ALCO HOLDINGS LIMITED

股份代號：328　Stock Code: 328

二零零七年年報

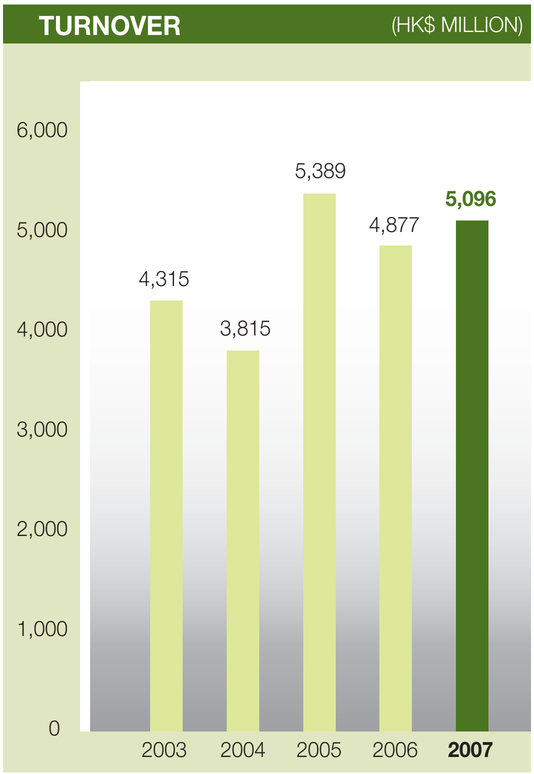
ANNUAL REPORT 2007

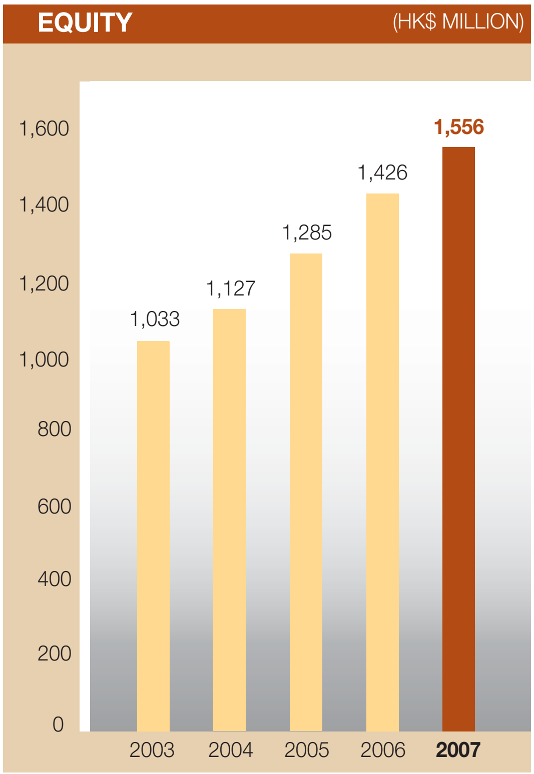
Contents

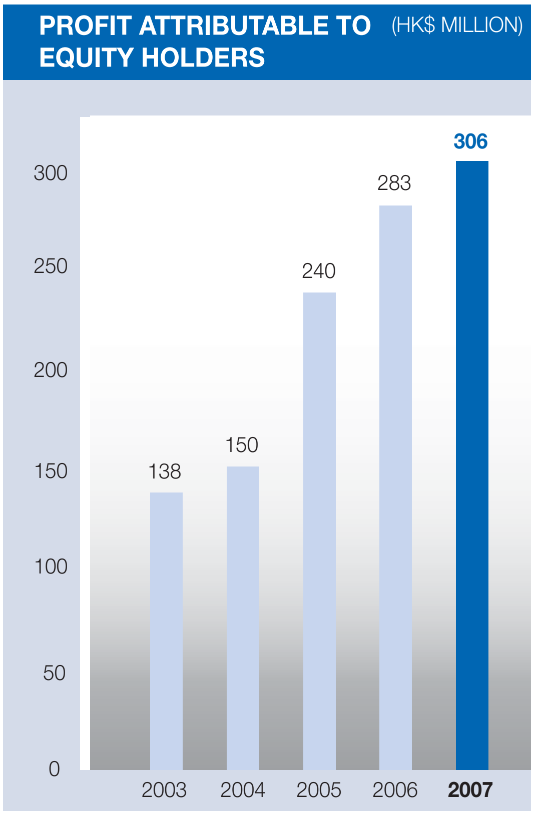
Corporate Information

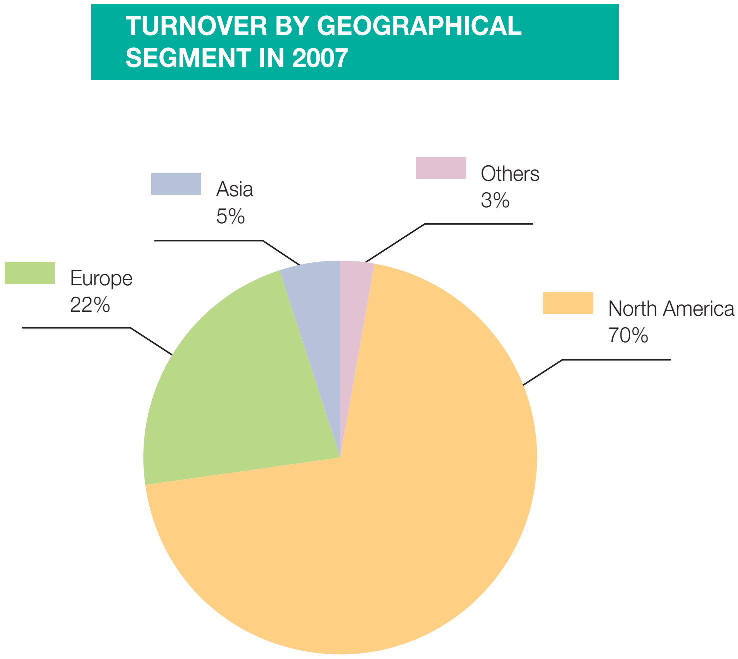
Directors	Mr LEUNG Kai Ching, Kimen *(Chairman)* Mr LEUNG Wai Sing, Wilson Mr KUOK Kun Man, Andrew Mr WONG Po Yan, G.B.M., J.P.* The Hon LI Wah Ming, Fred, J.P.* Mr LAU Wang Yip, Derrick* * *Independent non-executive directors*
Company Secretary	Mr KUOK Kun Man, Andrew
Principal Bankers	Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited Bank of China (Hong Kong) Limited China Construction Bank DBS Bank (Hong Kong) Limited
Auditor	PricewaterhouseCoopers
Legal Advisers to the Company	Mallesons Stephen Jaques
Legal Advisers on Bermuda Law	Conyers, Dill & Pearman
Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business	11th Floor, Zung Fu Industrial Building 1067 King's Road Quarry Bay Hong Kong
Principal Registrars	The Bank of Bermuda Limited 6 Front Street Hamilton HM11 Bermuda
Registrars in Hong Kong	Abacus Share Registrars Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Website	http://www.alco.com.hk
Stock Code	328

Financial Highlights









Chairman's Statement

Our diversification into high-end products is gaining momentum

LEUNG KAI CHING, KIMEN Chairman

GROUP RESULTS AND DIVIDENDS

The Board of Directors is pleased to report that the Group achieved steady growth for the year ended 31st March 2007. During the review period, the Group recorded turnover of HK$5.10 billion, up from HK$4.88 billion year on year. Profit attributable to shareholders was up by 8% to HK$306 million as compared with HK$283 million in FY2006. Earnings per share rose by 8% to HK54.5 cents, up from HK50.6 cents.

Consistent with our dividend policy in which an emphasis on stable returns is placed, the Board of Directors recommended the payment of a final dividend of HK16 cents per share (2006: HK16 cents) and a final special dividend of HK8 cents per share (2006: HK6 cents) for the year ended 31st March 2007. Including the interim dividend of HK9 cents per share previously paid during the year, total dividend per share amounted to HK33 cents (2006: HK32 cents) for the financial year.

Both the final and final special dividends will be paid on 5th September 2007 to the Group's shareholders subject to approval at the forthcoming Annual General Meeting.

REVIEW OF OPERATIONS

The year under review continued to pose challenges for all participants in the audio-visual (AV) manufacturing segment. The operating environment was characterised by intensified competition and rise in production costs. For AV manufacturers operating in southern China, all were further confronted with the rise in labor costs which rose upwards by as much as 20% as manufacturers in southern China all vied for a limited number of skilled workers. This was partly aggravated by rapid development in the Yangtze River Delta and inner provinces which resulted in less workers traveling to the Pearl River Delta.

