

BONSO ELECTRONICS INTERNATIONAL INC.

Unit 1404, 14/F, Cheuk Nang Centre

9 Hillwood Road, Tsimshatsui

Kowloon, Hong Kong

Tel: (852) 2605-5822

Website: www.bonso.com

Email: albert@bonso.com

Annual Report

For the fiscal year ended March 31, 2024 (the “Reporting Period”)

Outstanding Shares

The number of shares outstanding of our Common Stock was:

4,857,187 as of June 30, 2024 (Current Reporting Period Date or More Recent Date)

4,857,187 as of March 31, 2024 (Most Recent Completed Fiscal Year End)

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company’s shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: No:

⁴ “Change in Control” shall mean any events resulting in:

- (i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Bonso Electronics International Inc. (the "Company" or "we") was incorporated on August 8, 1988 under the laws of the British Virgin Islands under the name "Golden Virtue Limited". On September 14, 1988, we changed our name to Bonso Electronics International Inc.

Current State and Date of Incorporation or Registration: Tortola, British Virgin Islands. August 8, 1988
Standing in this jurisdiction: (e.g. active, default, inactive): active

Prior Incorporation Information for the issuer and any predecessors during the past five years:
None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

Not applicable

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

Address of the issuer's principal executive office:

Unit 1404, 14/F, Cheuk Nang Centre, 9 Hillwood Road, Tsimshatsui, Kowloon, Hong Kong

Address of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Computershare U.S.
Phone: 1 800-522-6645
Email: _____

Address: 150 Royall Street, Canton Massachusetts 02021 USA

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	<u>BNSOF</u>	
Exact title and class of securities outstanding:	<u>common stock</u>	
CUSIP:	<u>846546</u>	
Par or stated value:	<u>\$0.003</u>	
Total shares authorized:	<u>23,333,334</u>	<u>as of date: June 30, 2024</u>
Total shares outstanding:	<u>4,857,187</u>	<u>as of date: June 30, 2024</u>
Total number of shareholders of record:	<u>134</u>	<u>as of date: June 30, 2024</u>

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	<u>preferred stock</u>	
Par or stated value:	<u>\$0.01</u>	
Total shares authorized:	<u>10,000,000</u>	<u>as of date: June 30, 2024</u>
Total shares outstanding:	<u>0</u>	<u>as of date: June 30, 2024</u>
Total number of shareholders of record:	<u>0</u>	<u>as of date: June 30, 2024</u>

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

N/A

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

Holder of our common stock are entitled to one vote for each whole share on all matters to be voted upon by shareholders, including the election of directors. Holders of our common stock do not have cumulative voting rights in the election of directors. All of our common shares are equal to each other with respect to liquidation and dividend rights. Holders of our common shares are entitled to receive dividends if and when declared by our Board of Directors out of funds legally available therefor under British Virgin Islands law. In the event of our liquidation, all assets available for distribution to the holders of our common stock are distributable among them

according to their respective holdings. Holders of our common stock have no preemptive rights to purchase any additional unissued common shares.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

N/A

3. Describe any other material rights of common or preferred stockholders.

None

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

Shares Outstanding <u>Opening Balance</u> : Date _____ Common: _____ Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.

_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report:									
<u>Ending Balance:</u>									
Date _____	Common: _____								
Preferred: _____									

Example: A company with a fiscal year end of December 31st 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer’s equity securities :

No: Yes: (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. <small>*** You must disclose the control person(s) for any entities listed.</small>	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Bonso Electronics International Inc. designs, develops, manufactures, assembles, and markets a comprehensive line of electronic scales, weighing instruments and pet electronic products. Bonso products are manufactured in the People's Republic of China for customers primarily located in North America and Europe. Company services include product design and prototyping, production tooling, procurement of components, total quality management, and just-in-time delivery. Bonso also independently designs and develops electronic products for private label markets. Bonso rents factory space and equipment to third parties.

