ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SAVEWO GROUP LIMITED AND PATRONS CAPITAL LIMITED

Introduction

We report on the historical financial information of Savewo Group Limited (the "**Company**") and its subsidiaries (collectively referred as to the "**Group**") set out on pages I-3 to I-47, which comprises the combined statements of financial position of the Group as at 31 March 2025 and 2026 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the years ended 31 March 2025 and 2026 (the "**Track Record Period**") including material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-47 forms an integral part of this report, which has been prepared for inclusion in the **[REDACTED]** of the Company dated [●] (the "**[REDACTED]**") in connection with the initial **[REDACTED]** of the shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Report on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2025 and 2026 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company's subsidiaries in respect of the Track Record Period and states that no dividend was declared and paid by the Company since its date of incorporation.

Historical financial statements of the Company

No financial statements have been prepared for the Company since its date of incorporation to report date.

SHINEWING (HK) CPA Limited
Certified Public Accountants
[●]
Practising Certificate Number: [●]

Hong Kong
[●]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong Dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2025 *HK$'000*	2026 *HK$'000*
Revenue	*6*	73,213	75,543
Cost of sales		(38,898)	(38,895)
Gross profit		34,315	36,648
Other income, gains and losses, net	*8*	635	10,064
Selling and distribution expenses		(15,991)	(15,449)
Administrative expenses		(8,776)	(8,893)
Research and development expenses		(3,467)	(3,611)
Reversal of impairment losses/(impairment losses) on financial assets, net	*11*	521	(767)
Finance costs	*9*	(280)	(265)
Profit before tax		6,957	17,727
Income tax credit/(expenses)	*10*	1,310	(946)
Profit for the year	*11*	8,267	16,781
Other comprehensive expense			
Items that will not be reclassified to profit or loss			
Remeasurement on long service payment obligation	*27*	(137)	(170)
Other comprehensive expense for the year		(137)	(170)
Total comprehensive income for the year attributable to equity holders of the Company		8,130	16,611

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March	
	Notes	**2025**	**2026**
		HK$'000	*HK$'000*
Non-current assets			
Plant and equipment	*15*	9,006	2,852
Right-of-use assets	*16*	5,736	12,055
Intangible assets	*17*	16,588	16,659
Rental deposits	*20*	—	1,446
Total non-current assets		31,330	33,012
Current assets			
Inventories	*21*	11,745	13,462
Trade receivables	*19*	9,057	8,632
Deposits, prepayments and other receivables	*20*	5,041	7,395
Tax recoverable		3,185	1,440
Bank balances and cash	*23*	8,245	14,042
Total current assets		37,273	44,971
Current liabilities			
Trade and other payables	*24*	4,862	8,487
Contract liabilities	*25*	2,480	—
Amounts due to directors	*22*	16,495	5,422
Lease liabilities	*26*	5,746	6,503
Total current liabilities		29,583	20,412
Net current assets		7,690	24,559
Total assets less current liabilities		39,020	57,571

		As at 31 March	
	Notes	**2025**	**2026**
		HK$'000	*HK$'000*
Non-current liabilities			
Deferred tax liabilities	*18*	3,817	2,943
Long service payment obligation	*27*	454	712
Lease liabilities	*26*	—	5,556
Total non-current liabilities		4,271	9,211
Net assets		34,749	48,360
Capital and reserves			
Share capital	*28*	50	50
Reserve		34,699	48,310
Total equity		34,749	48,360

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2024	50	30,669	30,719
Profit for the year	—	8,267	8,267
Other comprehensive expense			
Remeasurement on long service payment obligation *(note 27)*	—	(137)	(137)
Total comprehensive income	—	8,130	8,130
Transaction with owners in their capacity as owners			
Dividend recognised as distribution *(note 13)*	—	(4,100)	(4,100)
At 31 March 2025 and 1 April 2025	50	34,699	34,749
Profit for the year	—	16,781	16,781
Other comprehensive expense			
Remeasurement on long service payment obligation *(note 27)*	—	(170)	(170)
Total comprehensive income	—	16,611	16,611
Transaction with owners in their capacity as owners			
Dividend recognised as distribution *(note 13)*	—	(3,000)	(3,000)
At 31 March 2026	50	48,310	48,360

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	6,957	17,727
Adjustments for:		
Depreciation of plant and equipment	10,251	5,513
Depreciation of right-of-use assets	5,939	5,959
Amortisation of intangible assets	1,778	2,197
Bank interest income	(26)	(7)
Finance costs	280	265
Gain on disposal of plant and equipment	—	(6,696)
Gain on disposal of a subsidiary *(note 29)*	—	(2,058)
(Reversal of impairment losses)/impairment losses on financial assets, net	(521)	767
Operating cash flows before movements in working capital	24,658	23,667
Decrease/(increase) in inventories	735	(1,717)
Decrease/(increase) in trade and other receivables	1,433	(4,142)
Decrease in trade and other payables	(1,138)	(2,361)
Increase/(decrease) in contract liabilities	2,305	(2,480)
Increase in amount due from related parties	—	(2,544)
Increase in amount due to related parties	348	—
Increase in amounts due to directors	—	160
Increasing in long service payment obligation	40	62
Cash generated from operations	28,381	10,645
Income taxes paid	(4,944)	(—)
NET CASH FROM OPERATING ACTIVITIES	23,437	10,645
INVESTING ACTIVITIES		
Interests received	26	7
Purchases of plant and equipment	(549)	(141)
Additions to intangible assets	(5,362)	(2,268)
Proceed from disposal of a subsidiary *(Note 29)*	—	2,110
NET CASH USED IN INVESTING ACTIVITIES	(5,885)	(292)