Despite the tough environment, the Group was able to achieve steady growth, overcoming the various troughs through prudent business planning and execution. Among the measures taken included minimising costs and reducing the line-up of lower-end products, the costs of which are more susceptible to fluctuations in raw material prices such as plastic and metal. Moreover, we have maintained efforts to strengthen automation in order to combat escalating labor costs in China. The greater use of Automatic Optical Inspection

Chairman's Statement

Green Hazardous Substances Analyzer

Solar Energy Panels

(AOI) equipment has helped to further reduce our reliance on workers while at the same time raising the quality of our PCB assemblies and products. We also substantially expanded our automatic spraying facilities by 80% which has helped to save cost and further eased the demand for skilled labor. From these and other measures, we have been able to reduce our staff count at roughly 10% to 15% annually. We have duly deployed the present workforce most effectively; running double shifts during peak seasons to ensure customers' orders are always punctually met.

As the best means of combating cost is by raising profitability, our strategy of migrating to high value-added products has continued in earnest. Thanks to the decrease in panel prices during the year which led to higher affordability and greater demand, the Group was able to penetrate the LCD TV market quite successfully. Having incorporated LCD TVs with screens of various sizes into our product line-up in FY2006, we introduced models with up to 32-inch screens in FY2007 and envisage moving up to 40-inch models by FY2008. In line with such objectives, we have increased our "clean zone" areas by 40% with the inclusion of Class 10,000 grade clean room to facilitate assembly of backlights for TFT-LCD panels, including those for LCD TVs. Reflecting the success of this strategy, we were able to maintain the Group's gross profit margin for the review period despite an increasingly difficult business environment.

To address the concern of power shortages – a persistent problem – we continued to utilise solar energy to run non-critical areas of our operations, while for production facilities, some 50 power generators serve as an important safety net for achieving nonstop operations.

Environmental Chamber

Clean Zone for LCD Panel Assembly

LCD TV Production Line

Chairman's Statement

Automatic Optical Inspection Equipment

PROSPECTS

Having set in motion the processes for developing our high-end, high value-added AV product portfolio, we are cautiously optimistic about the Group's future prospects. Despite growing competition, our long established ties with mass market retailers have placed us in good stead. Moreover, selling directly to these retailers has allowed us to have a highly efficient supply chain as well as fast response to changing market trends and demands. Our strong financial position and scale of production further allow us to meet large orders while excelling in the execution of new products.

Fueled by the increasing popularisation of digital TV broadcasts and affordability of flat panel TVs, the LCD TV market has seen worldwide shipments double to 46 million units in 2006, and is expected to breach the 128 million threshold by 2010 – a compound annual growth rate of roughly 30%. We are well set to capitalise on such growth. With still larger LCD TVs to be introduced by the Group in the pipeline, we can look towards increasing our share of this burgeoning market.

Super High Speed SMT Machine

That said, supply of LCD panels, especially that of smaller sizes, did see some tightening in the second quarter of 2007 as suppliers adjusted their product mix to cater to increasing demand for mobile phones and digital cameras. In addition, as larger screen models command higher margins, certain TFT LCD plants that were utilised to manufacture small to medium size panels have switched to the production of panels for notebook computers and monitors. Despite the potential effect of tight supply and rebounding prices for LCD panels, the Group is able to maintain a stable source of panels from a handful of suppliers in Taiwan, Korea and Mainland China. Our purchase volume also gives us reasonable bargaining power in terms of sourcing.

3D X-ray

Chairman's Statement

1250-ton Injection Molding Machine

Automatic Spraying Clean Room

Automatic Spraying

To cope with increasing production needs, specifically, a higher level of precision required in the manufacture of LCD TVs, we recently purchased super high speed and high precision SMT machines, which have boosted our total production capacity of surface mount components to 32 million placements a day. In addition to bolstering assembly processes, the new equipment has allowed the Group to further reduce its reliance on labor.

Along with our attention on LCD TV products, we will also keep a close eye on further developing the Group's DVD business. In particular, growing public interest for next generation DVD technologies such as high-definition (HD) DVD players are potential business avenues that the Group will explore. Our HD-DVD players produced on OEM basis will be introduced later in the year. Furthermore, we are also developing several new models to be introduced in FY2008 that are specifically designed for products for music and video download. We are also constantly looking at other display technologies that will allow the Group to develop products for home video entertainment other than LCD TVs.

With regards to geographical coverage, we will further explore fresh markets so as to bolster sales. North America continues to receive a majority of our products. Due to solid LCD TV sales to western Europe, this market has contributed 22% of our total sales, as compared to only 13% during the previous financial year. To maintain this upward trend, our LCD TVs will incorporate even more distinctive features that are developed specifically for western European markets. Our LCD TVs have also been warmly received in markets such as South America and eastern Europe. We expect to start shipments of our LCD TVs to these two markets within FY2008.

Though remaining open minded to our business options, we remain firmly committed to a cautious course of action. Hence, we will continue to look at ways for enhancing automation thereby promoting greater efficiency. We will also seek to incorporate new features in our existing product mix for achieving better market differentiation. In addition, we will continue to phase out low-margin high-labor-intensive products in order to further insulate our business from fluctuations in raw material costs and increase in the costs of direct labor.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my gratitude to our management and staff for their dedication and unwavering efforts throughout the year. I would also like to express my appreciation to our customers, business partners and shareholders for their ongoing support.

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 10th July 2007

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 74, is the founder and Chairman of the Group. He has more than 40 years of experience and is one of the pioneers in the electronics industry in Hong Kong. He has in-depth knowledge in the electronics field and is responsible for formulating the Group's overall strategy and development.

Mr LEUNG Wai Sing, Wilson, aged 47, joined the Group in 1985. He is the Chief Executive Officer of the Group and takes full charge of the Group's overall strategy and operations. He holds a master of science degree in electrical engineering from Queen's University, Canada.

Mr KUOK Kun Man, Andrew, aged 53, joined the Group in 1990 and is the Company Secretary and Director of the Group. He holds a master degree in business administration and has more than 30 years of experience in finance and accounting with multinational organisations.

Independent Non-executive Directors

Mr WONG Po Yan, G.B.M., J.P., aged 84, joined the Group in 1992 and is the chairman of United Oversea Enterprises Limited, the former vice-chairman of The Committee for the Basic Law of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress, the honorary chairman of the Nuclear Safety Consultative Committee for Guangdong Daya Bay and Ling Ao Nuclear Power Stations, the chairman of the Advisory Board of One Country Two Systems Research Institute Limited and the honorary president of The Chinese Manufacturers' Association of Hong Kong.

The Hon LI Wah Ming, Fred, J.P., aged 52, joined the Group in 1992 and is a member of the Legislative Council. He holds a bachelor degree in arts from the University of Waterloo, Canada and a master degree in social work from the University of Toronto, Canada.

Mr LAU Wang Yip, Derrick, aged 46, joined the Group in 2000 and is the chief operating officer of a financial institution. Holding a master degree of management science in accounting, he has extensive experience in investment banking.

Senior Management

Mr Colin Frederick LIVERMORE, aged 52, joined the Group in 1991 and is the managing director of Alco International Limited. He has over 27 years of experience in the marketing of consumer electronic products and is responsible for formulating the marketing strategy primarily to European customers.

Mr YEUNG Kai Hong, Thomas, aged 60, joined the Group in 1972 and is the Group's production manager with responsibility for the Group's production planning and control. He holds a diploma in management studies and has more than 35 years of experience in the electronics industry.

Mr LEUNG Wai Ming, Jimmy, aged 38, joined the Group in 1993 and is the Group's purchasing manager. He has more than 14 years of experience in the field of audio electronic products.

Ms PANG Siu Mui, Wendy, aged 56, joined the Group in 1971 and is the assistant to the Chairman. She is responsible for the scheduling of production and administration for the Group.

Biographical Details of Directors and Senior Management

Senior Management *(continued)*

Mr CHOW Koon Shing, Stephen, aged 56, joined the Group in 1972 and is the shipping manager of Alco Electronics Limited. He has over 32 years of experience in shipping.

Mr LEUNG Kam Fai, Peter, aged 50, joined the Group in 1979. He is the Group's material planning and control manager. He has over 28 years of experience in the audio field.

Mr LEONG Ue Cheong, aged 49, joined the Group in 1978 and is the shipping manager of Alco International Limited. He has over 29 years of experience in shipping.

Mr LAU Kwok Wai, Francis, aged 56, joined the Group in 1986 and is a director of Alco Plastic Products Limited. He has over 22 years of experience in the plastics industry and is responsible for the operations of the plastics factory.

Mr HO Man Shuen, Francis, aged 48, joined the Group in 1999. He is the general manager of quality assurance and is responsible for the Group's restructuring of quality management systems. He holds a master of science degree in manufacturing and business management and has over 25 years of experience in research and development, manufacturing and quality control of electronic products.

