

Bonso Electronics International Inc.
(Incorporated in the British Virgin Islands)

Consolidated Financial Statements

March 31, 2024

Bonso Electronics International Inc.
Index to Consolidated Financial Statements

Contents	Pages
Report of Independent Registered Public Accounting Firm	F-1 to F-3
Consolidated Balance Sheets as of March 31, 2023 and 2024	F-4
Consolidated Statements of Operations and Comprehensive Income for the years ended March 31, 2023 and 2024	F-5
Consolidated Statements of Changes in Stockholders' Equity for the years ended March 31, 2023 and 2024	F-6
Consolidated Statements of Cash Flows for the years ended March 31 2023 and 2024	F-7
Notes to Consolidated Financial Statements	F-8 to F-43

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Bonso Electronics International Inc.
Unit 1404, 14/F, Cheuk Nang Centre
9 Hillwood Road, Tsimshatsui
Kowloon, Hong Kong

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bonso Electronics International Inc. and Subsidiaries (the “Company”), which comprise the consolidated balance sheet as of March 31, 2024, and the related consolidated statements of operations and comprehensive Income, changes in stockholders’ equity and cash flows for the year ended March 31, 2024 and the related notes to the consolidated financial statements (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and the results of its operations and its cash flows for the year ended March 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ Moore CPA Ltd.

Moore CPA Limited

Hong Kong
October 25, 2024

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Bonso Electronics International Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Bonso Electronics International Inc. and Subsidiaries (the “Company”) as of March 31, 2023, and the related consolidated statements of operations and comprehensive Income, changes in stockholders’ equity and cash flows for the year then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Very truly yours,

/s/ MSPC

MSPC
Certified Public Accountants and Advisors,
A Professional Corporation

We have served as the Company’s auditor from 2021 to 2023.

New York, New York
September 29, 2023

Bonso Electronics International Inc.

Consolidated Balance Sheets

(Expressed in United States Dollars)

	March 31,	
	2023	2024
	\$ in thousands	\$ in thousands
Assets		
Current assets		
Cash and cash equivalents	6,292	5,488
Trade receivables, net	306	918
Other receivables, deposits and prepayments	478	407
Inventories, net	948	820
Income tax recoverable	5	5
Financial instruments at fair value	441	268
Total current assets	8,470	7,906
Investment in life insurance contract	172	177
Property, plant and equipment, net	8,814	7,831
Intangible assets, net	1,211	893
Right-of-use assets, net	272	198
Deferred tax asset	631	695
Total assets	19,570	17,700
Liabilities and stockholders' equity		
Current liabilities		
Notes payable – secured	54	-
Accounts payable	320	430
Contract liabilities	264	75
Accrued charges and deposits	3,029	3,145
Refund liabilities	8	12
Payable to affiliated parties	59	-
Finance lease obligations –current	20	20
Lease liabilities – current	64	68
Short-term loan	2,835	2,777
Short-term deposit received	756	717
Total current liabilities	7,409	7,244
Finance lease obligations – non-current	71	51
Lease liabilities – non-current	208	130
Total liabilities	7,688	7,425
Commitments and contingent liabilities		
Stockholders' equity		
Common stock par value \$0.003 per share - authorized shares -		
- issued shares: March 31, 2023: 5,828,205; March 31, 2024:		
5,828,205.	17	17
- outstanding shares: March 31, 2023: 4,857,187; March 31, 2024:		
4,857,187.		
Additional paid-in capital	22,795	22,795
Treasury stock at cost: March 31, 2023: 971,018; March 31, 2024:	(3,082)	(3,082)
971,018.		
Accumulated deficit	(9,475)	(10,524)
Accumulated other comprehensive income	1,627	1,069
Total stockholders' equity	11,882	10,275
Total liabilities and stockholders' equity	19,570	17,700

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Bonso Electronics International Inc.

Consolidated Statements of Operations and Comprehensive Income

(Expressed in United States Dollars)

	Years ended March 31,	
	2023	2024
	\$ in thousands	\$ in thousands
Net revenue	9,047	7,553
Cost of revenue	(5,542)	(4,194)
Gross profit	3,505	3,359
Selling, general and administrative expenses	(6,184)	(4,717)
Loss from operations	(2,679)	(1,358)
Non-operating (expenses) / income, net	(11)	245
Loss before income taxes	(2,690)	(1,113)
Income tax benefit	298	64
Net loss	(2,392)	(1,049)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments, net of tax	(1,069)	(558)
Comprehensive loss	(3,461)	(1,607)
Net loss attributable to common shareholders	(2,392)	(1,049)
Net loss per share		
- basic	(\$0.49)	(\$0.22)
Weighted average number of shares outstanding in calculating net earnings per share		
- basic	4,857,187	4,857,187
Net loss per share		
- diluted	(\$0.49)	(\$0.22)
Weighted average number of shares outstanding in calculating net earnings per share		
- diluted	4,857,187	4,857,187

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Bonso Electronics International Inc.

Consolidated Statements of Changes in Stockholders' Equity

(Expressed in United States Dollars)

	<u>Common stock</u>			<u>Treasury stock</u>			Accumulated other comprehensive income-foreign currency adjustments	Total stockholders' equity
	Shares <u>Issued</u>	Amount <u>outstanding</u> \$ in thousands	Additional paid-in <u>capital</u> \$ in thousands	Treasury Shares <u>held</u>	Amount <u>outstanding</u> \$ in thousands	Accumulated <u>deficit</u> \$ in thousands	\$ in thousands	\$ in thousands
Balance, March 31, 2022	5,828,205	17	22,795	971,018	(3,082)	(7,083)	2,696	15,343
Net loss	-	-	-	-	-	(2,392)	-	(2,392)
Foreign currency translation adjustments	-	-	-	-	-	-	(1,069)	(1,069)
	<u>5,828,205</u>	<u>17</u>	<u>22,795</u>	<u>971,018</u>	<u>(3,082)</u>	<u>(9,475)</u>	<u>1,627</u>	<u>11,882</u>
Balance, March 31, 2023	5,828,205	17	22,795	971,018	(3,082)	(9,475)	1,627	11,882
Net loss	-	-	-	-	-	(1,049)	-	(1,049)
Foreign currency translation adjustments	-	-	-	-	-	-	(558)	(558)
	<u>5,828,205</u>	<u>17</u>	<u>22,795</u>	<u>971,018</u>	<u>(3,082)</u>	<u>(10,524)</u>	<u>1,069</u>	<u>10,275</u>

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Bonso Electronics International Inc.
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	Years Ended March 31,	
	2023	2024
	\$ in thousands	\$ in thousands
Cash flows from operating activities		
Net loss	(2,392)	(1,049)
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:		
Depreciation	854	825
Amortization	269	256
Amortization of right-of-use assets	93	63
Reversal of impairment of inventories	(136)	(46)
Change in cash surrender value of investment in life insurance contract	(5)	(5)
Change in fair value of financial instruments at fair value	149	(112)
Dividend income from financial instruments at fair value	(2)	(1)
Gain from sale of financial instruments at fair value	(6)	(166)
Provision for expected credit loss	-	210
Interest expense	133	91
Increase in deferred tax asset	(298)	(64)
Impairment to a long-term investment	439	-
Changes in assets and liabilities:		
Trade receivables	1,187	(822)
Other receivables, deposits and prepayments	283	71
Inventories	1,315	174
Right-of-use assets	(232)	11
Accounts payable	(211)	110
Contract liabilities	(56)	(189)
Accrued charges and deposits	(214)	116
Refund liabilities	(19)	4
Payable to affiliated parties	(22)	(59)
Lease liabilities	139	(74)
Net cash provided by / (used in) operating activities	1,268	(656)
Cash flows from investing activities		
Acquisition of property, plant and equipment, net	(262)	(185)
Acquisition of financial instruments at fair value	(285)	(17)
Investment in a long-term investment	(439)	-
Proceeds from sale of financial instruments at fair value	96	468
Dividends received from financial instruments at fair value	2	1
Net cash (used in) / provided by investing activities	(888)	267
Cash flows from financing activities		
Finance lease payments	(8)	(20)
Advance from finance lease	99	-
Interest from finance lease	2	3
Interest paid	(2)	(3)
Advance from notes payable	155	-
Repayment of notes payable	(176)	(54)
Repayment of bank loans	(258)	-
Net cash used in financing activities	(188)	(74)
Net increase / (decrease) in cash and cash equivalents	192	(463)
Effect of exchange rate changes on cash and cash equivalents	(640)	(341)
Cash and cash equivalents, beginning of year	6,740	6,292
Cash and cash equivalents, end of year	6,292	5,488
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	7	3
Income tax	-	-

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

1 Description of business and organization

Bonso Electronics International Inc. and its subsidiaries (collectively, the “Company” or “Group”) are engaged in the designing, manufacturing and selling of a comprehensive line of electronic scales and weighing instruments, pet electronic products and other products. Further, the Group also rents or leases both factory facilities and equipment not being currently used to third parties.