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Dividends paid	(4,100)	(3,000)
Repayment to directors	(3,478)	(3,197)
Repayment to related parties	(1,467)	(1,964)
Advance from related parties	53	3,809
Repayment of bank overdraft	(1)	—
Receipt from **[REDACTED]** investors	—	6,000
Capital elements of lease rentals paid	(6,152)	(5,965)
Interest elements of lease rentals paid	(263)	(239)
NET CASH USED IN FINANCING ACTIVITIES	(15,408)	(4,556)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,144	5,797
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,101	8,245
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,245	14,042

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 April 2026. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company's principal place of business in Hong Kong is situated at 1/F & 2/F, 266–270 Texaco Road, Tsuen Wan, Hong Kong. In the opinion of the directors, since its date of incorporation and up to the date of this report, the Company and the combining entities are ultimately controlled by Ms. Choi Sze Man and Mr. Ding Zhen (collectively referred as to the "**Controlling Shareholders**").

The Company acts as an investment holding Company and its subsidiaries are principally engaged in manufacturing and sales of personal healthcare products. Particulars of subsidiaries have been set out below.

The Historical Financial Information is presented in Hong Kong Dollar ("**HK$**") which is also the functional currency of the Company.

The Company's subsidiaries are as follows:

Name	Place and date of incorporation/ operation	Paid up issued share capital	Proportion of ownership interest and voting power attributable to the Company As at 31 March 2025	2026	At date of report	Principal activities
Directly held:						
Savewo Holdings Limited *(note a)*	The British Virgin Islands (the "**BVI**") 4 May 2026	United States Dollar 100	N/A	N/A	100%	Investment holding
Indirectly held:						
Savewo Limited *(note b)*	Hong Kong 22 April 2020	HK$10,000	100%	100%	100%	Investment holding, manufacturing and sales of disposable face masks
Savewo International Limited *(note c)*	Hong Kong 12 August 2020	HK$10,000	100%	100%	100%	Sale of disposable face masks to public organisations
Savewo Hong Kong Limited *(note c)*	Hong Kong 2 September 2020	HK$10,000	100%	100%	100%	Holding of trademark and trademark licensing
Savewo Retail Limited *(note c)*	Hong Kong 15 July 2021	HK$10,000	100%	100%	100%	Rental of retail store premises and internal leasing to Group entit(ies)
Savewo Distribution Limited *(note c)*	Hong Kong 21 February 2022	HK$10,000	100%	100%	100%	Sale and distribution of disposable face masks and rapid antigen test-kits

Name	Place and date of incorporation/ operation	Paid up issued share capital	Proportion of ownership interest and voting power attributable to the Company As at 31 March 2025	2026	At date of report	Principal activities
Savewo Energy Limited *(note b)*	Hong Kong 1 December 2021	HK$10,000	100%	100%	100%	Inactive
Free 8 Limited *(note b and d)*	Hong Kong 14 April 2022	HK$10,000	100%	—	—	Inactive
Savewo Korea Limited *(note b)*	Hong Kong 17 November 2021	HK$10,000	100%	100%	100%	Inactive

Notes:

(a) The entity is incorporated on 17 April 2026 and inactive up to the date of report since its incorporation. No statutory financial statements of this company have been prepared since its date of incorporation to report date.

(b) The statutory consolidated financial statements of Savewo Limited and its subsidiaries during the year ended 31 March 2025 prepared under HKFRS Accounting Standards were audited by Eric H.K. Ng, Certified Public Accountant (Practising), a Certified Public Accountant in Hong Kong. No statutory financial statements of this company have been prepared for the year ended 31 March 2026 as the financial statements have not been due to issue.

(c) The statutory financial statements of these entities during the years ended 31 March 2025 and 2026 prepared under Hong Kong Small and Medium-sized Entity Financial Reporting Standards and audited by Oliver T.P. Yu (CPA) Limited, a Certified Public Accountant registered in Hong Kong. No statutory financial statements of this company have been prepared for the year ended 31 March 2026 as the financial statements have not been due to issue.

(d) This entity has been disposed to an independent third party on 12 March 2026. Details are set out in note 29.

(e) All combining entities of the Group have adopted 31 March as their financial year end date.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the material accounting policy information set out in note 4 which conforms with the HKFRS Accounting Standards issued by the HKICPA.

Prior to the group reorganisation mentioned in the section headed "Historical, Reorganisation and Corporate Structure" in the document. Savewo Limited and its subsidiaries and combined entities (collectively referred to the "**Group**") were held as to 100% by the Controlling Shareholders. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 9 June 2026. The companies now comprising the Group resulting from the Reorganisation have been under the common control of the Controlling Shareholders throughout the Track Record Period or since their respective dates of incorporation up to 31 March 2026 and is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared and presented on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the Track Record Period by applying the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows including the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation up to 31 March 2026, wherever that is a shorter period. The combined statements of financial position of the Group as at 31 March 2025 and 2026 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted all the HKFRS Accounting Standards issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2025 throughout the Track Record Period.