B. List any subsidiaries, parent company, or affiliated companies.

The Company has three wholly-owned direct subsidiaries as follows:

(i) Bonso Electronics Limited, incorporated in Hong Kong ("BEL"), which has two wholly-owned subsidiaries:

(a) Bonso Investment Ltd., incorporated in Hong Kong ("BIL"), and

(b) Bonso Electronics (Shenzhen) Company Limited, incorporated in the PRC ("BESCL");

(ii) Bonso Advanced Technology Limited, incorporated in Hong Kong ("BATL"), which has two wholly-owned subsidiaries:

(a) Bonso Advanced Technology (Xinxing) Company Limited, incorporated in the PRC ("BATXXCL"), and

(b) Bonso Technology (Shenzhen) Company Limited, incorporated in the PRC ("BTL");

(iii) Modus Enterprise International Inc., incorporated in the British Virgin Islands ("MEII").

C. Describe the issuers' principal products or services.

Bonso Electronics International Inc. designs, develops, manufactures, assembles, and markets a comprehensive line of electronic scales, weighing instruments and pet electronic products. Bonso also rents factory space and equipment to third parties.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

Hong Kong. Bonso owns a residential property in Hong Kong, which is located at Savanna Garden, House No. 27, Tai Po, New Territories, Hong Kong. The house consists of approximately 2,475 square feet plus a 177 square foot terrace and a 2,308 square foot garden area. The use of House No. 27 is provided as quarters to Mr. Anthony So, the Chairman of the Company.

Shenzhen, China. Bonso owns a factory in Shenzhen, China, which is located in the DaYang Synthetical Development District, close to the border between Hong Kong and China. This factory consists of one factory building, which contains approximately 186,000 square feet, two workers' dormitories, containing approximately 103,000 square feet, a canteen and recreation center of approximately 26,000 square feet, an office building consisting of approximately 26,000 square feet and two staff quarters for supervisory employees, consisting of approximately 34,000 square feet, for a total of approximately 375,000 square feet. Since April 1, 2021, part of the Shenzhen factory has been leased to a third party. Bonso intends to redevelop the Shenzhen factory into a high-end commercial complex, containing retail space, office space and some residential space and has engaged consultants to assist it in obtaining the necessary governmental approvals to permit it to do so. However, there have been significant delays in obtaining those government approvals.

Bonso owns a residential unit in Shenzhen, which is located at Feng Tang Road in Fu Hai, Bao An, Shenzhen. This unit, consisting of 1,354 square feet, is located near our existing Shenzhen factory and is utilized as quarters for the senior officers of the Company during their visits and monitoring of the redevelopment of the Shenzhen factory.

Bonso owns an apartment unit in Shenzhen, Unit 1502 located at Fuyong Chamber of Commerce Building, which consists of approximately 957 square feet. From December 2016 to November 2019, this property was leased to a third party; however, since the termination of the lease in November 2019, Bonso has utilized the apartment as staff quarters.

Bonso also leases an office in Shenzhen from a third party for its research & development, sales & marketing, and administrative support. This property consists of 8,084 square feet and the rent for the property is RMB45,060 (US\$6,258) per month.

Guangdong, China. Bonso owns a factory located in Xinxing High-Tech Industrial Estate, Xinxing, Yunfu City, Guangdong, China. This factory land area is approximately 1,185,000 square feet, with six factory buildings consisting of approximately 523,000 square feet, three dormitories consisting of an aggregate of approximately 86,000 square feet, a canteen consisting of 15,000 square feet and an office building consisting of 50,000 square feet. Bonso conducts its manufacturing operations at this facility and leases approximately 170,193 square feet of the facility, plus equipment and machinery, to a total of seven third party lessees for an aggregate monthly rental of RMB208,415 (US\$29,000).