Particulars of principal subsidiaries as of March 31, 2023 and 2024 are as follows:

<u>Name of company</u>	<u>Place of incorporation and kind of legal entity</u>	<u>Particulars of issued capital / registered capital</u> \$ in thousand	<u>Percentage of capital held by the Company</u>		<u>Principal activities</u>
			<u>2023</u>	<u>2024</u>	
Bonso Electronics Limited * ("BEL")	Hong Kong, limited liability company	641	100%	100%	Investment holding, providing management and administrative support to the Group companies
Bonso Investment Limited ("BIL")	Hong Kong, limited liability company	385	100%	100%	Investment holding and property investment
Bonso Electronics (Shenzhen) Company, Limited ("BESCL")	The People's Republic of China ("PRC"), limited liability company	12,621	100%	100%	Investment holding and property rental
Bonso Advanced Technology Limited * ("BATL")	Hong Kong, limited liability company	128	100%	100%	Investment holding and trading of scales and pet electronic products
Bonso Advanced Technology (Xinxing) Company, Limited ("BATXXCL")	PRC, limited liability company	10,000	100%	100%	Production of scales and pet electronic products and property rental
Bonso Technology (Shenzhen) Company, Limited ("BTL")	PRC, limited liability company	26	100%	100%	Product development and trading of pet electronic products

* Shares directly held by the Company

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies

The significant accounting policies are as follows:

(a) Basis of presentation

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") and presents our financial statements in United States Dollars. The consolidated financial statements include the financial statements of the Company and its subsidiaries after elimination of inter-company accounts and transactions.

(b) Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and accompanying disclosures. These estimates and assumptions are based on management's best knowledge of current events, historical experience and other information available when the financial statements are prepared. These estimates include, but are not limited to, long-live assets and intangible assets impairment review, deferred tax asset valuation allowance, provision of expected credit loss, incremental borrowing rate of lease liabilities, inventory impairment review, provision for refund liabilities, stock-based compensation expense and loss contingencies. Actual results could differ from those estimates and assumptions.

(c) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents are stated at cost, which approximates fair value because of the short-term maturity of these instruments. The Company has no cash equivalents as of March 31, 2023 and 2024.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies (Continued)

(d) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by using the first-in, first-out ("FIFO") method. Costs of inventories include purchase and related costs incurred in bringing the products to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company routinely reviews its inventories for their salability and for indications of obsolescence to determine if inventory carrying values are higher than net realizable value. Some of the significant factors the Company considers in estimating the net realizable value of its inventories include the likelihood of changes in market and customer demand and expected changes in market prices for its inventories. Reversal of impairment of inventories of approximately \$136,000 and \$46,000 were made for the fiscal year ended March 31, 2023 and 2024, respectively.

(e) Trade receivables and allowance for expected credit losses

Trade receivables primarily represent amounts due from customers, that are typically non-interest bearing and are recorded at the invoiced amount, net of allowances for doubtful accounts and sales returns, if any. Trade receivables are considered overdue when settlement does not occur within the payment terms. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing trade receivables. Bad debt expense is included in general and administrative expenses.

The Company recognizes an allowance for expected credit losses to ensure accounts and other receivables are not overstated due to uncollectibility. Allowance for doubtful receivables is maintained for all customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional allowance for individual accounts is recorded when the Company becomes aware of customers' or other debtors' inability to meet their financial obligations, such as bankruptcy filings or deterioration in the customer's or other debtor's operating results or financial position. If circumstances related to customers or debtors change, estimates of the recoverability of receivables will be further adjusted. Trade receivable balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(f) Income taxes and deferred income taxes

Amounts in the consolidated financial statements related to income taxes are calculated using the principles of Accounting Standards Codification ("ASC") 740 and Accounting Standards Updates ("ASU") 2013-11 *"Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists"*. ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting bases and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carry forwards, are recognized as deferred tax assets. Recognized deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company complies with ASC 740 for uncertainty in income taxes recognized in financial statements. ASC 740 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company's accounting policy is to treat interest and penalties as components of income taxes. The income tax returns of some of the Company's subsidiaries through the fiscal year ended March 31, 2023 are under review by the tax authorities. The tax returns of the Company's PRC subsidiaries for 2023 are subject to examination by the PRC taxing authorities.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies (Continued)

(g) Intangible assets

Land use rights held by the Company are included in intangible assets. The granted useful life of the land use rights is 50 years. They are stated at cost and amortized on a straight-line basis over a maximum period of 30 years.

(h) Property, plants and equipment, net

(i) Property, plant and equipment are stated at cost less accumulated depreciation. Buildings are depreciated on a straight-line basis over 20 to 66 years, representing the shorter of the remaining term of the lease or the expected useful life to the Company.

(ii) Other categories of property, plant and equipment are carried at cost and depreciated using the straight-line method over their expected useful lives to the Company. The principal estimated useful lives for depreciation are:

Plant and machinery	- 10 years
---------------------	------------

Furniture, fixtures and equipment	- 5 to 10 years
-----------------------------------	-----------------

Motor vehicles	- 5 years
----------------	-----------

(iii) Assets under construction are not depreciated until construction is completed and the assets are ready for their intended use.

(iv) The cost of major improvements and betterments is capitalized, whereas the cost of maintenance and repairs is expensed in the year when it is incurred.

(v) Any gain or loss on disposal is included in the consolidated statements of operations and comprehensive income.

(i) Impairment of long-lived assets including intangible assets

Long-lived assets held and used by the Company and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company evaluates recoverability of assets to be held and used by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment loss is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets calculated using a discounted future cash flows analysis. Provisions for impairment made on other long-lived assets are disclosed in the consolidated statements of operations and comprehensive income. Long-lived assets including intangible assets are reviewed for impairment separately by each group entity.

(j) Financial instrument at amortized cost

Held-to-maturity debt securities are purchased from a financial institution, which are stated at amortized cost. Interest income, including amortization of the premium and discount arising at acquisition, are included in earnings.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies (Continued)

(k) Financial instruments at fair value

The Company complies with ASC 820, "*Fair Value Measurements*" ("ASC 820"). ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

(l) Leases

The Company determines if an arrangement is a lease at inception of the contract. Leases are recorded in "right-of-use (ROU) assets" and "lease liabilities" in the Company's consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. For leases in which the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate based on the information available at commencement date for determining the present value of lease payments. Lease term includes the effects of options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease arrangements is recognized on a straight-line basis over the lease term.

The Company elected the practical expedient permitted under the transition guidance under "*Leases*" (Topic 842), which amongst other matters, allowed the Company (i) not to apply the recognition requirements to short-term leases (leases with a lease term of 12 months or less), (ii) not to reassess whether any expired or existing contracts are or contain leases, (iii) not to reassess the lease classification for any expired or existing leases, (iv) not to reassess initial direct costs for any existing leases, and (v) not to separate lease and non-lease components for the allocation of lease costs.