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

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

HKFRS 18	*Presentation and Disclosure in Financial Statements*[2]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to HKFRS 9 and HKFRS 7	*Contracts referencing Nature-dependent Electricity*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Amendments to HKFRS Accounting Standards	*Annual Improvements to HKFRS Accounting Standards — Volume 11*[1]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual periods beginning on or after 1 January 2027
3 Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the impact of the above new and amendments to HKFRS Accounting Standards upon initial application. So far, it has concluded that, except as described below, the adoption of other new and amendments to HKFRS Accounting Standards will not have a material impact on the results and the financial position of the Group.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined totals and subtotals in the statement of profit or loss and other comprehensive income; 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. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the combined statements of profit or loss and other comprehensive income and combined statements of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of HKFRS 18 on the combined financial statements of the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The combined financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. In addition, the combined financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The material accounting policies are set out below.

Basis of combination

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the combined statements 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 component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on combination.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company.

Merger accounting for business combination involving entities under common control

The Historical Financial Information include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue from contracts with customers and other income

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

A performance obligation represents a good and services that is distinct or a series of distinct goods 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 asset is created or enhanced; 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods and services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties and discounts.

Revenue from sale of personal healthcare products recognised when goods are delivered and acknowledged by customers, which is taken to be the point in time when the Group transfers control over the products to the customers.

Advances from customers are contract liabilities which represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. The Group also does not expect to have any incremental cost to obtain a contract with a customer. Costs that will be incurred regardless of whether the contract is obtained are expensed as they incurred.

Management fee income arising from provision of service are recognised when such service are rendered.

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of lease liability comprise to fixed lease payments (including in-substance fixed payments).

The lease liabilities are presented as a separate line in the combined statements of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the combined statements of financial position.

The Group applies HKAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand alone price for the increase in scope and any appropriate adjustments to that stand alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Retirement benefits costs and termination benefits

Payments to Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the consolidated statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Defined benefit costs are categorised as:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

The Group recognises service costs within profit or loss. Net interest expense or income is recognised within finance costs.

The retirement benefit obligation recognised in the combined statement of financial position represents the deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long term employee benefits

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

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 before tax as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 Historical Financial Information 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 goodwill or 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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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

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.

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 by the same taxation authority.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of 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 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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is stated at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

At the end of each reporting period, the Group reviews the carrying amounts of its 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Cash and cash equivalents

In the combined statements of financial position, bank balances and cash comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are 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 for investment or other purposes.

For the purpose of the combined statements of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment less.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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 marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding the expected credit losses ("**ECL**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments 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. If, in subsequent reporting periods, 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.

Interest income is recognised in profit or loss and is included in the "other income, gain and losses, net" line item (note 8).

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, and forward looking information that is available without undue cost or effort.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless 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 increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- 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;
- significant increases in credit risk on other financial instruments of the same 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 on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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.

Definition of default

The Group considers the following as constituting an event of default as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- 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.

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. 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. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses 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. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

Financial liabilities and equity instruments

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.

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 group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

Foreign currencies

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.

Borrowings costs

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

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 estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the Historical Financial Information. The estimates 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.

Critical judgements is applying accounting policies

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

Capitalisation of development costs

Development costs incurred on the Group's medical related technical know-how are capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the products and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Key sources of estimation uncertainty

Provision of ECL for financial assets at amortised cost

The Group calculates ECL for trade receivables, deposits and other receivables under HKFRS 9. The carrying amounts of these financial assets were approximately HK$9,057,000 and HK$5,041,000 as at 31 March 2025, and HK$8,632,000 and HK$8,841,000 as at 31 March 2026, respectively. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At 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. Details of the key assumptions and inputs used are set out in Note 31(b). Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods. During the years end 31 March 2025 and 2026, reversal of impairment loss recognised in profit or loss on trade receivables approximately to HK$534,000 and impairment loss recognised of HK$704,000, respectively. During the years ended 31 March 2025 and 2026, the impairment of deposits and other receivable recognised in profit or loss approximately to HK$13,000 and HK$63,000, respectively.

Useful lives and estimated impairment assessment of non-current assets

The Group's management determines the estimated useful lives and the related depreciation and amortisation charges for its plant and equipment, right-of-use assets, and intangible assets. The carrying amounts of these assets were approximately HK$9,006,000, HK$5,736,000, and HK$16,588,000 as at 31 March 2025, and HK$2,852,000, HK$12,055,000, and HK$16,659,000 as at 31 March 2026, respectively. This estimate is based on the historical experience of the actual useful lives of plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will adjust the depreciation and amortisation charge where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The Group assesses whether there are any indicators of impairment for plant and equipment, right-of-use assets and intangible assets at the end of each reporting period. If such an indication exists, the recoverable amount of plant and equipment, right-of-use assets and intangible assets are estimated using the higher of its fair value less costs of disposals and its value-in-use. If the carrying amount of plant and equipment, right-of-use assets and intangible assets exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in profit or loss.

Estimated provision for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. Estimation of the net realisable of inventories value takes into account the selling prices, movements, conditions, ageing analysis and subsequent usage of the relevant inventories. As at 31 March 2025 and 2026, the carrying amount of the inventories is approximately to HK$11,745,000 and HK$13,462,000. No inventories provision is provided during the Track Record Period.

6. REVENUE

An analysis of the Group's revenue for the years are as follows:

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major product lines		
Manufacture and sale of goods		
— Face masks, RAT kits and consumables	63,699	60,223
— Healthcare equipment and complementary accessories	8,175	11,675
— Others	1,339	3,645
Revenue from contracts with customers	73,213	75,543
Timing of revenue recognition		
At a point of time	73,213	75,543

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

During the Trade Record Period, all sale contracts are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) during the Track Record Period.