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities. If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Anthony Hung</u> <u>Gun So</u>	<u>Director</u>	<u>Hong Kong</u>	<u>2,431,770</u>	<u>Common stock</u>	<u>50.1%</u>	<u>N/A</u>

<u>Andrew Chun Bong So</u>	<u>Director</u>	<u>Hong Kong</u>	<u>473,540</u>	<u>Common stock</u>	<u>9.8%</u>	<u>N/A</u>
<u>Albert Chun Wah So</u>	<u>Director</u>	<u>Hong Kong</u>	<u>269,459</u>	<u>Common stock</u>	<u>5.6%</u>	<u>N/A</u>
<u>Kim Wah Chung</u>	<u>Director</u>	<u>Hong Kong</u>	<u>133,700</u>	<u>Common stock</u>	<u>2.8%</u>	<u>N/A</u>
<u>Woo Ping Fok</u>	<u>Independent Director</u>	<u>Hong Kong</u>	<u>91,507</u>	<u>Common stock</u>	<u>1.9%</u>	<u>N/A</u>
<u>Henry F. Schlueter</u>	<u>Independent Director</u>	<u>Denver, Colorado</u>	<u>9,567</u>	<u>Common stock</u>	<u>0.2%</u>	<u>N/A</u>

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Schlueter & Associates, P.C.
Address 1: 5655 South Yosemite Street, Suite 350
Address 2: Greenwood Village CO 80111 USA
Phone: 303-292-3883
Email: hfs@schlueterintl.com

Accountant or Auditor

Name: _____
Firm: Moore CPA Limited
Address 1: 801-806 Silvercord, Tower 1, 30 Canton Road.
Address 2: Tsimshatsui, Hong Kong
Phone: +852 2375 3180
Email: _____

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

All other means of Investor Communication:

X (Twitter): _____
Discord: _____

LinkedIn _____
Facebook: _____
[Other] _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **Albert Chun Wah So**
Title: **Chief Financial Officer**
Relationship to Issuer: **Chief Financial Officer and Director**

B. The following financial statements were prepared in accordance with:

- IFRS
- U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Albert Chun Wah So**
Title: **Chief Financial Officer**
Relationship to Issuer: **Chief Financial Officer and Director**

Describe the qualifications of the person or persons who prepared the financial statements:⁵ **CMA**

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)

⁵ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Andrew Chun Bong So certify that:

1. I have reviewed this Disclosure Statement for Bonso Electronics International Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

July 31, 2024 [Date]

/s/ Andrew Chun Bong So [CEO's Signature]

(Digital Signatures should appear as “/s/ [OFFICER NAME]”)

Principal Financial Officer:

I, Albert Chun Wah So certify that:

1. I have reviewed this Disclosure Statement for Bonso Electronics International Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under

which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

July 31, 2024 [Date]

/s/ Albert Chun Wah So [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

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

Unaudited Consolidated Financial Statements

March 31, 2024

Bonso Electronics International Inc.
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Bonso Electronics International Inc.

Unaudited 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	919
Other receivables, deposits and prepayments	478	407
Inventories, net	948	820
Income tax recoverable	5	5
Financial instruments at fair value	441	268
	8,470	7,907
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
	19,570	17,701
	19,570	17,701
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
	7,409	7,244
	7,409	7,244
Finance lease obligations – non-current	71	51
Lease liabilities – non-current	208	130
	7,688	7,425
	7,688	7,425
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock par value - \$0.01 par value per share (authorized: 10,000,000 shares; no shares issued and outstanding as of March 31, 2023 and 2024)		
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: 971,018.	(3,082)	(3,082)
Accumulated deficit	(9,475)	(10,439)
Accumulated other comprehensive income	1,627	985
	11,882	10,276
	11,882	10,276
Total liabilities and stockholders' equity	19,570	17,701

See notes to these Unaudited Consolidated Financial Statements.

Bonso Electronics International Inc.

Unaudited 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)	(4,109)
	<u>3,505</u>	<u>3,444</u>
Gross profit		
Selling, general and administrative expenses	(6,184)	(4,717)
	<u>(2,679)</u>	<u>(1,273)</u>
Loss from operations		
Non-operating (expenses) / income, net	(11)	245
	<u>(2,690)</u>	<u>(1,028)</u>
Loss before income taxes		
Income tax benefit	298	64
	<u>(2,392)</u>	<u>(964)</u>
Net loss		
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments, net of tax	(1,069)	(642)
	<u>(3,461)</u>	<u>(1,606)</u>
Comprehensive loss		
Net loss attributable to common shareholders	<u>(2,392)</u>	<u>(964)</u>
Net loss per share		
- basic	<u>(\$0.49)</u>	<u>(\$0.20)</u>
Weighted average number of shares outstanding in calculating net earnings per share		
- basic	<u>4,857,187</u>	<u>4,857,187</u>
Net loss per share		
- diluted	<u>(\$0.49)</u>	<u>(\$0.20)</u>
Weighted average number of shares outstanding in calculating net earnings per share		
- diluted	<u>4,857,187</u>	<u>4,857,187</u>

See notes to these Unaudited Consolidated Financial Statements.