Mr CHOW Tung Yiu, Tony, aged 37, joined the Group in 1997 and is the Group's management information system manager. He holds a bachelor degree in science and has over 14 years of experience in developing manufacturing systems.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for deviation from the Code provision A.4.1.

THE BOARD

The Board is responsible for the formulation of the Group's business and strategic decisions and monitoring the performances of the management team.

Four Board meetings were held during the year ended 31st March 2007. The attendance of each director is set out as follows:

Members of the Board	Attendance Record
Executive Directors	
Mr LEUNG Kai Ching, Kimen	4/4
Mr LEUNG Wai Sing, Wilson	4/4
Mr KUOK Kun Man, Andrew	4/4
Independent Non-executive Directors	
Mr WONG Po Yan	4/4
The Hon LI Wah Ming, Fred	3/4
Mr LAU Wang Yip, Derrick	3/4

The Company has received an annual confirmation of independence from the three independent non-executive directors in accordance with rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all independent non-executive directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr LEUNG Kai Ching, Kimen is the chairman and Mr LEUNG Wai Sing, Wilson is the chief executive officer.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However, according to the Bye-laws of the Company, independent non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code.

Mr LEUNG Wai Sing, Wilson and the Hon LI Wah Ming, Fred will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions with the Company for the 12 months ended 31st March 2007.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in accordance with the Code provisions.

The remuneration committee currently comprises Mr WONG Po Yan (chairman of the remuneration committee), Mr LAU Wang Yip, Derrick and the Hon LI Wah Ming, Fred, all of whom are independent non-executive directors.

The primary duties of the remuneration committee are to make recommendation on the policy and structure for the remuneration of the directors and senior management, and to consider and approve remuneration of the directors and senior management by reference to corporate goals and objectives. The existing remuneration package contains a combination of basic salary, discretionary performance bonus and fringe benefits. For the year, the remuneration committee was of the opinion that the remuneration packages were fair and commensurate with the market.

One remuneration committee meeting was held during the year ended 31st March 2007 and the attendance of each committee member is set out as follows:

Members	Attendance Record
Mr WONG Po Yan	1/1
Mr LAU Wang Yip, Derrick	1/1
The Hon LI Wah Ming, Fred	1/1

AUDIT COMMITTEE

The audit committee currently comprises Mr LAU Wang Yip, Derrick (chairman of the audit committee), Mr WONG Po Yan and the Hon LI Wah Ming, Fred, all of whom are independent non-executive directors.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the financial statements of the Group for the year ended 31st March 2007.

Three audit committee meetings were held during the year ended 31st March 2007 and the attendance of each committee member is set out as follows:

Members	Attendance Record
Mr LAU Wang Yip, Derrick	3/3
Mr WONG Po Yan	3/3
The Hon LI Wah Ming, Fred	2/3

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditor's responsibilities are set out in the Independent Auditor's Report.

AUDITOR'S REMUNERATION

For the year ended 31st March 2007, the remuneration paid to the Company's auditor, Messrs. PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit-related services	1,855
Non audit-related services	
Tax compliance services	326

CONCLUSION

The Board believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interest. The management will try to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st March 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 32 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 23.

The directors have declared an interim dividend of HK9 cents per ordinary share, totalling HK$ 50,513,000.

The directors recommended the payment of a final dividend of HK16 cents per ordinary share and a final special dividend of HK8 cents per ordinary share, totalling HK$134,602,000.

LIQUIDITY AND FINANCIAL RESOURCES

Total equity and total equity per share for the year were HK$1,556 million and HK$2.77 respectively.

The Group's cash position remained very strong. As at 31st March 2007, our cash on hand and deposits totaled at HK$893 million. After deducting the interest bearing debts of HK$4 million, net cash amounted to HK$889 million (2006: HK$708 million). The increase in net cash was attributable to profit generated from operations and the low capital expenditure.

The trade receivables balance as at 31st March 2007 was HK$291 million (2006: HK$396 million). We have been adpoting a prudent credit policy, and credit terms granted are generally based on the financial strengths of individual customers.

We finance our operations using internal funds and banking facilities. As at 31st March 2007, we were granted banking facilities of HK$1,720 million, of which HK$4 million were utilised and repayable within five years.

Capital expenditure on fixed assets during the year was HK$82 million (2006: HK$69 million), which was spent mainly on enhancing various advanced production facilities. As at 31st March 2007, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounting to HK$1 million (2006: HK$8 million).

Our foreign exchange exposure is well managed, and, as nearly all of our sales, purchases and borrowings are denominated in either US dollar or HK dollar, there is a natural hedge against currency risks and it is our policy not to engage in speculative currency activities.

Report of the Directors

EMPLOYEES

As at 31st March 2007, the Group had approximately 11,000 employees in Hong Kong and the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

MAJOR SUPPLIERS AND CUSTOMERS

The purchases and sales attributable to the Group's major suppliers and customers expressed as a percentage of total purchases and sales of the Group for the year ended 31st March 2007 are as follows:

Purchases	
the largest supplier	13%
five largest suppliers combined	43%
Sales	
the largest customer	32%
five largest customers combined	77%

None of the directors, their associates or shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 26 to the consolidated financial statements.

DONATIONS

Charitable and other donation made by the Group during the year amounted to HK$313,000.

PROPERTY, PLANT AND EQUIPMENT

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

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out on page 63.

SHARE CAPITAL AND BONUS WARRANTS

Details of the movements in the share capital and bonus warrants of the Company are set out in Note 25 to the consolidated financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2007 amounted to HK$46,721,000 (2006: HK$46,670,000), comprising retained profits and contributed surplus.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 64.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 29th December 2006 and 2nd January 2007, respectively 210,000 and 100,000 shares of HK$0.10 each of the Company were repurchased at a price of HK$3.36 per share by the Company on The Stock Exchange of Hong Kong Limited and cancelled. Aggregate amount paid by the Company was HK$1,041,600.

On 10th January 2007, 100,000 shares of HK$0.10 each of the Company were repurchased at a price of HK$3.46 per share by the Company on The Stock Exchange of Hong Kong Limited and cancelled. Aggregate amount paid by the Company was HK$346,000.

Save as disclosed above, neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31st March 2007 and the Company has not redeemed any of its shares during the year ended 31st March 2007.

BANK LOANS AND OTHER BORROWINGS

An analysis of the Group's bank loans and other borrowings at 31st March 2007 is set out below:

	Trust receipt loans		Bank borrowings	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	139,978	**648**	103,545
In the second year	**–**	–	**661**	77,682
In the third to fifth year	**–**	–	**2,244**	–
	–	139,978	**3,553**	181,227

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2007 are set out in Note 32 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes are set out in Note 8 to the consolidated financial statements.

Report of the Directors

DIRECTORS

The directors during the year were:

Mr LEUNG Kai Ching, Kimen
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man, Andrew
Mr WONG Po Yan, G.B.M., J.P. [1]
The Hon LI Wah Ming, Fred, J.P. [1]
Mr LAU Wang Yip, Derrick [1]

1 *Independent non-executive directors*

In accordance with clause 87(1) of the Company's Bye-laws, Mr LEUNG Wai Sing, Wilson and the Hon LI Wah Ming, Fred will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

On 1st April 2007, each of the executive directors entered into a service contract with the Company for a term of 3 years and shall continue until terminated by either party giving to the other not less than 6 months notice in writing.

The independent non-executive directors do not have any service contracts with the Company or its subsidiaries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 8 and 9.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

(a) Long positions in ordinary shares of HK$0.10 each of the Company

As at 31st March 2007, the interests and short positions of each director and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

	Number of shares held				
	Personal interest	Corporate interest	Family interest	Total	Percentage of the issued share capital of the Company
Mr LEUNG Kai Ching, Kimen	18,200,000	38,891,600 (note (i))	187,019,800 (note (ii))	244,111,400	43.53%
Mr LEUNG Wai Sing, Wilson	44,640,000	–	187,019,800 (note (ii))	231,659,800	41.31%
Mr KUOK Kun Man, Andrew	1,202,000	–	–	1,202,000	0.21%

Notes:

(i) These shares were owned by Shundean Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder.