7. SEGMENT INFORMATION

The directors of the Company, being the chief operating decision makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group is principally engaged in development, manufacturing and multi-channel distribution of personal protective and healthcare products. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no operating results or other discrete operating segment financial information is available for the assessment of performance and allocation of resources.

Geographical information

The Group's operations and location of non-current assets are mainly in Hong Kong. Information about the Group's revenue from external customers is presented based on location of the customers. Information about the Group's non-current assets, excluding deferred tax assets, is presented based on the geographical location of the assets.

Revenue from the external customers, based on the location of its customers, are as follows:

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Geographical region		
Hong Kong	72,207	71,363
Overseas	1,006	4,180
Total	73,213	75,543

Non-current assets, excluding deferred tax assets, are located in Hong Kong at the end of each reporting period.

The major customers which contributed more than 10% of the total revenue of the Group for the years ended 31 March 2026 and 2025 are listed as below:

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Customer A	7,380	—*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Bank interest income	26	7
Government grants *(Note (i))*	101	—
Compensation income	148	399
Management fee income	412	930
Exchange loss, net	(71)	(27)
Gain on disposal of a subsidiary *(Note 29)*	—	2,058
Gain on disposal of plant and equipment	—	6,696
Others	19	1
Total	635	10,064

Notes:

(i) During the years ended 31 March 2025 and 2026, government grants of approximately HK$101,000 and nil respectively represented unconditional cash payments granted by government authorities. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

9. FINANCE COSTS

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Interest on long service payment obligation *(note 27)*	17	26
Interests on lease liabilities	263	239
	280	265

10. INCOME TAX (CREDIT) EXPENSES

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Current tax- Hong Kong Profits Tax		
— Charge for the year	33	1,820
Deferred tax charge *(note 18)*	(1,343)	(874)
Total	(1,310)	946

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The income tax (credit)/expenses for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Profit before tax	6,957	17,727
Tax at the domestic income tax rate of 16.5%	1,148	2,925
Tax effect of non-deductible expenses	16	509
Tax effect of non-taxable income	(438)	(1,440)
Utilisation of tax losses	(559)	—
Tax effect of two-tiered profit tax regime	(34)	(165)
Deduction for qualified research and development expenses	(1,443)	(883)
Income tax (credit)/expenses	(1,310)	946

11. PROFIT FOR THE YEAR

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging/(crediting)		
Directors' emoluments *(note 12)*	—	166
Other staff's salaries and allowances	20,062	20,021
Other staff's retirement benefit scheme contributions	1,981	1,901
Provision for long service payment obligation *(note 27)*	40	62
Total staff costs	22,083	22,150
Auditor's remuneration	416	233
Depreciation of plant and equipment	10,251	5,513
Amortisation of intangible assets (included in cost of sales and administrative expenses)	1,778	2,197
Cost of inventories recognised as expense	12,223	17,879
(Reversal of impairment loss)/impairment losses on financial assets, net		
— Trade receivables	(534)	704
— Deposits and other receivables	13	63
	(521)	767

Research and development costs recognised as expenses for the years ended 31 March 2025 and 2026 included staff costs and depreciation of plant and equipment of total approximately HK$1,866,000 and HK$2,080,000, respectively which were also included in the total staff costs and depreciation of plant and equipment.

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive emoluments

Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as employees or directors of the combined entities prior to becoming the directors or the chief executives of the Company) during the Track Record Period disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance are as follows:

	Fees	**Salaries and allowances**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2025				
Executive directors:				
Choi Sze Man	—	—	—	—
Ding Zhen *(chief executive officer)*	—	—	—	—
	—	—	—	—

	Fees	**Salaries and allowances**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2026				
Executive directors:				
Choi Sze Man	—	80	3	83
Ding Zhen *(chief executive officer)*	—	80	3	83
	—	160	6	166

Notes:

(i) Mr. Ding Zhen and Ms. Choi Sze Man were appointed as executive directors of the Company on 17 April 2026 and Mr. Ding Zhen is appointed as chief executive officer of the Company on the same day.

(ii) Ir. Daniel Lai, Mr. Lai Tsz Kit, Danny and Mr. Chan But Ping were appointed as independent non-executive directors of the Company on [●].

During the years ended 31 March 2026, all directors' emoluments of HK$160,000 are settled through the amounts due to directors and classified as non-cash transactions.

The executive directors' emoluments disclosed above were for their services in connection with the management of the affairs of the combined entities prior to becoming the executive directors of the Company.

(b) Five highest paid employees

The five highest paid individuals of the Group for the years ended 31 March 2025 and 2026, were all non-directors. The emoluments of the five highest paid individuals during the years ended 31 March 2025 and 2026, respectively were as follows:

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Salaries and other allowances	1,967	2,010
Retirement benefit scheme contributions	87	90
	2,054	2,100

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	Year ended 31 March	
	2025	**2026**
	Number of employees	*Number of employees*
Nil to HK$1,000,000	5	5

During the Track Record Period, no emolument was paid by the Group to any of the directors of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and employees has waived or agreed to waive any emoluments during the Track Record Period.

13. DIVIDENDS

Interim dividends recognised as distribution to the Controlling Shareholders during the Track Record Period were as follows:

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Interim dividend of 2025, declared of HK$410 per ordinary share in respect of the year ended 31 March 2025	4,100	—
Interim dividend of 2025, declared of HK$300 per ordinary share in respect of the year ended 31 March 2026	—	3,000

No final dividend was declared during the year ended 31 March 2025 and 2026 and up to report date.

14. EARNINGS PER SHARE

No earnings per share information is presented as such information is not meaningful having regard to the purpose of this report and the result of the Group during the Track Record Period are presented on combined basis as set out in Note 2.