Bonso Electronics International Inc.

Unaudited 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 <u>adjustments</u>	Total stockholders' <u>equity</u>
	Shares <u>Issued</u>	Amount <u>outstanding</u>	Additional paid-in <u>capital</u>	Treasury Shares <u>held</u>	Amount <u>outstanding</u>	Accumulated <u>deficit</u>	\$ in thousands	\$ in thousands
		\$ in thousands	\$ 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	-	-	-	-	-	(964)	-	(964)
Foreign currency translation adjustments	-	-	-	-	-	-	(642)	(642)
	<u>5,828,205</u>	<u>17</u>	<u>22,795</u>	<u>971,018</u>	<u>(3,082)</u>	<u>(10,439)</u>	<u>985</u>	<u>10,276</u>

See notes to these Unaudited Consolidated Financial Statements.

Bonso Electronics International Inc.
Unaudited 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)	(964)
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:		
Depreciation	854	825
Amortization	269	256
Write-down of inventories	175	101
Change in cash surrender value of life insurance contract	(5)	(5)
Change in fair value of financial instruments	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	(823)
Other receivables, deposits and prepayments	283	71
Inventories	1,004	27
Right-of-use assets	(139)	74
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	(572)
Cash flows from investing activities		
Acquisition of property, plant and equipment, net	(262)	(183)
Acquisition of financial instruments at fair value	(285)	(17)
Invest 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)	269
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	(377)
Effect of exchange rate changes on cash and cash equivalents	(640)	(427)
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	-	-

See notes to these Unaudited Consolidated Financial Statements.

Bonso Electronics International Inc.

Notes to Unaudited 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 Unaudited 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 Unaudited 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 Unaudited 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 Unaudited 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 Unaudited 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. Inventories of \$175,000 and \$101,000 were written down 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 administrative and general 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 Unaudited 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 Unaudited 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.

(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 Unaudited 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 Unaudited 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 Unaudited Consolidated Financial Statements

(Expressed in United States Dollars)

2 Summary of significant accounting policies (Continued)

(m) Revenue recognition (Continued)

Value-added taxes and surcharges

The Company presents revenue net of value-added taxes ("VAT") and surcharges incurred. Surcharges are sales related taxes representing the City Maintenance and Construction Tax and Education Surtax. VAT, business taxes and surcharges 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 \$1,567,000 and \$950,000 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 Unaudited 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 Unaudited 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.

Bonso Electronics International Inc.

Notes to Unaudited 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 of the Company's trade receivables are generally unsecured.

4 Inventories

The components of inventories are as follows:

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

During the fiscal years ended March 31, 2023 and 2024, based upon material composition and expected usage, provisions for inventories of approximately \$175,000 and \$101,000, respectively, were charged 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	2024
	\$ in thousands	\$ 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
	31,019	30,175
Less: accumulated depreciation	(22,205)	(22,344)
	8,814	7,831

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 Unaudited 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)
	<hr/>
Cost at March 31, 2023	5,814
Addition	-
Effect of exchange rate	(303)
	<hr/>
Cost at March 31, 2024	5,511
	<hr/> <hr/>
Accumulated Amortization at March 31, 2022	(4,687)
Amortization	(269)
Effect of exchange rate	353
	<hr/>
Accumulated Amortization at March 31, 2023	(4,603)
Amortization	(256)
Effect of exchange rate	241
	<hr/>
Accumulated Amortization at March 31, 2024	(4,618)
	<hr/> <hr/>
Net book value at March 31, 2023	1,211
	<hr/> <hr/>
Net book value at March 31, 2024	893
	<hr/> <hr/>

Bonso Electronics International Inc.