(ii) These shares were owned by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

(b) Long positions in underlying shares of the Company

Other than as disclosed under the heading "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 31st March 2007, other than one ordinary share each in the Hong Kong incorporated subsidiaries of the Company held in trust for the Group by Mr LEUNG Kai Ching, Kimen, none of the directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31st March 2007, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name	Capacity in which shares were held	Long position	Percentage of the issued share capital of the Company
Shundean Investments Limited	Beneficial owner	225,911,400 (note (i))	40.28%
HSBC International Trustee Limited	Trustee	187,835,800 (note (ii))	33.49%
Kimen Leung UT Limited	Trustee	187,019,800 (notes (i) & (ii))	33.35%
Commonwealth Bank of Australia	Interest of controlled corporation	39,484,000 (note (iii))	7.04%
Leung Wai Lap David	Beneficial owner	32,972,190	5.88%

Notes:

(i) Among the referenced shares, 38,891,600 ordinary shares were held by Shundean Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder; and 187,019,800 ordinary shares were held by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

(ii) Among the referenced shares, 187,019,800 ordinary shares were held for Kimen Leung UT Limited, which were related to the same block of shares held by Kimen Leung UT Limited.

(iii) According to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, these shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

Save as disclosed above, as at 31st March 2007, according to the register of interests required to be kept by the Company under Section 336 of Part XV of the SFO, there was no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, who had any interest or short position in the shares or underlying shares of the Company.

Report of the Directors

SHARE OPTION SCHEME

On the special general meeting which was held on 21st August 2003, shareholders of the Company approved the termination of the share option scheme adopted by the Company on 6th November 1992 which expired on 5th November 2002 and approved the adoption of a new share option scheme (the “Scheme”). The Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Company may grant options to directors and employees of the Company or any of its subsidiaries, for the purpose of providing incentives, to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise all options granted and yet to be exercised under all share option schemes shall not exceed 30% of the issued shares of the Company from time to time.

The number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not exceed 10% of the issued shares of the Company on the date of adoption.

The total number of options granted to an individual grantee in any 12-month period must not exceed 1% of the issued shares of the Company.

The period within which the shares must be taken up under an option is any period as determined by the Board, which shall not be more than 10 years from date of grant or the expiry date of the Scheme, whichever is earlier.

The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on The Stock Exchange on the date of grant; (ii) the average closing price of the shares on The Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

An option grantee shall pay HK$5 to the Company for the acceptance of an option.

No share options have been granted by the Company since the adoption of the Scheme.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

The Company is maintaining a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 10 to 12.

Report of the Directors

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the financial statements of the Group for the year ended 31st March 2007.

The audit committee comprises three independent non-executive directors of the Company, namely Mr WONG Po Yan, G.B.M., J.P., the Hon LI Wah Ming, Fred, J.P. and Mr LAU Wang Yip, Derrick.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at all times during the year ended 31st March 2007 and up to the date of this report.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 10th July 2007

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALCO HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Alco Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 62, which comprise the consolidated and Company balance sheets as at 31st March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10th July 2007

Consolidated Income Statement

For the year ended 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	**5,095,894**	4,876,788
Cost of goods sold	7	**(4,548,098)**	(4,359,738)
Gross profit		**547,796**	517,050
Other gains	6	**50,430**	46,226
Selling expenses	7	**(136,291)**	(123,208)
Administrative expenses	7	**(100,061)**	(96,296)
Other operating expenses	7	**(6,240)**	(4,924)
Operating profit		**355,634**	338,848
Finance costs	9	**(19,584)**	(21,833)
Profit before income tax		**336,050**	317,015
Income tax expense	10	**(30,266)**	(33,540)
Profit attributable to equity holders of the Company		**305,784**	283,475
Earnings per share attributable to equity holders of the Company			
– basic	12	**HK54.5 cents**	HK50.6 cents
– diluted	12	**HK54.5 cents**	HK50.6 cents
Dividends	13	**185,115**	179,600

The notes on pages 28 to 62 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**312,799**	320,262
Investment properties	15	**46,830**	36,060
Leasehold land and land use rights	16	**59,189**	56,497
Deferred development costs	17	**6,184**	6,797
Held-to-maturity financial assets	19	**111,400**	110,887
		536,402	530,503
Current assets			
Inventories	20	**401,844**	618,405
Trade receivables, prepayments and deposits	21	**305,278**	413,510
Cash and cash equivalents	22	**892,794**	1,028,572
		1,599,916	2,060,487
Current liabilities			
Trade payables, other payables and accruals	23	**545,669**	796,816
Trust receipt loans		**–**	139,978
Current income tax liabilities		**3,474**	18,768
Borrowings	24	**648**	103,545
		549,791	1,059,107
Net current assets		**1,050,125**	1,001,380
Total assets less current liabilities		**1,586,527**	1,531,883
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**56,084**	56,125
Reserves	26	**1,499,679**	1,369,912
Total equity		**1,555,763**	1,426,037
Non-current liabilities			
Borrowings	24	**2,905**	77,682
Deferred income tax liabilities	27	**27,859**	28,164
		30,764	105,846
Total equity and non-current liabilities		**1,586,527**	1,531,883

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 28 to 62 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment in subsidiaries	18	**356,959**	358,007
Current assets			
Other receivables, prepayments and deposits		**105**	106
Tax recoverable		**10**	178
Cash and cash equivalents	22	**1,215**	93
		1,330	377
Current liabilities			
Other payables and accruals		**2,414**	1,214
Net current liabilities		**(1,084)**	(837)
Total assets less current liabilities		**355,875**	357,170
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**56,084**	56,125
Reserves	26	**299,791**	301,045
Total equity		**355,875**	357,170

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 28 to 62 are an integral part of this financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2007

	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st April 2005	55,733	250,367	978,614	1,284,714
Currency translation differences	–	122	–	122
Profit for the year	–	–	283,475	283,475
Repurchase of own shares	(10)	(250)	(10)	(270)
2006 interim dividend	–	–	(33,675)	(33,675)
2006 interim special dividend	–	–	(22,450)	(22,450)
2005 final and final special dividends	–	–	(89,173)	(89,173)
Adjustment of prior year dividends	–	–	(643)	(643)
Exercise of bonus warrants	402	3,535	–	3,937
Balance at 31st March 2006	56,125	253,774	1,116,138	1,426,037
Balance at 1st April 2006	**56,125**	**253,774**	**1,116,138**	**1,426,037**
Currency translation differences	**–**	**(683)**	**–**	**(683)**
Profit for the year	**–**	**–**	**305,784**	**305,784**
Repurchase of own shares	**(41)**	**(1,305)**	**(41)**	**(1,387)**
2007 interim dividend	**–**	**–**	**(50,513)**	**(50,513)**
2006 final and final special dividends	**–**	**–**	**(123,475)**	**(123,475)**
Balance at 31st March 2007	**56,084**	**251,786**	**1,247,893**	**1,555,763**

The notes on pages 28 to 62 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**342,742**	459,199
Interest received		**32,791**	35,299
Interest paid		**(19,584)**	(21,831)
Income tax paid		**(45,865)**	(34,000)
Net cash generated from operating activities		**310,084**	438,667
Cash flows from investing activities			
Purchase of property, plant and equipment		**(81,519)**	(69,212)
Proceeds from sale of property, plant and equipment		**889**	1,221
Purchase of leasehold land and land use rights		**(2,984)**	–
Deferred development costs paid		**(9,960)**	(10,879)
Net cash used in investing activities		**(93,574)**	(78,870)
Cash flows from financing activities			
Interest element of finance leases		**–**	(2)
Repayment of capital element of finance leases		**–**	(206)
Repurchase of own shares		**(1,387)**	(270)
Exercise of bonus warrants		**–**	3,937
Proceeds from borrowings		**120,553**	181,227
Repayments of borrowings		**(298,227)**	(117,619)
Dividends paid to the Company's shareholders		**(173,988)**	(145,941)
Net cash used in financing activities		**(353,049)**	(78,874)
Net (decrease)/increase in cash and cash equivalents		**(136,539)**	280,923
Cash and cash equivalents at beginning of the year		**1,028,572**	746,944
Effect of foreign exchange rate change		**761**	705
Cash and cash equivalents at end of the year	22	**892,794**	1,028,572

The notes on pages 28 to 62 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

31st March 2007

1 GENERAL INFORMATION

Alco Holdings Limited (the "Company") and its subsidiaries (together the "Group") design, manufacture and sell consumer electronic products and plastic products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 10th July 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The following amendments to standards and interpretation are relevant to the Group's operation and are mandatory for financial year ended 31st March 2007:

HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS-Interpretation 4	Determining whether an Arrangement contains a Lease

These amendments to standards and interpretation had no material effect on the Group's accounting policies.

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

The following new standard, amendment to standard and interpretations are relevant to the Group's operation but are not effective for the year ended 31st March 2007 and have not been early adopted:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation 8	Scope of HKFRS 2
HK(IFRIC)-Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Interpretation 10	Interim Financial Reporting and Impairment
HK(IFIRC)-Interpretation 11	HKFRS 2-Group and Treasury Share Transactions

The Group believes that the adoption of the above new standard, amendment to standard and interpretations will not result in substantial changes to the Group's accounting policies except that there will be additional disclosures required by HKAS 1 Amendment and HKFRS 7.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investment in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of buildings and moulds are calculated using the straight-line method to allocate cost over their estimated useful lives of 40 years and 4 years respectively. Other property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a reducing balance basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Plant and machinery	14.5%-20%
Motor vehicles	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. The valuations are performed by independent valuers based on an open market value basis related to individual property in accordance with the guidance issued by the International Valuation Standards Committee.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement as part of "other gains".