15. PLANT AND EQUIPMENT

The Group

	Plant and machinery *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Furniture and fixtures *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
COST						
At 1 April 2024	15,046	5,323	9,976	767	15,563	46,675
Additions	350	199	—	—	—	549
At 31 March 2025 and 1 April 2025	15,396	5,522	9,976	767	15,563	47,224
Additions	68	58	—	15	—	141
Disposal of a subsidiary *(note 29)*	—	—	(3,380)	—	—	(3,380)
Disposals	—	(1,707)	(5,630)	—	—	(7,337)
At 31 March 2026	15,464	3,873	966	782	15,563	36,648
DEPRECIATION						
At 1 April 2024	7,749	2,000	5,433	458	12,327	27,967
Provided for the year	3,042	1,090	2,730	153	3,236	10,251
At 31 March 2025 and 1 April 2025	10,791	3,090	8,163	611	15,563	38,218
Provided for the year	2,705	1,019	1,672	117	—	5,513
Eliminated upon disposal of a subsidiary *(note 29)*	—	—	(3,239)	—	—	(3,239)
Eliminated upon disposals	—	(1,066)	(5,630)	—	—	(6,696)
At 31 March 2026	13,496	3,043	966	728	15,563	33,796
CARRYING VALUES						
At 31 March 2026	1,968	830	—	54	—	2,852
At 31 March 2025	4,605	2,432	1,813	156	—	9,006

The estimated useful lives of items of plant and equipment are as follows:

	Useful lives
Plant and machinery	5 years
Office equipment	5 years
Motor vehicles	3 years
Furniture and fixtures	5 years
Leasehold improvements	Over the lease terms

16. RIGHT-OF-USE ASSETS

The Group as a lessee

The Group has entered into lease agreements for its factory and retail shops. These leases generally have terms ranging from 12 to 24 months.

	Factory	Retail shops	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 April 2024	30,503	727	31,230
Lease modification	5,290	—	5,290
At 31 March 2025 and 1 April 2025	35,793	727	36,520
Addition	—	690	690
Lease modification	11,207	381	11,588
At 31 March 2026	47,000	1,798	48,798
DEPRECIATION			
At 1 April 2024	24,633	212	24,845
Provided for the year	5,575	364	5,939
At 31 March 2025 and 1 April 2025	30,208	576	30,784
Provided for the year	5,585	374	5,959
At 31 March 2026	35,793	950	36,743
CARRYING VALUES			
At 31 March 2026	11,207	848	12,055
At 31 March 2025	5,585	151	5,736

For the year ended 31 March 2025, the lease modification of approximately HK$5,290,000 relates to the factory leases, whereby the lease term was extended by one year. For the year ended 31 March 2026, the lease modification of approximately HK$11,207,000 represents the extension of the factory lease term by two years. In respect of the retail shop lease, the lease modification represents an extension of the lease term by one year.

The addition during the year ended 31 March 2026 represents a lease agreement entered for a new retail shop with two years lease term.

17. INTANGIBLE ASSETS

	Software	Development costs	Licenses	Total
	HK$'000	*HK$'000*	*HK$'000*	
COST				
At 1 April 2024	—	14,292	1,082	15,374
Additions	681	3,552	1,129	5,362
At 31 March 2025 and 1 April 2025	681	17,844	2,211	20,736
Additions	—	2,268	—	2,268
At 31 March 2026	681	20,112	2,211	23,004
AMORTISATION AND IMPAIRMENT				
At 1 April 2024	—	2,356	14	2,370
Provided for the year	102	1,620	56	1,778
At 31 March 2025 and 1 April 2025	102	3,976	70	4,148
Provided for the year	136	1,717	344	2,197
At 31 March 2026	238	5,693	414	6,345
CARRYING VALUES				
At 31 March 2026	443	14,419	1,797	16,659
At 31 March 2025	579	13,868	2,141	16,588

The useful lives of software and development costs are 5 and 10 years and the useful lives of licenses are 15 years. All software and licenses are acquired from third parties, while development costs are internally generated.

18. DEFERRED TAXATION

For the purpose of presentation in the combined statements of financial position, the deferred tax assets and liabilities have been offset of the same taxable entity. The deferred tax assets/(liabilities) recognised by the Group and movements thereon during the Track Record Period are as follows:

	Right-of-use assets	Lease liabilities	Depreciation allowances	Provision of loss allowance for trade and other receivables	Tax loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
At 1 April 2024	(1,054)	1,090	(4,858)	221	(559)	(5,160)
Credit to profit or loss for the year	107	(142)	905	(86)	559	1,343
At 31 March 2025 and 1 April 2025	(947)	948	(3,953)	135	—	(3,817)
Credit to profit or loss for the year	(1,005)	1,004	783	92	—	874
At 31 March 2026	(1,952)	1,952	(3,170)	227	—	(2,943)

19. TRADE RECEIVABLES

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Trade receivables	9,806	10,085
Less: Expected credit losses	(749)	(1,453)
	9,057	8,632

As at 31 March 2025 and 2026, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK$9,806,000 and HK$10,085,000 respectively.

