ALCO HOLDINGS LIMITED

股份代號：328 Stock Code: 328

二零零八年年報

ANNUAL REPORT 2008

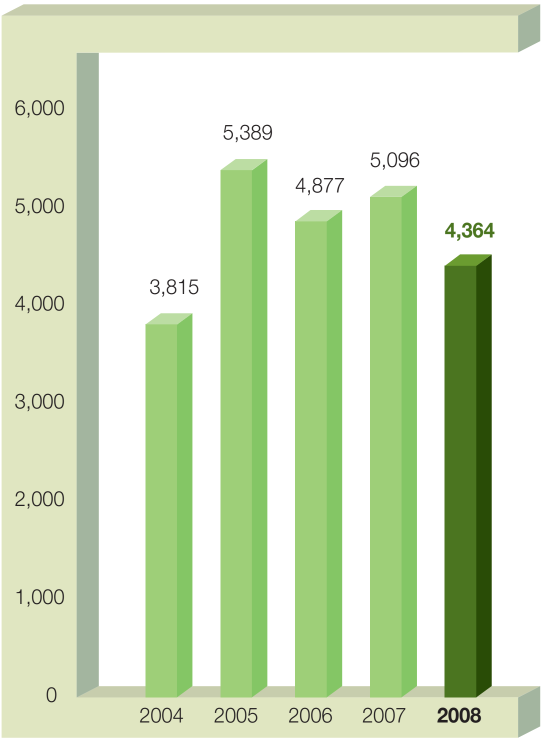
Contents

Corporate Information

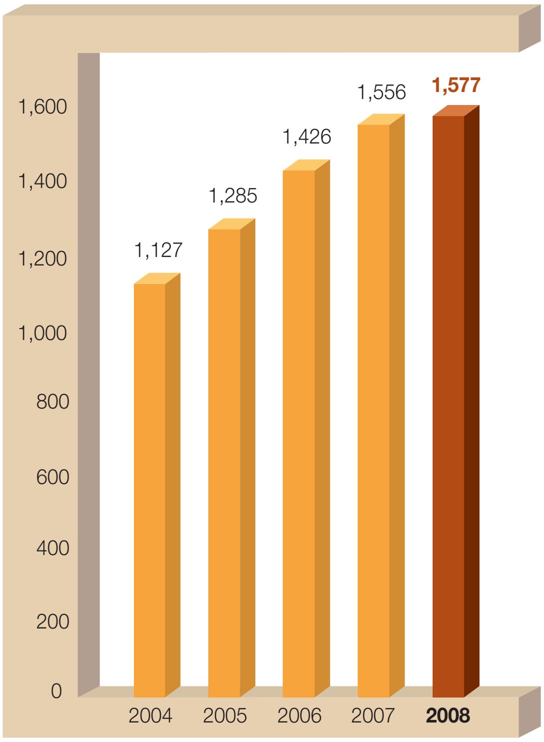
Directors	Mr LEUNG Kai Ching, Kimen *(Chairman)* Mr LEUNG Wai Sing, Wilson Mr KUOK Kun Man, Andrew Mr WONG Po Yan, G.B.M., J.P.* The Hon LI Wah Ming, Fred, J.P.* Mr LAU Wang Yip, Derrick* * *Independent non-executive directors*
Company Secretary	Mr KUOK Kun Man, Andrew
Principal Bankers	Hang Seng Bank 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	Tricor Abacus Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Website	http://www.alco.com.hk
Stock Code	328

Financial Highlights

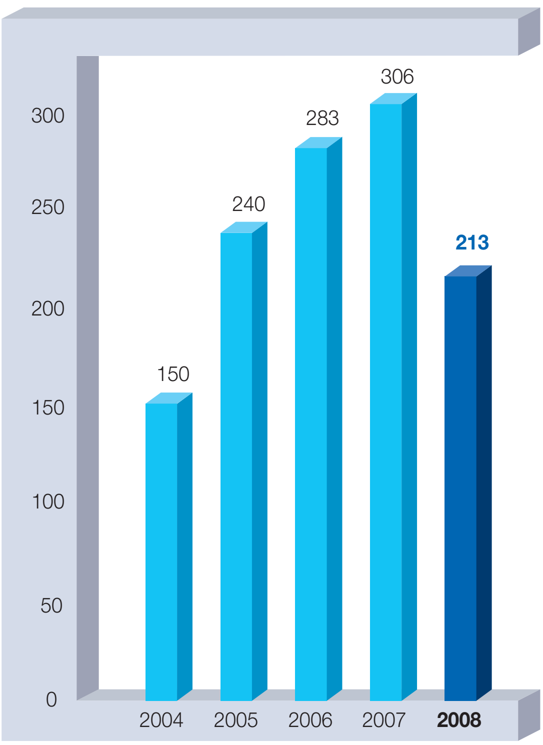
REVENUE
(HK$ MILLION)