2.7 Deferred development costs

Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as deferred development costs when it is probable that the project will be a success considering its commercial and technologies feasibility, and costs can be measured reliably. Other development expenditures are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised on a straight-line basis over a period of 30 months to reflect the pattern in which the relevant economic benefits are recognised.

Development assets are tested for impairment annually, in accordance with HKAS 36.

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.11).

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; these are classified as current assets.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in Note 2.11.

2.10 Inventories

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

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

(a) Employee leave entitlements

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

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

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits *(continued)*

(b) Pension obligations

The Group operates a number of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Rental income is recognised on a straight-line basis over the periods of the respective leases.

(iii) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.20 Leases

(a) Operating lease (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Operating lease (as lessor)

Where the Company leases out assets under operating leases, the assets are included in the balance sheet according to their nature as set out in note 2.6. Revenue arising from operating leases is credited to the income statement in accordance with the Group's revenue recognition policies, as set out in note 2.19(ii).

(c) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease is depreciated over the estimated useful life of the asset.

Notes to the Consolidated Financial Statements

31st March 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

Risk management is carried out by the Group's treasury function. The Group adopts a conservative and balanced treasury policy which focuses on the financial risks factors as below and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

Foreign exchange risk

The Group is not significantly exposed to foreign exchange risk as nearly all of the Group's sales, purchases and borrowings are denominated in either US dollar or HK dollar. The Group has a natural hedge against currency risks and it is the Group's policy not to engage in speculative currency activities.

(b) Credit risk

The Group's sales are made to a number of reputable and creditworthy customers. To minimise the credit risk, the Group performs ongoing credit evaluations of its customers' financial conditions.

(c) Interest rate risk

As the Group has no significant interest-bearing assets, other than short-term bank deposits and held-to-maturity financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

(d) Liquidity risk

The Group adopts a prudent liquidity risk management policy to maintain sufficient cash to fund its operations.

Notes to the Consolidated Financial Statements

31st March 2007

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimate of fair value of investment properties

In arriving at the fair value of the properties, the independent valuers have to make assumptions and economic estimates. Should these assumptions and estimates change, or not be met, the valuation as adopted in the financial statements will be affected.

5 TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the design, manufacture and sale of consumer electronic products and plastic products. Revenues recognised during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Turnover		
Consumer electronic products	**5,090,793**	4,866,005
Plastic products	**5,101**	10,783
	5,095,894	4,876,788

(a) Primary reporting format – business segments

The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong in two main business segments:

Consumer electronic products – Design, manufacture and sale of consumer electronic products

Plastic products – Manufacture and sale of plastic and packaging products

The Group's inter-segment transactions mainly consist of plastic products between subsidiaries. The transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, deferred development costs, held-to-maturity financial assets, inventories, receivables and operating cash.

Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and deferred development costs.

Notes to the Consolidated Financial Statements

31st March 2007

5 TURNOVER AND SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

The segment results and other segment items included in the income statement for the years ended 31st March 2007 and 2006 are as follows:

	Group							
	2007				2006			
	Consumer electronic products HK$'000	Plastic products HK$'000	Elimination HK$'000	Group HK$'000	Consumer electronic products HK$'000	Plastic products HK$'000	Elimination HK$'000	Group HK$'000
Turnover								
External sales	5,090,793	5,101	–	5,095,894	4,866,005	10,783	–	4,876,788
Inter-segment sales	–	173,863	(173,863)	–	–	206,005	(206,005)	–
	5,090,793	178,964	(173,863)	5,095,894	4,866,005	216,788	(206,005)	4,876,788
Segment results	355,876	(242)		355,634	338,460	388		338,848
Finance costs				(19,584)				(21,833)
Profit before income tax				336,050				317,015
Income tax expense				(30,266)				(33,540)
Profit attributable to equity holders of the Company				305,784				283,475
Capital expenditure	66,520	27,943		94,463	56,471	23,620		80,091
Depreciation of property, plant and equipment	53,651	14,189		67,840	54,608	10,788		65,396
Amortisation of leasehold land and land use rights	368	12		380	326	12		338
Amortisation and write-off of deferred development costs	10,573	–		10,573	12,194	–		12,194
Write-off/impairment of property, plant and equipment	17,907	1,279		19,186	16,308	573		16,881

Notes to the Consolidated Financial Statements

31st March 2007

5 TURNOVER AND SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segment *(continued)*

The segment assets and liabilities at 31st March 2007 and 2006 are as follows:

	Group							
	2007				2006			
	Consumer electronic products HK$'000	Plastic products HK$'000	Elimination HK$'000	Group HK$'000	Consumer electronic products HK$'000	Plastic products HK$'000	Elimination HK$'000	Group HK$'000
Segment assets	2,042,336	93,982	–	2,136,318	2,504,701	86,289	–	2,590,990
Segment liabilities	534,364	11,305	–	545,669	915,317	21,477	–	936,794
Unallocated corporate liabilities				34,886				228,159
Total liabilities				580,555				1,164,953

(b) Secondary reporting format – geographical segment

The segment turnover for the years ended 31st March 2007 and 2006 are as follows:

	Group	
	2007 HK$'000	2006 HK$'000
North America	3,556,457	3,764,034
Europe	1,099,795	610,575
Asia	268,456	364,300
Others	171,186	137,879
	5,095,894	4,876,788

The analysis of turnover by geographical segment is based on the destination to which the shipments are made. No analysis of the contribution by geographical segment has been presented as the ratios of profit to turnover achieved for the above geographical segments are not substantially out of line with the Group's overall ratio of profit to turnover. Most of its assets and capital expenditure for the years ended 31st March 2007 and 2006 were located or utilised in the PRC and Hong Kong.

Notes to the Consolidated Financial Statements

31st March 2007

6 OTHER GAINS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest income	**32,791**	35,299
Rental income from investment properties	**3,643**	3,232
Fair value gains on investment properties (Note 15)	**10,770**	1,800
Sale of moulds	**941**	3,053
Others	**2,285**	2,842
	50,430	46,226

7 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling expenses, administrative expenses and other operating expenses are analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Depreciation of property, plant and equipment	**67,840**	65,396
Amortisation of leasehold land and land use rights	**380**	338
Amortisation of deferred development costs	**6,386**	7,147
Auditors' remuneration	**1,935**	1,810
Write-off/impairment of property, plant and equipment	**19,186**	16,881
Write-off of deferred development costs	**4,187**	5,047
Loss on disposal of property, plant and equipment	**1,213**	813
Operating lease rental in respect of land and buildings	**34,379**	35,322
Research and development costs	**24,241**	20,005
Employee benefit expenses (including directors' emoluments) (Note 8)	**326,557**	303,600

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2007	2006
	HK$'000	HK$'000
Wages and salaries	**312,240**	290,254
Pension costs – defined contribution retirement schemes (Note (a)(i))	**3,375**	3,461
Long service payments (Note (a)(ii))	**(1,445)**	(573)
Other staff benefits	**8,823**	10,194
Termination benefits	**3,564**	264
	326,557	303,600

Notes to the Consolidated Financial Statements

31st March 2007

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

Notes:

(a) Retirement benefit costs

	Group	
	2007	2006
	HK$'000	HK$'000
Obligations on:		
– defined contribution retirement schemes (Note (i))	**558**	556
– long service payments (Note (ii))	**5,463**	6,908
	6,021	7,464

(i) Defined contribution retirement schemes

Before 1st December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group is 5% of the individual employee's basic salaries.

With effect from 1st December 2000, the Mandatory Provident Fund Scheme (the "MPF Scheme") was set up under the MPF Scheme Ordinance for existing staff who opted for this scheme and eligible staff recruited on or after that date. The ORSO Scheme has remained in place with the introduction of the MPF Scheme. Under the MPF Scheme, eligible employees and the Group are required to contribute 5% on the employees' monthly net salaries with a maximum monthly contribution of HK$1,000.

Contributions to the ORSO Scheme and MPF Scheme charged to the consolidated income statement for the year amounted to HK$3,375,000 (2006: HK$3,461,000). Forfeited contributions in respect of the defined contribution retirement scheme of approximately HK$88,000 (2006: HK$45,000) were utilised during the year. No forfeiture balance was available as at 31st March 2007 and 2006 to reduce future contributions.