The Group generally allows credit period ranging from 0 day to 90 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an analysis of trade receivables by invoice date, net of allowance for expected credit losses, presented based on the date of revenue recognition as at 31 March 2025 and 2026:

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
0 to 30 days	3,624	2,346
31–60 days	3,388	2,560
61–90 days	714	977
91–120 days	666	553
121–180 days	277	775
181–365 days	388	1,421
	9,057	8,632

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the historical settlement records, ageing of the debtor, past experience as well as forward looking factors. There has been no change in the estimation techniques or significant assumptions made during the Track Record Period.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

As at 31 March 2025	**Weighted average expected loss rate**	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*
0–30 days	0.21%	3,814	8
31–60 days	0.56%	4,796	27
61–90 days	2.14%	278	6
91–120 days	5.44%	222	12
Over 1 years	100%	696	696
		9,806	749

As at 31 March 2026	**Weighted average expected loss rate**	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*
0–30 days	0.89%	3,053	28
31–60 days	1.53%	3,303	50
61–90 days	7.45%	1,710	127
91–120 days	15.15%	909	138
Over 1 years	100%	1,110	1,110
		10,085	1,453

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The movement to the allowance for the impairment of trade receivables is set out below.

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
At the beginning of the year	1,283	749
(Reversal of impairment losses)/impairment losses recognised	(534)	704
At the end of the year	749	1,453

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Due to the economic uncertainty, the Group have increased the expected loss rate for trade receivable based on their judgment.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Deposits	4,579	6,138
Prepayments — **[REDACTED]** and deferred issue costs	—	2,021
Prepayments — others	445	813
Other receivables	87	2
	5,111	8,974
Less: Expected credit losses on deposits and other receivables	(70)	(133)
	5,041	8,841
Analysed for reporting purposes as:		
— Current assets	5,041	7,395
— Non-current assets	—	1,446
	5,041	8,841

The movement in the allowance for impairment of deposits and other receivables is set out below:

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
At the beginning of the year	57	70
Impairment losses recognised	13	63
At the end of the year	70	133

As at 31 March 2025 and 2026, the Group measures the ECL for deposits and other receivables at an amount equal to 12 month ECL of approximately HK$70,000 and HK$133,000.

21. INVENTORIES

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Raw materials	2,986	2,831
Work in progress	1,568	1,318
Finished goods	7,191	9,313
	11,745	13,462

22. AMOUNTS DUE TO DIRECTORS

Directors' current accounts disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap.622) are as follows:

		As at 31 March	
	Note:	**2025**	**2026**
		HK$'000	*HK$'000*
Amounts due to directors:			
Choi Sze Man	*(i)*	14,339	4,906
Ding Zhen	*(i)*	2,156	516
		16,495	5,422

Note:

(i) The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

23. BANK BALANCES AND CASH

The bank balances and cash are denominated in the following currencies:

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Denominated in Hong Kong Dollar (HK$)	7,767	13,877
Denominated in United States Dollar (USD)	427	87
Denominated in Euro (EUR)	45	64
Denominated in Renminbi (RMB)	6	14
	8,245	14,042

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The Group has assessed that the credit risk of the cash and cash equivalents and considered its credit risk has not increased significantly since initial recognition. The Group has measured the impairment based on the 12-month ECL, and has assessed that the expected credit losses are not significant.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

24. TRADE AND OTHER PAYABLES

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Trade payables	2,038	467
Accrued expenses	637	278
Payroll and welfare payables	1,983	1,449
[REDACTED] investment payables *(note)*	—	6,000
Other payables	204	293
	4,862	8,487
Analysed for reporting purposes as:		
— Current liabilities	4,862	8,487

Note: In March 2026, the **[REDACTED]** Investors advanced cash consideration of HK$6,000,000 for subscription of shares of a combining entity of the Group.

The following is an aged analysis of trade payables presented based on the date of goods and services provided and date of goods acceptance at the end of each reporting period.

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
0–30 days	694	317
31–60 days	56	—
61–90 days	6	11
91–180 days	57	40
181–365 days	365	15
Over 1 year	860	84
	2,038	467

25. CONTRACT LIABILITIES

Contract liabilities represents the receipt in advance from customers for sales of disposable masks. Revenue recognised during the Track Record Period that were included in the contract liabilities at the beginning of the year are approximately HK$175,000, HK$2,480,000, respectively.

26. LEASE LIABILITIES

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Lease liabilities payable:		
Within one year	5,746	6,503
Within a period of more than one year but not more than two years	—	5,556
Total	5,746	12,059
Less: Amount due for settlement with 12 months shown under current liabilities	(5,746)	(6,503)
Amount due for settlement after 12 months shown under non-current liabilities	—	5,556

The weighted average incremental borrowing rates applied to lease liabilities range from 7.63% to 8.31% per annum and from 7.31% to 7.76% per annum for the years ended 31 March 2025 and 2026 respectively.

For the year ended 31 March 2025, the lease modification of approximately HK$5,290,000 relates to the factory leases, whereby the lease term was extended by one year. For the year ended 31 March 2026, the lease modification of approximately HK$11,207,000 represents the extension of the factory lease term by two years. In respect of the retail shop lease, the lease modification represents an extension of the lease term by one more year and the addition during the year represents a new shop lease entered with two years lease term.

(a) Amounts recognised in profit or loss

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Depreciation expense on right-of-use assets		
— Factory	5,575	5,585
— Retail Shops	364	374
Short-term leases	4,106	4,182
Interest expense on lease liabilities	263	239

At 31 March 2026, the Group is committed to approximately to HK$3,822,000 for lease agreements not yet commenced. No lease agreement committed but not yet commenced at 31 March 2025.

During the years ended 31 March 2026 and 2025, the total cash outflow for leases amount to approximately to HK$10,521,000 and HK$10,386,000 respectively.