Notes to Unaudited 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 Unaudited 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 rate	Repayment Terms
	\$ in thousands		\$ in thousands		\$ in thousands			
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 Unaudited 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 Unaudited 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 has no assessable profits while BATL and BEL have 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)	(1,116)
Others	(82)	(9)
Total	<u>(2,690)</u>	<u>(1,028)</u>

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

Bonso Electronics International Inc.

Notes to Unaudited Consolidated Financial Statements

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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 \$24,512,000 (the tax effect thereon is approximately \$4,515,000 and \$4,401,000), 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 \$4,192,000 will expire from 2025 to 2029.

Bonso Electronics International Inc.

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8 Income tax (Continued)

(e) Changes in valuation allowance are as follows:

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

(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	2024
	\$ in thousands	\$ in thousands
Loss before income taxes	(2,690)	(1,028)
	<u> </u>	<u> </u>
Income tax benefit on pretax income at statutory rate	444	170
Effect of different tax rates of subsidiaries operating in other jurisdictions	(195)	3
Profit not subject to income tax	-	-
Expenses not deductible for income tax purposes	(25)	-
Increase in valuation allowance	(258)	(173)
Utilization of tax losses	34	-
	<u> </u>	<u> </u>
Total income tax benefit	-	-

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 Unaudited 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.

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(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 Unaudited 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
	<u>216</u>
Less: imputed interest	(18)
	<u>198</u>
	<u><u>198</u></u>

Recognized rent expense associated with our leases are as follows:

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

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	216
Weighted average remaining lease term (months)	32
Weighted average discount rate	6.75%

Bonso Electronics International Inc.

Notes to Unaudited 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	16
Total construction cost	<u>40</u>	<u>16</u>

As of March 31, 2024, all contractor agreements on buildings and leasehold improvements on the manufacturing facility in Xinxing have fully been paid. There are no outstanding construction commitment as of March 31, 2024.

(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 Unaudited 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 Unaudited 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 Unaudited 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 Unaudited 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 \$(27,000) 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.

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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 Unaudited Consolidated Financial Statements

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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 Unaudited Consolidated Financial Statements
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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
	4,848	53	3,849	51
	4,848	53	3,849	51

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
		94		86
		94		86

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.

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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.

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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)	\$ (964)
Basic weighted average common shares outstanding	4,857,187	4,857,187
Basic net loss per share	\$ (0.49)	\$ (0.20)
Basic weighted average common shares outstanding	4,857,187	4,857,187
Effect of dilutive securities – Options	-	-
Diluted weighted average common and potential common shares outstanding	4,857,187	4,857,187
Diluted net loss per share	\$ (0.49)	\$ (0.20)

Bonso Electronics International Inc.

Notes to Unaudited Consolidated Financial Statements

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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.

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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	-
Total operating segments	9,047	5,542	(2,681)	12,660	1,123	262
Corporate	-	-	-	6,910	-	-
Group	9,047	5,542	(2,681)	19,570	1,123	262
<u>2024</u>						
Scales	4,461	2,537	(382)	6,212	467	138
Pet Electronic Products and Others	1,525	867	(131)	2,124	160	47
Rental and Management	1,567	705	(760)	3,427	454	-
Total operating segments	7,553	4,109	(1,273)	11,763	1,081	185
Corporate	-	-	-	5,938	-	-
Group	7,553	4,109	(1,273)	17,701	1,081	185

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

- (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
	<hr/>	<hr/>	<hr/>	<hr/>
	8,372	93	7,019	93
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bonso Electronics International Inc.

Notes to Unaudited 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:

Customers	Segment	Year Ended March 31,			
		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 Unaudited Consolidated Financial Statements

(Expressed in United States Dollars)

21 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	18
Interest expense	(140)	(95)
Foreign exchange gain / (loss)	22	(43)
	<hr/>	<hr/>
Non-operating (expenses) / income, net	(11)	246
	<hr/> <hr/>	<hr/> <hr/>

22 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).

23 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 Unaudited Consolidated Financial Statements

(Expressed in United States Dollars)

24 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 deposit	59	59
Accrued provision for social insurance underpaid	35	35
Other	72	67
	<u>3,029</u>	<u>3,145</u>

25 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).

26 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.