Contributions totalling HK$558,000 (2006: HK$556,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

(ii) Long service payments

Long service payments provision is calculated in accordance with Section 31V of the Hong Kong Employment Ordinance at two-thirds of the employee's last full month's wages, or the two-thirds of HK$22,500, whichever is lower, with the total provision for each employee limited to HK$390,000. The provision balance is set-off against the Group's accumulated contributions to the ORSO and MPF Schemes.

Notes to the Consolidated Financial Statements

31st March 2007

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

Notes: *(continued)*

(b) Directors' and senior management's emoluments

The remuneration of every director of the Company for the year ended 31st March 2007 is set out below:

Name of Director	Fee	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr LEUNG Kai Ching, Kimen	**–**	**3,000**	**6,294**	**150**	**9,444**
Mr LEUNG Wai Sing, Wilson	**–**	**3,000**	**5,940**	**150**	**9,090**
Mr KUOK Kun Man, Andrew	**–**	**1,262**	**3,452**	**63**	**4,777**
Mr WONG Po Yan	**120**	**–**	**–**	**–**	**120**
The Hon LI Wah Ming, Fred	**120**	**–**	**–**	**6**	**126**
Mr LAU Wang Yip, Derrick	**120**	**–**	**–**	**6**	**126**

The remuneration of every director of the Company for the year ended 31st March 2006 is set out below:

Name of Director	Fee	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr LEUNG Kai Ching, Kimen	–	3,000	5,408	150	8,558
Mr LEUNG Wai Sing, Wilson	–	3,000	5,109	150	8,259
Mr KUOK Kun Man, Andrew	–	1,262	2,953	63	4,278
Mr WONG Po Yan	120	–	–	–	120
The Hon LI Wah Ming, Fred	120	–	–	6	126
Mr LAU Wang Yip, Derrick	120	–	–	6	126

No directors waived emoluments in respect of the years ended 31st March 2007 and 31st March 2006.

Notes to the Consolidated Financial Statements

31st March 2007

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

Notes: *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: two) individuals during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,994**	2,994
Discretionary bonuses	**9,675**	6,675
Contributions to pension schemes	**87**	87
	12,756	9,756

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Emolument bands		
HK$3,000,001-HK$3,500,000	**1**	1
HK$6,000,001-HK$6,500,000	**–**	1
HK$9,000,001-HK$9,500,000	**1**	–

(d) Key management compensation

	Group	
	2007	2006
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**10,256**	10,256
Discretionary bonuses	**25,361**	20,145
Contributions to pension schemes	**450**	450
	36,067	30,851

9 FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest expense:		
– bank borrowings and trust receipt loans	**19,584**	21,831
– Interest element of finance leases	**–**	2
	19,584	21,833

Notes to the Consolidated Financial Statements

31st March 2007

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Group	
	2007	2006
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**30,876**	36,767
– (Over)/under-provision in prior years	**(305)**	3,187
Deferred income tax (Note 27)	**(305)**	(6,414)
	30,266	33,540

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before income tax	**336,050**	317,015
Tax calculated at a tax rate of 17.5% (2006: 17.5%)	**58,809**	55,478
Effect of different tax rates in other countries	**(226)**	275
Income not subject to tax	**(41,068)**	(41,444)
Expenses not deductible for tax purposes	**10,715**	13,645
(Over)/under-provisions in prior years	**(305)**	3,187
Unrecognised tax losses	**2,341**	2,399
Tax charge	**30,266**	33,540

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$174,080,000 (2006: HK$145,873,000).

Notes to the Consolidated Financial Statements

31st March 2007

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Group	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**305,784**	283,475
Weighted average number of ordinary shares in issue (thousands)	**561,152**	559,967
Basic and diluted earnings per share (HK cents) (Note)	**54.5**	50.6

Note: There were no dilutive potential ordinary shares during the years ended 31st March 2007 and 2006.

13 DIVIDENDS

	Company	
	2007 **HK$'000**	2006 HK$'000
Interim dividend, paid, of HK9 cents (2006: HK6 cents) per ordinary share	**50,513**	33,675
No interim special dividend paid (2006: HK4 cents per ordinary share)	**–**	22,450
Final dividend, proposed, of HK16 cents (2006: HK16 cents) per ordinary share	**89,735**	89,800
Final special dividend, proposed, of HK8 cents (2006: HK6 cents) per ordinary share	**44,867**	33,675
	185,115	179,600

At a meeting held on 10th July 2007, the directors proposed a final dividend of HK16 cents per ordinary share and a final special dividend of HK8 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31st March 2008.

Notes to the Consolidated Financial Statements

31st March 2007

14 PROPERTY, PLANT AND EQUIPMENT

(a) Details of movements in property, plant and equipment of the Group are as follows:

	Group						
	Buildings HK$'000	Moulds HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st April 2005							
Cost	27,336	305,038	87,650	245,080	516,340	18,703	1,200,147
Accumulated depreciation and impairment	(5,662)	(279,748)	(71,612)	(195,027)	(300,118)	(12,619)	(864,786)
Net book amount	21,674	25,290	16,038	50,053	216,222	6,084	335,361
Year ended 31st March 2006							
Opening net book amount	21,674	25,290	16,038	50,053	216,222	6,084	335,361
Additions	–	24,276	3,157	14,888	25,875	1,016	69,212
Disposals	–	–	(29)	(1,263)	(689)	(53)	(2,034)
Depreciation	(681)	(11,551)	(3,440)	(11,784)	(36,630)	(1,310)	(65,396)
Impairment charges	–	(6,468)	(330)	(1,787)	(8,238)	(58)	(16,881)
Closing net book amount	20,993	31,547	15,396	50,107	196,540	5,679	320,262
At 31st March 2006							
Cost	27,336	306,804	90,639	249,682	533,719	19,064	1,227,244
Accumulated depreciation and impairment	(6,343)	(275,257)	(75,243)	(199,575)	(337,179)	(13,385)	(906,982)
Net book amount	20,993	31,547	15,396	50,107	196,540	5,679	320,262
Year ended 31st March 2007							
Opening net book amount	**20,993**	**31,547**	**15,396**	**50,107**	**196,540**	**5,679**	**320,262**
Additions	**2,118**	**22,375**	**5,651**	**17,884**	**30,719**	**2,772**	**81,519**
Disposals	**–**	**–**	**(20)**	**(725)**	**(967)**	**(390)**	**(2,102)**
Depreciation	**(707)**	**(14,405)**	**(3,736)**	**(12,340)**	**(35,190)**	**(1,462)**	**(67,840)**
Write-off	**–**	**(9,034)**	**(3,716)**	**(3,556)**	**(2,880)**	**–**	**(19,186)**
Exchange differences	**63**	**–**	**(1)**	**69**	**–**	**15**	**146**
Closing net book amount	**22,467**	**30,483**	**13,574**	**51,439**	**188,222**	**6,614**	**312,799**
At 31st March 2007							
Cost	**29,518**	**328,342**	**95,739**	**257,483**	**552,759**	**18,848**	**1,282,689**
Accumulated depreciation and impairment	**(7,051)**	**(297,859)**	**(82,165)**	**(206,044)**	**(364,537)**	**(12,234)**	**(969,890)**
Net book amount	**22,467**	**30,483**	**13,574**	**51,439**	**188,222**	**6,614**	**312,799**

Notes to the Consolidated Financial Statements

31st March 2007

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Depreciation expenses have been included in:

	Group	
	2007	2006
	HK$'000	HK$'000
Cost of goods sold	**63,662**	61,015
Administrative expenses	**4,178**	4,381
	67,840	65,396

(c) The Group's interests in buildings at their net book values are analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**9,241**	9,573
Leases of between 10 and 50 years	**328**	340
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**12,898**	11,080
	22,467	20,993

(d) As at 31st March 2007, bank borrowing is secured on a building for the carrying amount of HK$2,155,000 (2006: Nil) (Note 24).

(e) As at 31st March 2007, the Company's property, plant and equipment comprised furniture, fixtures and equipment with a total cost of HK$41,000 (2006: HK$41,000) and accumulated depreciation of HK$41,000 (2006: HK$41,000).

15 INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
Beginning of the year	**36,060**	34,260
Fair value gains (Note 6)	**10,770**	1,800
End of the year	**46,830**	36,060

The investment properties were revalued at 31st March 2007 by independent, professionally qualified valuers, LCH (Asia-Pacific) Surveyors Limited. Valuations were based on current prices in an active market for all properties.