27. LONG SERVICE PAYMENT OBLIGATION

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("**LSP**") to qualifying employees in Hong Kong under certain circumstances, subject to a minimum of 5 years employment period, based on the following formula:

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

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

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

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

The Group has considered the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. As at 31 March 2025 and 2026, the LSP obligation were HK$454,000 and HK$712,000 respectively, and presented on a net basis.

Movements in present value of the unfunded LSP obligations are as follows:

	Year ended 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
At beginning of the year		
Expenses recognised in profit or loss:	260	454
Current service cost *(note 11)*	40	62
Interest cost *(note 9)*	17	26
Remeasurements recognised in other comprehensive income:		
Actuarial loss arising from changes in demographic assumptions	—*	63
Actuarial loss arising from changes in financial assumptions	48	15
Actuarial loss arising from changes in experience adjustments	89	92
Subtotal	137	170
At the end of the year	454	712

* *Less than HK$1,000*

The average duration of the unfunded LSP obligations at 31 March 2025 and 2026 were 20.12 years and 19.45 years, respectively.

The significant actuarial assumptions used are as follow:

	Year ended 31 March	
	2025	**2026**
Annual salary increment	1.4%	2.1%
Discount rate	3.66%	3.64%

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions at the Track record period:

	As at 31 March 2025		**As at 31 March 2026**	
	Change in assumption	**Impact on LSP obligation**	**Change in assumption**	**Impact on LSP obligation**
		HK$'000		*HK$'000*
Discount rate	Increase by 0.25%	Decrease by 23	Increase by 0.25%	Decrease by 34
Salary	Decrease by 0.25%	Decrease by 0.33	Decrease by 0.25%	Decrease by 0.44

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

28. SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the completion of the Reorganisation in the combined statement of financial position, the share capital in the combined statement of financial position as at 31 March 2025 and 2026 represented the combined share capital of Savewo Limited, Savewo International Limited, Savewo Hong Kong Limited, Savewo Retail Limited and Savewo Distribution Limited.

29. DISPOSAL OF A SUBSIDIARY

During the year ended 31 March 2026, the Group has disposed of a wholly-owned subsidiary to an independent third party with cash consideration of HK$2,110,000. The gain on disposal of HK$2,058,000 has been recognised in other income, gains and losses, net.

The net assets disposed of at date of disposal are as follows:

	HK$'000
Plant and equipment	141
Other payable	(89)
Net assets disposed	52
Consideration paid	2,110
Gain on disposal of a subsidiary	2,058

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues and share buy-back as well as the issue of new debts or the redemption of existing debts.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	21,898	28,681
Financial liabilities		
At amortised cost	25,120	18,521

(b) Financial risk management objectives and policies

The Group's major financial instruments include, trade receivables, other receivables and deposits, bank balances and cash, certain trade and other payables and amounts due to directors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk related primarily to its variable-rate bank balances.

Sensitivity analysis

The Group currently do not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. It is the Group's policy to keep its deposits at floating rate of interests so as to minimise the fair value interest rate risk. The management of the Group and the Company considered that the exposure to cash flow in interest rate risk in relation to bank balances are minimal and no sensitivity analysis is presented accordingly.

(ii) Foreign currency risk

The Group has foreign currency purchases which expose the Group to foreign currency risk. The Company is not exposed to significant foreign currency risk.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the end of the Track Record Period are as follows:

	Assets		**Liabilities**	
	As at 31 March		**As at 31 March**	
	2025	**2026**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	1,243	2,324	312	220

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table demonstrates the sensitivity at end of Track Record Period to reasonably possible change in RMB exchange rates, with all other variables held constant, of the Group's profit for the year.

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Increase/(decrease) in profit for the year		
5% strengthening in RMB	39	88
5% weakening in RMB	(39)	(88)

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

Credit risk and impairment assessment

In order to minimise the credit risk of trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model in accordance with HKFRS 9 on trade balances based on provision matrix. For trade receivables, the Group has applied the simplified approach under HKFRS 9 to measure the loss allowance at lifetime ECL. The Group's lifetime ECL (reversed) provided for trade and other receivables are in aggregate of approximately HK$(534,000) and HK$764,000 (life-time not credit-impaired) for the years ended 31 March 2025 and 2026, respectively based on historical credit loss experience adjusted by forward-looking estimates without undue cost or effort.

The credit risk of other receivables and deposits are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group and the Company also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group performs impairment assessment under ECL model in accordance with HKFRS 9 on these outstanding balances.

For other receivables and deposits, the Group measures the loss allowance at 12 months 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 increase in likelihood or risk of a default occurring since initial recognition. The balances are monitored on an ongoing basis and the Group's exposure to credit risk is not significant.

The 12 months ECL on the other receivables and deposits are considered as insignificant during the years ended 31 March 2025 and 2026 as the counterparties involved are considered with limited credit risk and the ECL involved is not material.

The credit risk on liquid funds is low because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The management of the Group consider the probability of default is negligible on the basis of high credit-rating counterparties during the years ended 31 March 2025 and 2026.

There has been no significant changes to estimation techniques or assumptions made during the years ended 31 March 2025 and 2026.

The concentration of credit risk in respect of trade receivables is minimal, as the Group has a large number of customers. The management of the Group continue to monitor and assess the financial status of the counterparties, and they believe the exposure to credit risk on these balances is not significant as the counterparties are of good financial position.

Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. For non-derivative financial liabilities and lease liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	**On demand or within 1 year**	**Total undiscounted cash flows**	**Carrying amount**
		HK$'000	*HK$'000*	*HK$'000*
At 31 March 2025				
Trade and other payables		2,879	2,879	2,879
Amounts due to directors		16,495	16,495	16,495
Lease liabilities	7.77%	5,979	5,979	5,746
		25,353	25,353	25,120

	Weighted average interest rate	**On demand or within 1 year**	**1–2 years**	**Total undiscounted cash flows**	**Carrying amount**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2026					
Trade and other payables		1,040	—	1,040	1,040
Amounts due to directors		5,422	—	5,422	5,422
Lease liabilities	7.40%	7,209	5,822	13,031	12,059
		13,671	5,822	19,493	18,521

(c) Fair value measurement of financial instruments

The management of the Group considers that the carrying amounts of all financial assets and financial liabilities of the Group recorded at amortised costs in those combined financial statements approximate their fair values at the end of each reporting period.

32. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

Other than as disclosed elsewhere in the combined financial statements, below shown the non-cash transactions.

(i) During the year ended 31 March 2025, the Group entered into with the landlord for the use of the factory to extend for a year. Accordingly, the Group recognised in aggregate of right-of-use assets and lease liabilities of approximately HK$5,290,000 respectively.

During the year ended 31 March 2026, the Group entered into agreements with the landlord to extend the leases of the factory premises for further two years and entered into a new lease agreement for a retail shop for two years. As a result, the Group recognised additional right-of-use assets and lease liabilities of approximately HK$12,278,000 respectively.

(ii) During the years ended 31 March 2025 and 2026, amounts due from related parties and amount due to related parties with the aggregate of HK$1,467,000 and HK$401,000; HK$4,508,000 and HK$3,809,000 have been settled through the amounts due to the directors, respectively.

(iii) During the year ended 31 March 2026, certain property, plant and equipment with carrying value of HK$641,000 have been disposed to two directors at the aggregate consideration amounts of HK$7,337,000. The disposals are settled through the amounts due to directors. The gain on disposal of the plant and equipment recognised in profit or loss is approximately HK$6,696,000.

(b) Changes in liabilities arising from financing activities

	[REDACTED] investment payable*	**Amount due to directors**	**Lease liabilities**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 April 2024	—	21,039	6,608	27,647
Cash flows used in financing activities	—	(3,478)	(6,415)	(9,893)
Finance cost for the year *(note 9)*	—	—	263	263
Non-cash changes *(note 32a)*	—	(1,066)	5,290	4,224
At 31 March 2025 and 1 April 2025	—	16,495	5,746	22,241
Cash flows from (used in) financing activities	6,000	(3,197)	(6,204)	(3,401)
Cash flows generated from operating activities	—	160	—	160
Finance cost for the year *(note 9)*	—	—	239	239
Non-cash changes *(note 32a)*	—	(8,036)	12,278	4,242
At 31 March 2026	6,000	5,422	12,059	23,481

* *included in other payable.*

(c) Total cash outflow for leases:

The total cash outflow for leases included in the combined statements of cash flows is as follows:

	As at 31 March	
	2025	**2026**
	HK$'000	*HK$'000*
Within operating activities	4,106	4,182
Within financing activities	6,415	6,204
	10,521	10,386

33. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched with that made by the employee.

The Group recognised the retirement benefit contributions of approximately of HK$1,981,000 and HK$1,907,000 for the years ended 31 March 2025 and 2026, respectively.

34. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in the combined financial statements during the Track Record Period, the Group entered into the following transactions with related parties:

Related parties	As at 31 March 2025 *HK$'000*	As at 31 March 2026 *HK$'000*
Goods sold to:		
Zeta Limited	—	3,749
Goods purchased from:		
Zeta Limited	445	536
Service received from:		
Code Free Soft Limited	180	180
Short-term leases expenses paid to:		
Laser Beam Trading Limited	396	396
Consultancy fee paid to:		
Mr. Wong Yuet Yeung, Harry	150	—
Salaries and other allowance paid to:		
Mr. Wong Yuet Yeung, Harry	—	240

Zeta Limited, Code Free Soft Limited and Laser Beam Trading Limited were held by the controlling shareholders and the related party transactions were made according to the published prices and conditions similar to those **[REDACTED]** to the respective major customers.

Mr. Wong Yuet Yeung, Harry is the spouse of Ms. Choi Sze Man, a controlling shareholder of the Group.

(b) The remuneration of key management personnel during the Track Record Period, is as follows:

	As at 31 March 2025 *HK$'000*	As at 31 March 2026 *HK$'000*
Salaries and other allowances	336	581
Performance related bonuses	—	200
Retirement benefit scheme contributions	17	24
	353	805

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

35. COMMITMENTS

Other than as disclosed elsewhere in the combined financial statements at 31 March 2025 and 2026, the Group did not have any significant contractual commitments.

36. SUBSEQUENT EVENTS

i. Reorganisation

The Group comprising the Company and its subsidiaries underwent a reorganisation to rationalise the Group's structure in preparation for the **[REDACTED]** of the Company's shares on the GEM of the Stock Exchange. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in this document.

ii. [REDACTED]

Pursuant to shareholders' written resolution passed on [●], a **[REDACTED]** has been conditionally adopted by the Company (the "**[REDACTED]**"). The principle terms of the **[REDACTED]** are summarised in "Statutory and general information — D. **[REDACTED]**" in Appendix IV to this Document. No share option has been granted under the **[REDACTED]** up to the date of this report.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, the Group or any of the combined entities now comprising the Group have been prepared in respect of any period subsequent to 31 March 2026.