The Company reviews ROU assets for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies (Continued)

(m) Revenue recognition

The Company follows ASC Topic 606, *“Revenue from Contracts with Customers (Topic 606)”*. Topic 606 requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company applies the following steps to recognize revenues: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation.

Product sales

The Company's revenue from contracts with customers is derived from product revenue principally from the sales of electronic scales and pet electronic products directly to customers. The Company sells goods to customers based on purchase orders received from the customers. The Company has determined there is one performance obligation for each model included in the purchase orders. The performance obligation is considered to be met and revenue is recognized when the customer obtains control of the goods, which is generally the point at which products are leaving the ports of Hong Kong, Shenzhen or Nansha (Guangzhou), or when risks and rewards are transferred to the customer. The Company did not recognize any revenue from contracts with customers for performance obligations satisfied over time during the years ended March 31, 2023 and 2024.

The transaction price is generally in the form of a fixed price which is agreed with the customer at contract inception. The transaction price is recorded net of any sales return, surcharges and value-added taxes on gross sales. The Company allocates the transaction price to each performance obligation based on the purchase orders. Customers are required to pay over an agreed-upon credit period, usually between 15 to 119 days. In certain circumstances, the Company will request a deposit from a customer. Customers' deposits are settled as part of the outstanding bill upon receiving an acknowledgement from customers. For the remaining balance of the outstanding bill, the customer is required to pay over an agreed-upon credit period, usually between 0 to 15 days.

Return rights

The Company does not generally provide its customers with a right of return or production protection. Each customer is required to perform a product quality check before accepting delivery of goods. The Company provides to certain customers an additional one to two percent of the quantity of certain products ordered in lieu of a warranty, which is recognized as cost of sales when these products are shipped to customers from the Company's facilities.

The Company sells its products through Amazon's online platform. Customers purchasing products through Amazon have a 30-day right of return from the date of receipt of the product. The Company recorded a refund liability of approximately \$12,000 at March 31, 2024 (2023: \$8,000) for these expected returns, which was based on the average monthly returns received for Amazon sales.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies (Continued)

(m) Revenue recognition (Continued)

Value-added taxes

The Company presents revenue net of value-added taxes ("VAT") incurred. VAT collected from customers, net of VAT paid for purchases, are recorded as a liability in the consolidated balance sheets until these are paid to the tax authorities.

Outbound freight and handling costs

The Company accounts for product outbound freight and handling costs as fulfillment activities and presents the associated costs in selling, general and administrative expenses in the period in which it sells the product.

Disaggregation of revenue

The Company disaggregates its revenue from different types of contracts with customers by principal product categories, as the Company believes it best depicts the nature, amount, timing and uncertainty of its revenue and cash flows. See Note 19 for product revenues by segment.

Contract balances

The Company did not recognize any contract asset as of March 31, 2023 and March 31, 2024. The timing between the recognition of revenue and receipt of payment is not significant. The Company's contract liabilities consist of deposits received from customers. As of March 31, 2023 and 2024, the balances of the contract liabilities are approximately \$264,000 and \$75,000, respectively. All contract liabilities at the beginning of the year ended March 31, 2024 were recognized as revenue during the year ended March 31, 2024 and all contract liabilities as of the end of the year ended March 31, 2024 are expected to be realized in the following year.

(n) Lease revenue

Lease income includes minimum rents which are recognized on an accrual basis over the terms of the related leases on a straight-line basis. Lease revenue recognition commences when the lessee is given possession of the leased space and there are no contingencies offsetting the lessee's obligation to pay rent. Lease revenue were approximately \$950,000 and \$1,567,000 for the fiscal year ended March 31, 2023 and 2024, respectively.

(o) Research and development costs

Research and development costs include salaries, utilities and contractor fees that are directly attributable to the conduct of research and development progress primarily related to the development of new design of products. Research and development costs are expensed as incurred. Research and development costs of approximately \$220,000 and \$217,000 were charged to operations for the years ended March 31, 2023 and 2024, respectively.

(p) Advertising

Advertising costs are expensed as incurred and are included within selling, general and administrative expenses. Advertising costs were approximately \$11,000 and \$7,000 for the fiscal years ended March 31, 2023 and 2024, respectively.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies (Continued)

(q) Foreign currency translations

- (i) The Company's functional currency is the United States dollar. Transactions denominated in non-United States dollar currencies of foreign subsidiaries where the United States dollar is the functional currency are translated into United States dollars at the exchange rates existing at date of transaction. The translation of local currencies into United States dollars at the balance sheet date creates transaction adjustments which are included in net income. Exchange differences are recorded in the statements of operations and comprehensive income.
- (ii) The financial statements of foreign subsidiaries, where non-United States dollar currencies are the functional currencies, are translated into United States dollars using exchange rates in effect at period end for assets and liabilities and average exchange rates during each reporting period for the statement of operations. Adjustments resulting from translation of these financial statements are reflected as a separate component of stockholders' equity in accumulated other comprehensive income.

(r) Stock options

Stock options have been granted to employees, directors and non-employee directors. Upon exercise of the options, a holder can acquire shares of common stock of the Company at an exercise price determined by the board of directors. The options are exercisable based on the vesting terms stipulated in the option agreements or plan.

The Company follows the guidance of ASC 718, "*Accounting for Stock Options and Other Stock-Based Compensation*". ASC 718 requires companies to record compensation expense for share-based awards issued to employees and directors in exchange for services provided. The amount of the compensation expense is based on the estimated fair value of the awards on their grant dates and is recognized over the required service periods. Our share-based awards include stock options and restricted stock awards. The estimated fair value underlying our calculation of compensation expense for stock options is based on the Black-Scholes pricing model. Forfeitures of share-based awards are estimated at the time of grant and revised, if necessary, in subsequent periods if our estimates change based on the actual amount of forfeitures we have experienced.

(s) Fair value of financial instruments

The carrying amounts of financial instruments including cash and cash equivalents, trade receivables, net, other receivables, deposits and prepayments, other current assets, accounts payable and accrued charges and deposits, and other current liabilities approximate fair value due to the relatively short-term maturity of these instruments. The carrying value of long-term debt approximates fair value based on prevailing borrowing rates currently available for loans with similar terms and maturities.

(t) Earnings per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed based on the weighted average number of common shares outstanding during the year plus the dilutive effect of potential common shares. In computing the dilutive effect of potential common shares, the average stock price for the period is used in determining the number of treasury shares assumed to be purchased with the proceeds from the exercise of options. When there is a loss, the potential common shares are not included in the diluted net earnings per share since the effect would be anti-dilutive.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies

(u) Treasury stock

The Company periodically retires treasury shares that it acquires through share repurchases and returns those shares to the status of authorized but unissued. The Company accounts for treasury stock transactions under the cost method. For each reacquisition of common stock, the number of shares and the acquisition price for those shares is added to the existing treasury stock count and total value, respectively, and recognized as a deduction from equity. When treasury shares are retired, the Company's policy is to allocate the excess of the repurchase price over the par value of shares acquired to additional paid-in capital, with any remaining amount being charged to retained earnings.

(v) Long-term investment and impairment assessment

The Company invested in an equity investment without a readily determinable fair value. The Company elected to use the measurement alternative at cost, less any impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer, if any. The Company's annual impairment review considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities, and requires significant use of estimates and assumptions.

(w) Recently issued and adopted accounting pronouncements

Recently Adopted Accounting Pronouncements.

In March 2020, the Financial Accounting Standards Board (FASB) issued ("ASU 2020-04"), *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. In January 2021, the FASB issued ("ASU 2021-01"), *Reference Rate Reform (Topic 848): Scope*. This guidance is an update to ASU 2020-04, which clarifies certain optional expedients and exceptions which apply to modifications of derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, computing variation margin settlements, and for calculating price alignment interest. ASU 2020-04 and ASU 2021-01 are effective for a limited time for all entities through March 31, 2024. In 2024, the Company adopted these amendments which did not have a material impact on the Company's financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted.