Notes to the Consolidated Financial Statements

31st March 2007

15 INVESTMENT PROPERTIES *(continued)*

The Group's interests in investment properties at their net book values are analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**27,750**	18,800
Leases of between 10 and 50 years	**19,080**	17,260
	46,830	36,060

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2007	2006
	HK$'000	HK$'000
Opening net book amount	**56,497**	56,835
Addition	**2,984**	–
Amortisation	**(380)**	(338)
Exchange differences	**88**	–
Closing net book amount	**59,189**	56,497

Amortisation expenses of prepaid operating lease payment have been included in:

	Group	
	2007	2006
	HK$'000	HK$'000
Administrative expenses	**380**	338

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**45,921**	45,973
Leases of between 10 and 50 years	**465**	476
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**12,803**	10,048
	59,189	56,497

As at 31st March 2007, bank borrowing is secured on leasehold land and land use rights for the carrying amount of HK$3,029,000 (2006: Nil) (Note 24).

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17 DEFERRED DEVELOPMENT COSTS

	Group HK$'000
At 1st April 2005	
Cost	62,340
Accumulated amortisation	(54,228)
Net book amount	8,112
For the year ended 31st March 2006	
At 1st April 2005	8,112
Additions	10,879
Write-off	(5,047)
Amortisation	(7,147)
At 31st March 2006	6,797
At 31st March 2006	
Cost	69,566
Accumulated amortisation	(62,769)
Net book amount	6,797
For the year ended 31st March 2007	
At 1st April 2006	**6,797**
Additions	**9,960**
Write-off	**(4,187)**
Amortisation	**(6,386)**
At 31st March 2007	**6,184**
At 31st March 2007	
Cost	**67,188**
Accumulated amortisation	**(61,004)**
Net book amount	**6,184**

Amortisation expenses of deferred development costs have been included in:

	Group	
	2007 HK$'000	2006 HK$'000
Cost of goods sold	**6,386**	7,147

Notes to the Consolidated Financial Statements

31st March 2007

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost (note (a))	**67,586**	67,586
Amounts due from subsidiaries (note (b))	**289,373**	290,421
	356,959	358,007

Notes:

(a) Details of principal subsidiaries are set out in Note 32 to the consolidated financial statements.

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

19 HELD-TO-MATURITY FINANCIAL ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Structured bank deposits in Hong Kong	**111,400**	110,887

The movement in held-to-maturity financial assets is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Beginning of the year	**110,887**	–
Reclassified from long-term bank deposits	**–**	111,400
Exchange differences	**513**	(513)
End of the year	**111,400**	110,887

Held-to-maturity financial assets are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollar	**10,000**	10,000
US dollar	**101,400**	100,887
	111,400	110,887

These investments earn interests at rates offered by the banks. The fair value of these financial assets is not materially different from the carrying value.

Notes to the Consolidated Financial Statements

31st March 2007

20 INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**185,990**	235,701
Work in progress	**23,194**	75,872
Finished goods	**192,660**	306,832
	401,844	618,405

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$3,859,232,000 (2006: HK$3,687,407,000).

21 TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**291,006**	395,911
Prepayments and deposits	**14,272**	17,599
	305,278	413,510

The credit terms given vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

The fair value of the trade receivables, prepayments and deposits approximate to their carrying value.

At 31st March 2007 and 2006, the ageing analysis of the trade receivables based on invoiced date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0-30 days	**209,323**	211,571
31-60 days	**79,160**	144,560
61-90 days	**48**	38,427
Over 90 days	**2,475**	1,353
	291,006	395,911

Notes to the Consolidated Financial Statements

31st March 2007

22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**124,672**	141,959	**1,215**	93
Short-term bank deposits	**768,122**	886,613	**–**	–
	892,794	1,028,572	**1,215**	93

The cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**650,508**	61,555	**1,215**	93
US dollar	**236,277**	961,796	**–**	–
Others	**6,009**	5,221	**–**	–
	892,794	1,028,572	**1,215**	93

The cash and cash equivalents earn interests at deposit rates offered by the banks.

23 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group	
	2007	2006
	HK$'000	HK$'000
Trade payables	**288,436**	513,900
Other payables and accruals	**257,233**	282,916
	545,669	796,816

At 31st March 2007 and 2006, the ageing analysis of the trade payables based on invoiced date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0-30 days	**214,665**	366,391
31-60 days	**48,979**	122,511
61-90 days	**23,904**	22,109
Over 90 days	**888**	2,889
	288,436	513,900

Notes to the Consolidated Financial Statements

31st March 2007

24 BORROWINGS

	Group	
	2007	2006
	HK$'000	HK$'000
Non-current		
Bank borrowing, secured (Note (a))	**2,905**	–
Bank borrowings, unsecured (Note (b))	**–**	77,682
	2,905	77,682
Current		
Bank borrowing, secured (Note (a))	**648**	–
Bank borrowings, unsecured (Note (b))	**–**	103,545
	648	103,545
Total borrowings	**3,553**	181,227

Notes:

(a) The bank borrowing is secured by a building and leasehold land and land use rights of the Group (Notes 14 and 16). The borrowing is denominated in Renminbi. Interest is charged at market borrowing rate offered by the bank.

(b) The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Notes 29 and 30). The borrowings are denominated in Hong Kong dollars. Interests are charged at margin over the HIBOR rate.

The maturity of bank borrowings is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 1 year	**648**	103,545
Between 1 and 2 years	**661**	77,682
Between 2 and 5 years	**2,244**	–
	3,553	181,227

The carrying amounts of the bank borrowings approximate to their fair value.

Notes to the Consolidated Financial Statements

31st March 2007

25 SHARE CAPITAL

	Company	
	Number of shares (Thousands)	Ordinary shares HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 31st March 2007 and 2006	800,000	80,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1st April 2005	557,334	55,733
Repurchase of own shares (Note (a))	(100)	(10)
Exercise of bonus warrants (Note (b))	4,018	402
At 31st March 2006	561,252	56,125
At 1st April 2006	**561,252**	**56,125**
Repurchase of own shares (Note (a))	**(410)**	**(41)**
At 31st March 2007	**560,842**	**56,084**

Notes:

(a) Repurchase of own shares

On 25th October 2005, 100,000 shares of HK$0.10 each of the Company were repurchased at a price of HK$2.70 per share by the Company on The Stock Exchange of Hong Kong Limited and cancelled. Aggregate amount paid by the Company was HK$270,000.

On 29th December 2006 and 2nd January 2007, respectively 210,000 and 100,000 shares of HK$0.10 each of the Company were repurchased at a price of HK$3.36 per share by the Company on The Stock Exchange of Hong Kong Limited and cancelled. Aggregate amount paid by the Company was HK$1,041,600.

On 10th January 2007, 100,000 shares of HK$0.10 each of the Company were repurchased at a price of HK$3.46 per share by the Company on The Stock Exchange of Hong Kong Limited and cancelled. Aggregate amount paid by the Company was HK$346,000.

(b) Exercise of bonus warrants

On 11th July 2002, the directors proposed to grant bonus warrants to the shareholders (other than overseas shareholders) whose names appeared on the register of members of the Company on 22nd August 2002 on the basis of one warrant for every ten ordinary shares of HK$0.10 each in the issued share capital of the Company held.

On 22nd August 2002, bonus warrants conferring rights to subscribe for 51,138,185 ordinary shares at HK$0.98 each were granted by the Board of Directors. The bonus warrants were exercisable at any time from 2nd September 2002 to 1st September 2005, both days inclusive.

During the year ended 31st March 2006, 4,017,632 ordinary shares of HK$0.10 each of the Company were issued at a subscription price of HK$0.98 per share to bonus warrant holders on the exercise of their bonus warrants for a total cash consideration of HK$3,937,279. All bonus warrants were either exercised or forfeited as at 31st March 2006. No further bonus warrants were granted for the year ended 31st March 2007.