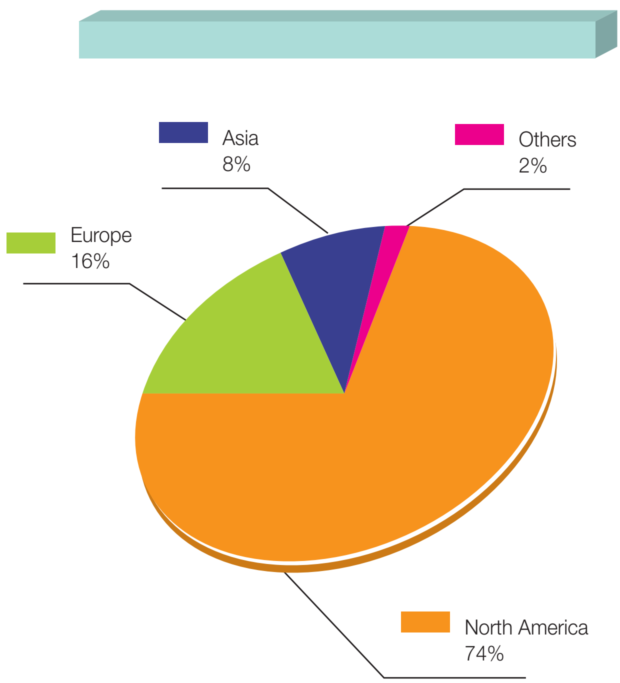
EQUITY
(HK$ MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
(HK$ MILLION)



REVENUE BY GEOGRAPHICAL SEGMENT IN 2008



Chairman's Statement

LEUNG KAI CHING, KIMEN *Chairman*

GROUP RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I am pleased to present the financial results of the Group for the year ended 31st March 2008. During the review period the Group recorded turnover of HK$4.4 billion (2007: HK$5.1 billion), while profit attributable to shareholders of the Company totalled HK$213 million (2007: HK$306 million). Earnings per share amounted to HK38.1 cents (2007: HK54.5 cents).

Despite experiencing adverse market conditions during the latest financial period, the Board of Directors remain committed to sustaining a stable dividend payout ratio to the interest of our stakeholders. Accordingly, the payment of a final dividend of HK14 cents has been recommended which, including an interim dividend of HK9 cents per share, amounts to HK23 cents for the financial year (2007: HK33 cents), thus maintaining a payout ratio of 60%.

The final dividend will be paid out on 10th September 2008 to the Group's shareholders upon approval at the upcoming Annual General Meeting.

REVIEW OF OPERATIONS

The past financial year presented enormous challenges for our Group, as well as those in the audio-visual manufacturing segment. Among the difficulties that directly affected the Group's turnover was an ongoing shortage of small size LCD panels. This shortage in turn drove LCD panel prices upward by as much as 30% during the year, thereby impacting on the material cost of our DVD players and digital picture frames. Significantly compromising the competitiveness of such products, a 30% drop in sales was recorded by the first half of the financial year. To counter this slump, we began to aggressively process the numerous orders placed by our customers despite having to pay higher prices for LCD panels. Reflecting the shrewdness of this decision, we were able to narrow the turnover decline to 14% by year end.

Chairman's Statement

Just as the shortage of LCD panels affected our turnover, numerous factors further conspired to erode the Group's margin. In addition to the rise in panel prices, the cost for resins and metals also climbed measurably, thereby driving production costs upwards. Rising labour costs, brought on by legislation surrounding minimum wages and welfare contributions, placed yet an added burden on the Group's margin. Cost of production also climbed on account of higher electricity rate, a direct result of surging oil prices. Though the cost of electricity was relatively stable owing to government controls, blackouts were common, often leading to power cuts that were two days per week. For ensuring the Group's production schedules are met, we have long relied on our own power generators, though here too the rise in diesel oil prices by more than 35% placed an extra strain. During the review period, appreciation of the Renminbi by approximately 10% against the Hong Kong dollar also meant increased production costs.