In June 2022, the FASB issued ("ASU 2022-03"), *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, to clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. ASU 2022-03 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is in the process of evaluating the impact of the amendments on the Company's financial statements.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

3 Allowance for credit losses

Allowance for credit losses amounted to approximately \$210,000 as of March 31, 2024 (2023: \$nil). All trade receivables are generally unsecured.

4 Inventories

The components of inventories are as follows:

	March 31, 2023 \$ in thousands	2024 \$ in thousands
Raw materials	319	303
Work in progress	334	274
Finished goods	295	243
Total	<u>948</u>	<u>820</u>

During the fiscal years ended March 31, 2023 and 2024, based upon material composition and expected usage, reversal of impairment of inventories of approximately \$136,000 and \$46,000, respectively, were credited to the consolidated statements of operations under cost of revenue.

5 Property, plant and equipment, net

Property, plant and equipment, net, consisted of the following:

	March 31, 2023 \$ in thousands	2024 \$ in thousands
Cost		
Buildings	17,231	17,692
Plant and machinery	9,741	9,656
Furniture, fixtures and equipment	2,065	2,004
Construction-in-progress	1,283	77
Motor vehicles	699	746
	<u>31,019</u>	<u>30,175</u>
Less: accumulated depreciation	<u>(22,205)</u>	<u>(22,344)</u>
	<u>8,814</u>	<u>7,831</u>

During the fiscal years ended March 31, 2023 and 2024, depreciation expenses charged to the consolidated statements of operations under cost of revenue amounted to approximately \$584,000 and \$551,000, respectively, and charged to the consolidated statements of operations under selling, general and administrative expense amount to approximately \$270,000 and \$274,000, respectively. As at March 31, 2023 and 2024 fully depreciated assets that were still in use by the Company amounted to approximately \$16,478,000 and \$17,784,000, respectively. As at March 31, 2023 and 2024, property, plant and equipment, net that were leased out amounted to approximately \$3,239,000 and \$2,862,000, respectively.

Property, plant and equipment in Xinxing were assessed for impairment according to the policy described in note 2(h), and no impairment was recognized as at March 31, 2024 (2023: \$nil).

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

6 Intangible assets, net

Intangible assets are analyzed as follows:

	Amount \$ in thousands
Cost at March 31, 2022	6,287
Addition	-
Effect of exchange rate	(473)
Cost at March 31, 2023	5,814
Addition	-
Effect of exchange rate	(303)
Cost at March 31, 2024	5,511
Accumulated Amortization at March 31, 2022	(4,687)
Amortization	(269)
Effect of exchange rate	353
Accumulated Amortization at March 31, 2023	(4,603)
Amortization	(256)
Effect of exchange rate	241
Accumulated Amortization at March 31, 2024	(4,618)
Net book value at March 31, 2023	1,211
Net book value at March 31, 2024	893

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

6 Intangible assets, net (Continued)

The components of intangible assets are as follows:

	March 31,	
	2023	2024
	\$ in thousands	\$ in thousands
Land use right of factory land in Shenzhen, Guangdong, PRC	287	104
Land use right of factory land in Xinxing, Guangdong, PRC	924	789
Total	1,211	893

Amortization expense in relation to intangible assets was approximately \$269,000 and \$256,000 for each of the fiscal years ended March 31, 2023 and 2024, respectively.

As of March 31, 2024, future minimum amortization expenses in respect of intangible assets are as follows:

Year ending	\$ in thousands
2025	192
2026	87
2027	87
2028	87
2029	87
Thereafter	353
Total	893

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

7 Banking facilities

As of March 31, 2024, the Company had general banking facilities for bank overdrafts, letters of credit, notes payable and term loans. The facilities are interchangeable with total amounts available of approximately \$1,935,000 (2023: \$5,128,000), with approximately \$nil lines of credit utilized (2023: \$54,000) and approximately \$1,935,000 unutilized (2023: \$5,074,000). The general banking facilities utilized by the Company are denominated in United States dollars and Hong Kong dollars.

The Company's general banking facilities, expressed in United States dollars, are further detailed as follows:

	<u>Amount available</u>		<u>Amount utilized</u>		<u>Amount unutilized</u>		<u>Terms of banking</u>	
	March 31,		March 31,		March 31,		March 31, 2024	
	2023	2024	2023	2024	2023	2024	Interest	Repayment
	\$ in thousands		\$ in thousands		\$ in thousands		rate	Terms
Combined limit	2,564	1,923	54	-	2,510	1,923		
Including sub-limit of:								
Notes payable	1,538	1,538	54	-	1,484	1,538	HIBOR* +2.5% or SOFR** + 2.66%	Repayable in full within 120 days
Bank overdrafts	641	641	-	-	641	641	Prime rate +1%	Repayable on demand
Long term loans	1,214	-	-	-	1,214	-	HIBOR* +2%	Term loans repayable
Other facilities								
Corporate								
Credit Card	-	12	-	-	-	12		
Export								
documentary credits	641	-	-	-	641	-		
Revolving loan	1,923	-	-	-	1,923	-	HIBOR* +2.25%	Repayable until redemption of a listed debt instrument
	<u>5,128</u>	<u>1,935</u>	<u>54</u>	<u>-</u>	<u>5,074</u>	<u>1,935</u>		

(1) A clause in the banking facilities states that the term loans are subject to review any time and also subject to the bank's overriding right to repayment on demand, including the right to call for cash cover on demand for prospective and contingent liabilities. Therefore, all long-term loans were classified as current liabilities in the consolidated balance sheets.

* HIBOR is the Hong Kong Interbank Offer Rate

** SOFR is the Secured Overnight Financing Rate

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

7 Banking facilities (Continued)

One of the properties of the Company located in Hong Kong with a net book value of approximately \$599,000 as of March 31, 2024, the rental assignment over such property, the rights, interests and benefits of a life insurance contract with a book value of approximately \$177,000 are arranged as securities to the banks for the banking facilities arrangement.

The Prime Rate and HIBOR were 5.875% and 4.830% per annum, respectively, as of March 31, 2024. The Prime Rate is determined by the Hong Kong Association of Banks and is subject to revision from time to time. Interest rates are subject to change if the Company defaults on the amount due under the facility or draws in excess of the facility amounts, or at the discretion of the banks.

The weighted average interest rates of borrowings of the Company are as follows:

	During the fiscal year ended	
	March 31,	
	2023	2024
Bank overdrafts	6.00%	6.88%
Notes payable	5.90%	7.96%
Term loans	2.53%	2.53%
Revolving loan	2.71%	2.71%

Details of the repayment schedule in respect of the notes payable are as follows:

	March 31,	
	2023	2024
	\$ in thousands	\$ in thousands
Within one year or on demand	54	-

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

8 Income tax

- (a) The subsidiaries comprising the Group are subject to tax on an entity basis on income arising in or derived from Hong Kong and the PRC. The Company is not subject to income taxes in the British Virgin Islands.

Hong Kong Tax

BIL and BEL operating in Hong Kong are subject to the Hong Kong profits tax rate of 16.5% (2023: 16.5%). BATL operating in Hong Kong is subject to the Hong Kong profits tax rate of 8.25% (2023: 8.25%) on the first HKD 2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD 2 million. BIL and BATL have no assessable profits while BEL has tax losses brought forward which are available for set-off against the assessable profits for the year ended March 31, 2024.

PRC Tax

All subsidiaries registered in the PRC are subject to a tax rate of 25% (2023: 25%).