Notes to the Consolidated Financial Statements

31st March 2007

26 RESERVES

	Group				
	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st April 2005	250,619	471	(723)	978,614	1,228,981
Currency translation differences	–	–	122	–	122
Profit for the year	–	–	–	283,475	283,475
Repurchase of own shares	(260)	10	–	(10)	(260)
2006 interim dividend	–	–	–	(33,675)	(33,675)
2006 interim special dividend	–	–	–	(22,450)	(22,450)
2005 final and final special dividends	–	–	–	(89,173)	(89,173)
Adjustment of prior year dividends	–	–	–	(643)	(643)
Exercise of bonus warrants	3,535	–	–	–	3,535
Balance at 31st March 2006	253,894	481	(601)	1,116,138	1,369,912
Representing:					
Proposed dividend					123,475
Reserves					1,246,437
At 31st March 2006					1,369,912
Balance at 1st April 2006	**253,894**	**481**	**(601)**	**1,116,138**	**1,369,912**
Currency translation differences	**–**	**–**	**(683)**	**–**	**(683)**
Profit for the year	**–**	**–**	**–**	**305,784**	**305,784**
Repurchase of own shares	**(1,346)**	**41**	**–**	**(41)**	**(1,346)**
2007 interim dividend	**–**	**–**	**–**	**(50,513)**	**(50,513)**
2006 final and final special dividends	**–**	**–**	**–**	**(123,475)**	**(123,475)**
Balance at 31st March 2007	**252,548**	**522**	**(1,284)**	**1,247,893**	**1,499,679**
Representing:					
Proposed dividend					**134,602**
Reserves					**1,365,077**
At 31st March 2007					**1,499,679**

Notes to the Consolidated Financial Statements

31st March 2007

26 RESERVES *(continued)*

	Company				
	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st April 2005	250,619	471	40,586	6,162	297,838
Profit for the year	–	–	–	145,873	145,873
Repurchase of own shares	(260)	10	–	(10)	(260)
2006 interim dividend	–	–	–	(33,675)	(33,675)
2006 interim special dividend	–	–	–	(22,450)	(22,450)
2005 final and final special dividends	–	–	–	(89,173)	(89,173)
Adjustment of prior year dividends	–	–	–	(643)	(643)
Exercise of bonus warrants	3,535	–	–	–	3,535
Balance at 31st March 2006	253,894	481	40,586	6,084	301,045
Representing:					
Proposed dividend					123,475
Reserves					177,570
At 31st March 2006					301,045
Balance at 1st April 2006	**253,894**	**481**	**40,586**	**6,084**	**301,045**
Profit for the year	**–**	**–**	**–**	**174,080**	**174,080**
Repurchase of own shares	**(1,346)**	**41**	**–**	**(41)**	**(1,346)**
2007 interim dividend	**–**	**–**	**–**	**(50,513)**	**(50,513)**
2006 final and final special dividends	**–**	**–**	**–**	**(123,475)**	**(123,475)**
Balance at 31st March 2007	**252,548**	**522**	**40,586**	**6,135**	**299,791**
Representing:					
Proposed dividend					**134,602**
Reserves					**165,189**
At 31st March 2007					**299,791**

Note:

The contributed surplus of the Company, which arose from a corporate reorganisation in November 1992, represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Alco Investments (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 6th November 1992. Under the Companies Act 1981 of Bermuda (as amended), a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. At consolidation level, the contributed surplus is classified into its components of reserves of the underlying subsidiaries.

Notes to the Consolidated Financial Statements

31st March 2007

27 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2006: 17.5%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred income tax liabilities to be settled after more than 12 months	**30,319**	29,694
Deferred income tax assets to be recovered after more than 12 months	**(2,460)**	(1,530)
	27,859	28,164

The movement on the deferred income tax account is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Beginning of the year	**28,164**	34,578
Recognised in the consolidated income statement (Note 10)	**(305)**	(6,414)
End of the year	**27,859**	28,164

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax (assets)/liabilities

	Group									
	Tax losses		Accelerated tax depreciation		Deferred development costs		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**(1,530)**	(476)	**28,428**	32,249	**801**	2,125	**465**	680	**28,164**	34,578
Recognised in the consolidated income statement	**(930)**	(1,054)	**1,114**	(3,821)	**(116)**	(1,324)	**(373)**	(215)	**(305)**	(6,414)
End of the year	**(2,460)**	(1,530)	**29,542**	28,428	**685**	801	**92**	465	**27,859**	28,164

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has tax losses of HK$13,235,000 (2006: HK$12,132,000) to carry forward against future taxable income.

Notes to the Consolidated Financial Statements

31st March 2007

28 CASH GENERATED FROM OPERATIONS

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before income tax	**336,050**	317,015
Interest income	**(32,791)**	(35,299)
Interest expense on bank borrowings and trust receipt loans	**19,584**	21,831
Interest element of finance leases	**–**	2
Amortisation of deferred development costs	**6,386**	7,147
Write-off of deferred development costs	**4,187**	5,047
Loss on disposal of property, plant and equipment	**1,213**	813
Depreciation of property, plant and equipment	**67,840**	65,396
Amortisation of leasehold land and land use rights	**380**	338
Write-off/impairment of property, plant and equipment	**19,186**	16,881
Fair value gains on investment properties	**(10,770)**	(1,800)
Operating profit before working capital changes	**411,265**	397,371
Decrease/(increase) in inventories	**216,561**	(68,859)
Decrease/(increase) in trade receivables, prepayments and deposits	**108,232**	(45,894)
(Decrease)/increase in trade payables, other payables and accruals	**(253,338)**	125,653
(Decrease)/increase in trust receipt loans	**(139,978)**	50,928
Net cash generated from operations	**342,742**	459,199

29 BANKING FACILITIES

As at 31st March 2007, banking facilities of HK$1,720 million (2006: HK$2,001 million) were granted by banks to the Group, of which HK$4 million (2006: HK$321 million) have been utilised by the Group. Of the banking facilities, HK$1,716 million (2006: HK$2,001 million) were supported by corporate guarantees given by the Company and HK$4 million (2006: Nil) is secured by charges over the use of certain assets of the Group with carrying amount of HK$5 million (Notes 14 and 16).

30 FINANCIAL GUARANTEE

The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain of its subsidiaries (Note 24).

The directors consider that it is not probable that such guarantees would be called upon and thus the fair value of such guarantees is immaterial.

Notes to the Consolidated Financial Statements

31st March 2007

31 COMMITMENTS

(a) Capital commitments

	Group	
	2007	2006
	HK$'000	HK$'000
Moulds, plant and machinery contracted but not provided for	**859**	8,225

(b) Operating lease commitments (as lessee)

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Not later than one year	**15,331**	32,854
Later than one year and not later than five years	**33,094**	44,093
Later than five years	**13,026**	17,082
	61,451	94,029

(c) Operating lease commitments (as lessor)

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Not later than one year	**2,469**	2,025
Later than one year and not later than five years	**536**	423
	3,005	2,448

Notes to the Consolidated Financial Statements

31st March 2007

32 PRINCIPAL SUBSIDIARIES

As at 31st March 2007, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity held by the Company Direct	Indirect	Principal activities
Alco Investments (B.V.I.) Limited	British Virgin Islands	Ordinary US$50,000	100	–	Investment holding and provision of management services to its subsidiaries
Advance Packaging Limited	Hong Kong	Ordinary HK$500,000	–	100	Manufacture and sale of polyfoam and packaging products
Alco Communications Limited	Hong Kong	Ordinary HK$10,000	–	100	Manufacture of consumer electronic products
Alco Digital Devices Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Software development and trading of electronic products
Alco Electronics Inc.	Canada	Ordinary C$500,000	–	100	Trading of consumer electronic products
Alco Electronics Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$5,000,000	–	100	Design, manufacture and sale of consumer electronic products
Alco Electronics (Shenzhen) Limited [1]	The PRC	Registered capital HK$8,000,000	–	100	Provision of design and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK$500,000	–	100	Trading of consumer electronic products
Alco Plastic Products Limited	Hong Kong	Ordinary HK$3,000,000	–	100	Manufacture and sale of plastic products
Alco Properties Limited	Hong Kong	Ordinary HK$10,000	–	100	Property investment
Alco Technologies Limited	Hong Kong	Ordinary HK$10,000	–	100	Investment holding
Asia Dragon International Limited	Hong Kong	Ordinary HK$10,000	–	100	Trading of consumer electronic products
Commusonic Industries Limited	Hong Kong	Ordinary HK$400,000	–	100	Manufacture of consumer electronic products

Note:

1 Represents a wholly foreign owned enterprise.

The above table lists out the principal subsidiaries of the Company as at 31st March 2007 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Principal Properties

31st March 2007

Principal properties held for investment purposes

Location	Lot number	Existing use	Lease term
Workshops A to J, on 7th Floor of Block 1, Kwai Tak Industrial Centre, Nos. 15-33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong	Kwai Chung Town Lot Nos. 322, 323 and 324	Industrial rental	Medium term
Lot Nos. 593 and 595 in Demarcation District No. 106, Off Kam Sheung Road, Ng Ka Tsuen, Kam Tin, Yuen Long, New Territories, Hong Kong	Lot Nos. 593 and 595 in Demarcation District No. 106	Industrial rental	Medium term
9th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong	Sub-section 2 of Section E of Quarry Bay Marine Lot No. 2 and the Extension thereto	Industrial rental	Long term

Five-year Financial Summary

31st March 2007

A summary of the results and of the assets and liabilities of the Group for the last five financial years is as follows:

	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**5,095,894**	4,876,788	5,389,124	3,814,781	4,314,503
Profit attributable to equity holders of the Company	**305,784**	283,475	239,716	150,267	138,310
Total assets	**2,136,318**	2,590,990	2,210,074	2,025,738	1,577,983
Total liabilities	**(580,555)**	(1,164,953)	(925,360)	(898,864)	(545,084)
Total equity	**1,555,763**	1,426,037	1,284,714	1,126,874	1,032,899