726號 華敏翰尊國際大廈東樓 23層E室, F室, G室, H室, I室及L室	11,116	Commercial	Medium Lease