- (b) Income is subject to taxation in the various countries in which the Company and its subsidiaries operate. The income / (loss) before income taxes by geographical location is analyzed as follows:

	2023	2024
	\$ in thousands	\$ in thousands
Hong Kong	(582)	97
PRC	(2,026)	(1,201)
Others	(82)	(9)
Total	(2,690)	(1,113)

Others mainly include the income / (loss) from BVI.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

8 Income tax (Continued)

(c) Income tax benefit comprises the following:

	2023	2024
	\$ in thousands	\$ in thousands
Current income tax expense	-	-
Deferred income tax benefit	298	64
	<u> </u>	<u> </u>
Total	298	64
	<u> </u>	<u> </u>

The components of the income tax benefit / (expense) by geographical location are as follows:

	2023	2024
	\$ in thousands	\$ in thousands
Hong Kong	157	96
PRC	141	(32)
	<u> </u>	<u> </u>
Total	298	64
	<u> </u>	<u> </u>

At the end of the accounting periods, the income tax recoverable is as follows:

	2023	2024
	\$ in thousands	\$ in thousands
Current income tax	5	5
	<u> </u>	<u> </u>

(d) Deferred tax assets comprise the following:

	2023	2024
	\$ in thousands	\$ in thousands
Tax loss carry forwards	4,478	4,515
Increase / (decrease) in tax loss	37	(114)
Less: Valuation allowance	(3,884)	(3,706)
	<u> </u>	<u> </u>
	631	695
	<u> </u>	<u> </u>

As of March 31, 2023 and 2024, the Company had accumulated tax losses amounting to approximately \$25,111,000 and \$25,644,000 (the tax effect thereon is approximately \$4,515,000 and \$4,684,000), respectively, subject to the final agreement by the relevant tax authorities, which may be carried forward and applied to reduce future taxable income which is earned in or derived from Hong Kong and other jurisdictions. Realization of deferred tax assets associated with tax loss carry forwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance is established against such tax losses when management believes it is more likely than not that a portion may not be utilized. As of March 31, 2024, the Company's accumulated tax losses of approximately \$5,234,000 will expire from 2025 to 2034.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

8 Income tax (Continued)

- (e) Changes in valuation allowance are as follows:

	2023 \$ in thousands	2024 \$ in thousands
Balance, April 1	4,145	3,884
Income tax benefit	(261)	(178)
	<u> </u>	<u> </u>
Balance, March 31	<u>3,884</u>	<u>3,706</u>

- (f) The actual income tax benefit attributable to earnings for the fiscal years ended March 31, 2023 and 2024 differed from the amounts computed by applying the Hong Kong statutory tax rate in accordance with the relevant income tax law as a result of the following:

	2023 \$ in thousands	2024 \$ in thousands
Loss before income taxes	(2,690)	(1,113)
	<u> </u>	<u> </u>
Tax on pretax income at statutory rate	(444)	(184)
Effect of different tax rates of subsidiaries operating in other jurisdictions	195	11
Profit not subject to income tax	-	(22)
Expenses not deductible for income tax purposes	25	21
Increase in valuation allowance	258	357
Utilization of tax losses	(34)	(183)
	<u> </u>	<u> </u>
Total income tax benefit	<u>-</u>	<u>-</u>

The statutory rate of 8.25% or 16.5% used above is that of Hong Kong, where the Company's main business is located.

- (g) The Company complies with ASC 740 and assessed the tax position during the fiscal year ended March 31, 2024 and concluded that the Company had no accrued penalties related to uncertain tax positions under accrued charges and deposits (2023: \$nil).

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

9 Financial instruments at fair value

During the fiscal year ended March 31, 2024, the Company purchased listed shares in Hong Kong and the United States for trading purposes for approximately \$17,000 (2023: \$285,000). During the fiscal year ended March 31, 2024, a gain of disposal of financial assets at fair value of approximately \$166,000 was recorded (2023: \$6,000). A revaluation gain of approximately \$112,000 was recorded during the fiscal year ended March 31, 2024 (2023: revaluation loss of \$149,000).

At the end of the accounting period, the fair value of the following assets was as follows:

\$ in thousands	March 31, 2023				March 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity investments	441	-	-	441	268	-	-	268

The fair value of equity investments is determined based on quoted prices in active markets.

10 Investment in life insurance contract

Investment in life insurance contract represents the carrying amount (surrender value) of the contract if it is to be terminated by the Company. There is one life insurance contract as of March 31, 2023 and March 31, 2024, with a carrying amount of approximately \$172,000 and \$177,000, respectively. All premiums of this contract were paid during the fiscal year ended March 31, 2012. The face amount (death benefit) of this contract is \$1,000,000. During the fiscal year ended March 31, 2024, we recorded a gain of approximately \$5,000 for the change in valuation (2023: \$5,000).

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

11 Leases

Operating leases

As of March 31, 2024, the Company leases part of production facilities and machines in Xinxing under rental agreements to third parties. The Company will need to pay a cancellation fee of approximately \$61,000 if the Company decides to terminate all the rental agreements before their expiry.

The Shenzhen factory is rented out to a third party since April 1, 2021. Part of the production facilities in Xinxing is rented out to various third parties up to June 30, 2033. Certain tenants have an option to early terminate their tenancy agreements, and the future minimum rental payments to be received are as follows:

Year ending March 31,	\$ in thousands
2025	61
	<u>61</u>

The Company leases one office and one staff quarters in Shenzhen. Operating lease assets and obligations are reflected within right-of-use asset, and lease liability, respectively, on the consolidated balance sheets.

The discount rate implicit within the leases is generally not determinable and therefore the Company determines the discount rate based on its incremental borrowing rate. The incremental borrowing rate for the leases is determined based on lease term and currency in which lease payments are made, adjusted for impacts of collateral. The weighted average discount rate used to measure the operating lease liabilities as of March 31, 2024 was 6.75%.

Year ended March 31, 2024	\$ in thousands
Assets	
Right-of-use assets	198
	<u>198</u>
Liabilities	
Current portion of operating lease liabilities	68
Non-current portion of operating lease liabilities	130
	<u>198</u>
Total	<u>198</u>

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

11 Leases (Continued)

Operating leases (Continued)

Maturities of lease liabilities are as follows:

Year ending March 31,	\$ in thousands
2025	79
2026	82
2027	55
	216
Less: imputed interest	(18)
Total lease cost	198

Recognized rent expense associated with our leases are as follows:

	Year ended March 31, 2023	Year ended March 31, 2024
Operating lease cost:		
	\$ in	\$ in
	thousands	thousands
Fixed rent expense	97	78
	97	78

Supplemental cash flow and other information related to leases is as follows:

March 31, 2024	\$ in thousands
Total lease liabilities	198
Cash payment for amount included in the measurement of lease liabilities	78
Weighted average remaining lease term (months)	32
Weighted average discount rate	6.75%

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

12 Commitments and contingent liabilities

(a) Commitments

Capital expenditures contracted at the balance sheet date but not yet provided for are as follows:

	As of March 31,	
	2023	2024
	\$ in thousands	\$ in thousands
Construction in Xinxing, Guangdong, PRC	40	36
Total construction cost	<u>40</u>	<u>36</u>

(b) Contingent liabilities

The Company has entered into an employment agreement with a director, Anthony So. Mr. So's employment agreement provides for a maximum yearly salary of approximately \$800,000 plus bonus. The initial term of the employment agreement expired on March 31, 2013 ("Initial Term"); however, the employment agreement has been renewed under a provision in the agreement that provides for automatic renewal for successive one year periods, unless at least 90 days prior to the expiration of the Initial Term or any renewal term, either party gives written notice to the other party specifically electing to terminate the agreement. Mr. So's employment agreement contains a provision under which the Company will be obligated to pay Mr. So all compensation for the remainder of his employment agreement and five times his annual salary and bonus compensation if a change of control, as defined in his employment agreement, occurs. Bonuses shall be determined by the Board of Directors in their sole discretion.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

13 Stockholders' equity

(a) Repurchase of common stock

In August of 2001, the Company's Board of Directors authorized a program for the Company to repurchase up to \$500,000 of its common stock. This repurchase program does not obligate the Company to acquire any specific number of shares or acquire shares over any specified period of time. From November 2006 through April 2018, the Board of Directors increased the amount of authorized repurchases to \$6,000,000. The Board of Directors believed that the common stock was undervalued and that the repurchase of common stock would be beneficial to the Company's stockholders. The Company (through its subsidiary) has repurchased an aggregate of 1,005,018 shares of its common stock as of March 31, 2024. No repurchased shares were removed from the total number of shares issued during the fiscal year ended March 31, 2024 (2023: nil). The Company may from time to time repurchase shares of its common stock under this program.

(b) Preferred stock

The Company has authorized share capital of \$100,000 for 10,000,000 shares of preferred stock, with par value of \$0.01 each, divided into 2,500,000 shares each of class A preferred stock, class B preferred stock, class C preferred stock and class D preferred stock. Shares may be issued within each class from time to time by the Company's Board of Directors in its sole discretion without the approval of the stockholders, with such designations, powers, preferences, rights, qualifications, limitations and restrictions as the Board of Directors shall fix and as have not been fixed in the Company's Memorandum of Association. The Company has not issued any shares of preferred stock as of March 31, 2023 and 2024.

(c) Dividends

No dividends were declared by the Company for each of the fiscal years ended March 31, 2023 and 2024, respectively.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

14 Stock option and bonus plans

(a) 2004 Stock Bonus Plan

On September 7, 2004, the Company's stockholders adopted the 2004 Stock Bonus Plan (the "Stock Bonus Plan") which authorizes the issuance of up to five hundred thousand (500,000) shares of the Company's common stock in the form of stock bonuses.

The purpose of this Stock Bonus Plan is to (i) induce key employees to remain in the employment of the Company or of any subsidiary of the Company; (ii) encourage such employees to secure or increase their stock ownership in the Company; and (iii) reward employees, non-employee directors, advisors and consultants for services rendered or to be rendered to or for the benefit of the Company or any of its subsidiaries. The Company believes that the Stock Bonus Plan will promote continuity of management and increase incentive and personal interest in the welfare of the Company.

The Stock Bonus Plan is administered by a committee appointed by the Board of Directors which consists of at least two but not more than three members of the Board, one of whom shall be a non-employee of the Company. The existing Committee members are Mr. Anthony So and Mr. Woo Ping Fok. The Committee has the authority, in its sole discretion: (i) to determine the parties to receive bonus stock, the times when they shall receive such awards, the number of shares to be issued and the time, terms and conditions of the issuance of any such shares; (ii) to construe and interpret the terms of the Stock Bonus Plan; (iii) to establish, amend and rescind rules and regulations for the administration of the Stock Bonus Plan; and (iv) to make all other determinations necessary or advisable for administering the Stock Bonus Plan.

As of March 31, 2024, no shares had been granted under the Stock Bonus Plan.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

14 Stock option and bonus plans (Continued)

(b) 2004 Stock Option Plan

On March 23, 2004, the Company's stockholders adopted the 2004 Stock Option Plan (the "2004 Plan") which provides for the grant of up to six hundred thousand (600,000) shares of the Company's common stock in the form of stock options, subject to certain adjustments as described in the 2004 Plan. At the Annual Meeting of Stockholders held on March 20, 2015, the stockholders approved an amendment to the 2004 Plan to increase the number of shares that could be granted from 600,000 to 850,000.

The purpose of the 2004 Plan is to secure key employees to remain in the employment of the Company and to encourage such employees to secure or increase on reasonable terms their common stock ownership in the Company. The Company believes that the 2004 Plan promotes continuity of management and increased incentive and personal interest in the welfare of the Company.

The 2004 Plan is administered by a committee appointed by the Board of Directors which consists of at least two but not more than three members of the Board, one of whom shall be a non-employee of the Company. The current committee members are Mr. Anthony So and Mr. Woo Ping Fok. The committee determines the specific terms of the options granted, including the employees to be granted options under the plan, the number of shares subject to each option grant, the exercise price of each option and the option period, subject to the requirement that no option may be exercisable more than 10 years after the date of grant. The exercise price of an option may be less than the fair market value of the underlying shares of common stock. No options granted under the plan will be transferable by the optionee other than by will or the laws of descent and distribution, and each option will be exercisable during the lifetime of the optionee only by the optionee.

The exercise price of an option granted pursuant to the 2004 Plan may be paid in cash, by the surrender of options, in common stock, in other property, including a promissory note from the optionee, or by a combination of the above, at the discretion of the committee.

As of July 15, 2015, 850,000 options, all with an exercise price of \$1.50 per share, had been granted to officers and directors of the Company under the 2004 Plan. Options for 425,000 shares were exercised during the fiscal year ended March 31, 2020. The options for 425,000 shares that were outstanding as of March 31, 2024 will expire on March 31, 2025. Options granted under the 2004 Plan vest immediately and may contain such other terms as the Board of Directors or a committee appointed to administer the plan may determine.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

14 Stock option and bonus plans (Continued)

(c) A summary of the stock options activity is as follows:

	Number of options	Weighted average price
Outstanding at March 31, 2023	425,000	\$1.50
	<u> </u>	
Outstanding at March 31, 2024	425,000	\$1.50
	<u> </u>	

(d) The following table summarizes information about all stock options of the Company outstanding as at March 31, 2024:

<u>Weighted exercise price</u>	<u>Number outstanding at March 31, 2024</u>	<u>Weighted average remaining life (years)</u>	<u>Exercisable shares at March 31, 2024</u>
\$1.50	425,000	1.0	425,000
	<u> </u>		<u> </u>

The intrinsic value of options outstanding and exercisable was approximately \$(25,500) on March 31, 2024. The intrinsic value represents the pre-tax intrinsic value (the difference between the closing stock price of the Company's common stock on the balance sheet date and the exercise price for both the outstanding and exercisable options) that would have been received by the option holders if all options had been exercised on March 31, 2024.

New shares will be issued by the Company upon future exercise of stock options.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

15 Related party transactions

- (a) The Company paid emoluments, commissions and/or consultancy fees to its directors and officers as follows:

Year ended March 31,	Mr. Anthony So Director	Mr. Kim Wah Chung Director	Mr. Woo-Ping Fok Director	Mr. Andrew So Director and Chief Executive Officer
	\$ in thousands	\$ in thousands	\$ in thousands	\$ in thousands
2023	\$496 (i), (iii)	\$153 (iii)	Nil	\$272 (iii)
2024	\$357 (i), (iii)	\$155 (iii)	Nil	\$251 (iii)

	Mr. Henry Schlueter Director and Assistant Secretary	Mr. Albert So Director, Chief Financial Officer and Secretary
	\$ in thousands	\$ in thousands
2023	\$60 (ii)	\$177 (iii)
2024	\$60 (ii)	\$153 (iii)

The emoluments paid to the Company's directors and officers were included in salaries and related costs, while the consultancy fees or professional fees paid to Schlueter & Associates, P.C., were included in general and administrative expenses.

- (i) Apart from the emoluments paid by the Company as shown above, one of the properties of the Company in Hong Kong is also provided to Mr. Anthony So for his accommodation.
- (ii) The amounts for the years ended March 31, 2023 and 2024 represented professional fees paid to Schlueter & Associates, P.C., the Company's counsel, in which Mr. Henry Schlueter is one of the principals.
- (iii) The amount for the year ended March 31, 2023, included unpaid vacation payments of approximately \$24,000, \$10,000, \$14,000 and \$11,000 for Mr. Anthony So, Mr. Kim Wah Chung, Mr. Andrew So and Mr. Albert So, respectively. The amount for the year ended March 31, 2024, included unpaid vacation payments of approximately \$24,000, \$11,000 and \$13,000 for Mr. Anthony So, Mr. Kim Wah Chung and Mr. Andrew So, respectively.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

15 Related party transactions (Continued)

One of the subsidiaries in Shenzhen, PRC entered into a rental agreement with a director and stockholder, Mr. Anthony So, for one apartment unit for staff quarters, for a monthly rental payment of approximately \$280. The total rental payment paid to Mr. Anthony So during the fiscal year ended March 31, 2024 was approximately \$3,000 (2023: \$4,000).

Bonso Electronics International Inc.
Notes to Consolidated Financial Statements
(Expressed in United States Dollars)

16 Concentrations and credit risk

The Company operates principally in the PRC (including Hong Kong) and grants credit to its customers in this geographic region. Although the PRC is economically stable, it is always possible that unanticipated events in foreign countries could disrupt the Company's operations.

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and trade receivables. The Company does not require collateral to support financial instruments that are subject to credit risk.

On March 31, 2023 and 2024, the Company had credit risk exposure of uninsured cash and deposits with maturities of less than three months in banks of approximately \$6,292,000 and \$5,488,000, respectively.

A substantial portion, 42% and 30% of revenue, was generated from one customer for the years ended March 31, 2023 and 2024, respectively.

The net revenue representing at least 10% of total net revenue are as follows:

	Year Ended March 31,			
	2023		2024	
	\$ in thousands	%	\$ in thousands	%
Customer A	3,814	42	2,250	30
Customer C	1,034	11	759	10
Customer F	-	-	840	11
	<u>4,848</u>	<u>53</u>	<u>3,849</u>	<u>51</u>

The following customers had balances of at least 10% of the total trade receivables at the respective balance sheet dates set forth below:

	March 31,			
	2023		2024	
	\$ in thousands	%	\$ in thousands	%
Customer A	16	5	357	39
Customer B	50	17	94	10
Customer C	152	50	138	15
Customer D	46	15	-	-
Customer E	21	7	201	22
		<u>94</u>		<u>86</u>

At March 31, 2023 and 2024, these customers accounted for 94% and 86%, respectively, of net trade receivables. The trade receivables have repayment terms of not more than twelve months.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

17 Employee retirement benefits and severance payment allowance

- (a) With effect from January 1, 1988, BEL, a wholly-owned foreign subsidiary of the Company in Hong Kong, implemented a defined contribution plan (the "Plan") with a major international insurance company to provide life insurance and retirement benefits for its employees. All permanent full time employees who joined BEL before December 2000, excluding factory workers, are eligible to join the Plan. Each eligible employee that chooses to participate in the Plan is required to contribute 5% of their monthly salary, while BEL is required to contribute from 5% to 10% depending on the eligible employee's salary and number of years in service.

The Mandatory Provident Fund (the "MPF") was introduced by the Hong Kong Government and commenced in December 2000. BEL joined the MPF by implementing a plan with a major international insurance company. All permanent Hong Kong full time employees who joined BEL on or after December 2000, excluding factory workers, must join the MPF, except for those who joined the Plan before December 2000. Both the employee's and employer's contributions to the MPF are 5% of the eligible employee's monthly salary and are subject to a maximum mandatory contribution of HK\$1,000 (US\$128) per month. Both the maximum mandatory employee's and employer's contributions per month increased to HK\$1,250 (US\$160) since June 1, 2012, and then later to HK\$1,500 (US\$192) since June 1, 2014.

Pursuant to the relevant PRC regulations, the Company is required to make contributions for each employee, at rates based upon the employee's standard salary base as determined by the local Social Security Bureau, to a defined contribution retirement scheme organized by the local Social Security Bureau in respect of the retirement benefits for the Company's employees in the PRC.

- (b) The contributions to each of the above schemes are recognized as employee benefit expenses when they are due and are charged to the consolidated statement of operations. The Company's total contributions to the above schemes for the years ended March 31, 2023 and 2024 amounted to approximately \$343,000 and \$341,000, respectively. The Company has no other obligation to make payments in respect of retirement benefits of the employees.
- (c) According to the New Labor Law in the PRC which was effective on January 1, 2008, a company is required to provide one month's salary for each year of service as a severance payment. The Company recognized a total provision of approximately \$700,000 as of March 31, 2024 for severance payments for staff in the PRC (2023: \$672,000). The accrued severance payment allowance is reviewed every year.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

18 Net earnings per share

Basic net earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net earnings per share gives effect to all dilutive potential common shares outstanding during the period. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. In computing the dilutive effect of potential common shares, the average stock price for the period is used in determining the number of treasury shares assumed to be purchased with the proceeds from the exercise of options. When there is a loss, the potential common shares are not included in the diluted net earnings per share since the effect would be anti-dilutive.

	Year Ended March 31,	
	2023	2024
Loss available to common stockholders (\$ in thousands)	\$ (2,392)	\$ (1,049)
Basic weighted average common shares outstanding	4,857,187	4,857,187
Basic net loss per share	<u>\$ (0.49)</u>	<u>\$ (0.22)</u>
Basic weighted average common shares outstanding	4,857,187	4,857,187
Effect of dilutive securities – Options	<u>-</u>	<u>-</u>
Diluted weighted average common and potential common shares outstanding	4,857,187	4,857,187
Diluted net loss per share	<u>\$ (0.49)</u>	<u>\$ (0.22)</u>

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

19 Business segment information

- (a) The Company has four business segments, Scales, Pet Electronic Products, Rental and Management and Others for the fiscal years ended March 31, 2023 and 2024. The Chief Operating Decision Maker, identified as the Chief Executive Officer and Chief Financial Officer, reviews these segment results when making decisions about allocating revenues and assessing the performance of the Company.

Scales operations principally involve production and marketing of sensor-based scales products. These include bathroom, kitchen, office, jewelry, laboratory, postal and industrial scales that are used in consumer, commercial and industrial applications. Revenue from scale products was 59% (2023: 68%) of overall revenue of the Company for the fiscal year ended March 31, 2024, and the Company expects that the revenue will continue to contribute a similar level of revenue for the next 12 months.

Pet Electronic Products principally involve development and production of pet-related electronic products that are used in consumer applications. Revenue from pet electronic products was 20% (2023: 22%) of overall revenue of the Company for the fiscal year ended March 31, 2024, and the Company expects that the revenue from pet electronic products will continue to contribute a similar level of revenue for the next 12 months.

The "Others" segment is a residual, which principally includes the activities of (i) tooling and mould charges for scales and pet electronic products, (ii) sales of scrap materials and (iii) home appliances including cordless leaf blower, food vacuum sealer and hydroponics growing system.

Rental and Management involve leasing out part of our factories and machinery to third parties. Revenue from rental and management was 21% (2023: 10%) of overall revenue of the Company for the fiscal year ended March 31, 2024. The Company expects that the revenue from rental and management will continue to contribute a similar level of revenue for the next 12 months.

The following table sets forth the percentage of net sales for each of the product lines mentioned above for the fiscal years ended March 31, 2023 and 2024:

Product Line	Year ended March 31,	
	2023	2024
Scales	68%	59%
Pet Electronic Products and Others	22%	20%
Rental and Management	10%	21%
Total	100%	100%

The accounting policies of the Company's reportable segments are the same as those described in the description of business and significant accounting policies.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

19 Business segment information (Continued)

- (a) Summarized financial information by business segment as of and for the fiscal years ended March 31, 2023 and 2024 is as follows:

	<u>Net revenue</u>	<u>Cost of revenue</u>	<u>Operating income / (loss)</u>	<u>Identifiable assets as of March 31</u>	<u>Depreciation and amortization</u>	<u>Capital expenditure</u>
	\$ in thousands	\$ in thousands	\$ in thousands	\$ in thousands	\$ in thousands	\$ in thousands
<u>2023</u>						
Scales	6,141	3,665	(1,338)	6,581	500	199
Pet Electronic Products and Others	1,956	1,167	(426)	2,096	159	63
Rental and Management	950	710	(917)	3,983	464	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating segments	9,047	5,542	(2,681)	12,660	1,123	262
Corporate	-	-	-	6,910	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Group	<u>9,047</u>	<u>5,542</u>	<u>(2,681)</u>	<u>19,570</u>	<u>1,123</u>	<u>262</u>
<u>2024</u>						
Scales	4,461	2,600	(446)	6,212	467	138
Pet Electronic Products and Others	1,525	889	(152)	2,124	160	47
Rental and Management	1,567	705	(760)	3,427	454	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating segments	7,553	4,194	(1,358)	11,763	1,081	185
Corporate	-	-	-	5,937	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Group	<u>7,553</u>	<u>4,194</u>	<u>(1,358)</u>	<u>17,700</u>	<u>1,081</u>	<u>185</u>

Operating income by segment equals total operating revenues less expenses directly attributable to the generation of the segment's operating revenues. Identifiable assets by segment are those assets that are used in the operation of that segment. Corporate assets consist principally of cash and cash equivalents, investment in life insurance contracts, intangible assets and other identifiable assets not related specifically to individual segments.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

19 Business segment information (Continued)

- (b) The Company primarily operates in Hong Kong and the PRC. The manufacture of components and their assembly into finished products and research and development is carried out in the PRC. As the operations are integrated, it is not practicable to distinguish the net income derived among the activities in Hong Kong and the PRC.

Property, plant and equipment, net by geographical areas are as follows:

	March 31, 2023 \$ in thousands	March 31, 2024 \$ in thousands
Hong Kong	654	607
The PRC	8,160	7,224
Property, plant and equipment, net	8,814	7,831

- (c) The following is a summary of net revenue by geographical areas constituting 10% or more of total revenue of the Company for the years ended March 31, 2023 and 2024:

	<u>Year ended March 31,</u>			
	2023		2024	
	\$ in thousands	%	\$ in thousands	%
United States	3,574	40	3,037	40
Germany	3,814	42	2,272	30
The PRC	984	11	1,710	23
	8,372	93	7,019	93

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

19 Business segment information (Continued)

- (d) The following is a summary of net revenue by customers constituting 10% or more of total revenue of the Company for the years ended March 31, 2023 and 2024:

		Year Ended March 31,			
Customers	Segment	2023		2024	
		\$ in thousands	%	\$ in thousands	%
Customer A	Scales	3,814	42	2,250	30
Customer C	Scales	1,034	11	759	10
Customer F	Rental and management	-	-	840	11
		<u>4,848</u>	<u>53</u>	<u>3,849</u>	<u>51</u>

20 Loan and deposit received

In November 2017, the Company signed an agreement with a property developer in Shenzhen -- Fangda -- to cooperate in reconstructing and redeveloping the Shenzhen factory. Fangda is a wholly owned subsidiary of Fangda Group Co., Ltd. ("Fangda Group"), which is listed on the Shenzhen Stock Exchange. During the year ended March 31, 2018, the Company received approximately \$3,199,000 from Fangda as a deposit according to the agreement. The Company will return this deposit in full (without interest) to Fangda when the redeveloped property is completed and the Company's share of the redeveloped property is transferred to the Company, which was expected to take place in or after December 2023. The Company has treated this deposit as a loan and discounted it up to December 2023. This liability is presented as a short-term loan of approximately \$2,777,000 (2023: \$2,835,000) and short-term deposit received of approximately \$717,000 (2023: \$756,000) in our consolidated balance sheet as of March 31, 2024. In March 2023, the Company signed a supplementary agreement with Fangda, under which Fangda agreed to pay Bonso RMB 6 million (or approximately \$879,000) per year from April 1, 2023 up to construction commencement, and RMB 10 million (or approximately \$1,465,000) per year after construction commences, as compensation for lost rental revenue until the redevelopment is completed.

Bonso Electronics International Inc.
Notes to Consolidated Financial Statements
(Expressed in United States Dollars)

21 Selling, general and administrative expenses

Selling, general and administrative expenses comprise the following:

	Year Ended March 31,	
	2023	2024
	\$ in thousands	\$ in thousands
General and administrative expenses	2,336	1,830
Salaries and related costs	2,139	2,043
Selling expenses	1,489	627
Research and development expenses	220	217
Selling, general and administrative	6,184	4,717

22 Non-operating (expenses) / income, net

Non-operating (expenses) / income, net comprises the following:

	Year Ended March 31,	
	2023	2024
	\$ in thousands	\$ in thousands
Interest income	43	86
Government subsidies	29	1
Gain from investment in financial instruments	2	279
Other gains	33	17
Interest expense	(140)	(95)
Foreign exchange gain / (loss)	22	(43)
Non-operating (expenses) / income, net	(11)	245

23 Financial instruments at amortized cost

For the year ended March 31, 2020, the Company purchased held-to-maturity debt securities with maturities of one year and three years. As of March 31, 2024, the carrying value of long-term held-to-maturity debt security was approximately \$522,000. The long term held-to-maturity debt security matured in April 2022 but since no payment was received and none is expected to be received, the Company recognized a full impairment of the financial instrument for approximately \$522,000 for the fiscal year ended March 31, 2022. The gross unrealized holding loss of the held-to-maturity debt securities was approximately \$522,000 as of March 31, 2024 (2023: \$522,000).

24 Long-term investment

For the year ended March 31, 2023, the Company invested RMB 3 million (or approximately \$439,000) with the intention to earn long-term investment gain. The \$439,000 is invested in an investment pool which is managed by a third party, that invests in startup companies and will withdraw its investment after five to seven years. Due to lack of audit and access to the status of the investment, the Company recognized an impairment charge to this long-term investment of \$439,000 during the fiscal year ended March 31, 2023. No impairment charge to this long-term investment was recognized during the fiscal year ended March 31, 2024.

Bonso Electronics International Inc.

Notes to Consolidated Financial Statements

(Expressed in United States Dollars)

25 Accrued charges and deposits

Accrued charges and deposits consisted of the following:

	March 31, 2023	2024
	\$ in thousands	\$ in thousands
Provision for individual income tax underpaid penalty	1,893	1,893
Accrued provision for severance payment	672	700
Accrued audit fee	184	135
Accrued salary and wages	114	256
Rental deposits	59	59
Accrued provision for social insurance underpaid	35	35
Other	72	67
	<u>3,029</u>	<u>3,145</u>

26 Risks and uncertainties

COVID-19 Considerations

For the month after the outbreak of COVID-19 in December 2019, domestic business activities in China were disrupted by a series of emergency quarantine measures taken by the government. In February 2020, the Company's plant and offices in People's Republic of China ("PRC") were temporarily suspended for two weeks according to the instruction of the local government, related to COVID-19. Emergency quarantine measures and travel restrictions caused business disruptions across China. The evolution of quarantine measures and travel restrictions resulted in negative consequences for our business operations including, but not limited to, the temporary closure of the Company's factory and operations beginning in early February, limited support from the Company's employees, delayed access to raw material supplies and inability to deliver products to customers on a timely basis.

The travel restrictions imposed as a result of the COVID-19 pandemic had a material negative impact on the Company's operations. The Company is not able to send its sales and marketing teams to visit our overseas customers and potential customers. And the Company's promotion events like trade exhibitions are limited due to travel restrictions in China. Under normal circumstances, the Company's management regularly travels from Hong Kong to the Shenzhen office and Xinxing factory. Our staff are required to be quarantined in designated hotels for 14 to 21 days when they travel from Hong Kong to the PRC cities. (Effective from June 29, 2022, the length of the quarantine was reduced to seven days and three days home health monitoring.) The inability to travel regularly has affected the Company's operations.

Starting from January 2023, the Chinese government has gradually lifted restrictions and quarantines that were imposed in response to the pandemic. The Company believes that this has substantively reduced the risk of delay and other uncertainty to the Company's business operations, except that it may be more difficult for the Company to recruit foreign talent going forward, because such foreign talent may have returned to their home country during the pandemic. It is also possible that if future outbreak occurs, the Chinese government will take similar actions which would adversely impact the Company's business.

The Company did not record any asset impairments, inventory charges or bad debt provision related to COVID-19 during the year ended March 31, 2024 (2023: \$nil).

27 Subsequent events

The Company has evaluated events from the fiscal year ended March 31, 2024 through the date the financial statements were issued. There were no subsequent events that require disclosures.