To address these concerns required a thorough review of all aspects of our operation, the result of which has been assiduous efforts at controlling overheads where possible. Accordingly, increased automation has enabled the Group to further reduce its workforce by 16% without compromising on our commitment to meeting the highest quality standards. In addition to minimising human input where feasible, we have ensured that investments in automation provide quantifiable benefits. Two sets of latest super high speed SMT machines purchased by the Group reflects this prerequisite, duly enhancing our SMT capability markedly.

Complementing production, we have sought to continuously refine our product line-up by going beyond simply reducing the number of lower-end offerings. Specifically, we have sought to raise the commonality of parts and components, thus enhancing efficiency of assembly, capitalising on economies of scale, and reducing substantially the risk of parts obsolescence.

Our entry into the LCD TV market has proven to be a success with models featuring 17-inch and 19-inch screens enjoying particular popularity during the review period. We have continued to introduce models with larger screens that are able to generate greater margin for the Group, and have begun processing orders for 42-inch models. Aside from LCD TVs, LCD related products such as portable DVD and digital picture frames have remained a strong source of revenue as well.

Chairman's Statement

PROSPECTS

The business environment in the coming financial period looks set to more difficult. A major concern looming over most manufacturers will be the implementation of new labour laws in China, which took affect as of January 2008. In Dongguan, minimum wage will rise from RMB 690 to RMB 770 in April 2008, and along with various provisions, elevate labour costs by further 18% per head. The recent faster-than-expected appreciation of the Renminbi against Hong Kong dollar adds to the burden. Most significantly, consumer spending in the United States – a principal market for our products – tapered noticeably as a result of the sub-prime mortgage crisis and the soaring oil price.

Minority interest in Korean TFT LCD manufacturer

Recognising that the securing of reliable component suppliers is paramount for protecting the wellbeing of the Group, particularly in regards to small-size TFT LCD panels – a key component required by the Group, we acquired minority interest in a Korean manufacturer that is principally engaged in the development and manufacture of such panels. This investment will thereby allow us to address the chronic shortage of TFT LCD panels.

Development of High Definition products

The Group foresees a further reduction in the world's demand of basic DVD player. In place of this business, we plan to increase our development on High Definition products including Blu-ray player. With many regions of the world beginning to move away from the current analogue signal to High Definition transmissions, we foresee growing demand for these HD products, especially in markets where the Group has long standing customers.

New audio products

Just as growth momentum is expected in the High Definition product segment, so too is our view towards iPod related products. Based on our years of expertise in developing and manufacturing audio products, and taking into account strong sales generated by many of the Group's audio models featuring iPod docking capability, we envisage this product category to continue growing in the coming year, particularly in light of Apple's launch of its 3G iPhone in several markets. Accordingly, during 2008, more iPhone and iPod related audio models will be added to the Group's portfolio so as to further increase our market share in this product segment.

During the year, the Group has also sought to capture opportunities in the Electronic Manufacturing Service business. Hence we renovated our Chang An facility and successfully attracted several new customers who specialise in commercial and industrial products. We believe this product segment is more resilient to changes in business cycle and provide the dual benefits of enhancing revenue while diversifying the Group's customer base.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my gratitude to the management and staff for their dedication, diligence and unwavering support. Likewise, I wish to offer my appreciation to the Group's business partners, shareholders and customers for their long-standing cooperation, trust and patronage.

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 10th July 2008

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 75, is the founder and Chairman of the Group. He has more than 41 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 48, 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 54, 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 31 years of experience in finance and accounting with multinational organisations.

Independent Non-executive Directors

Mr WONG Po Yan, G.B.M., J.P., aged 85, joined the Group in 1992 and was 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 53, 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 47, 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 53, joined the Group in 1991 and is the managing director of Alco International Limited. He has over 28 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 61, 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 36 years of experience in the electronics industry.

Mr LEUNG Wai Ming, Jimmy, aged 39, joined the Group in 1993 and is the Group's purchasing manager. He has more than 15 years of experience in the field of audio electronic products.

Ms PANG Siu Mui, Wendy, aged 57, 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.

Senior Management *(continued)*

Mr CHOW Koon Shing, Stephen, aged 57, joined the Group in 1972 and is the shipping manager of Alco Electronics Limited. He has over 33 years of experience in shipping.

Mr LEUNG Kam Fai, Peter, aged 51, joined the Group in 1979. He is the Group's material planning and control manager. He has over 29 years of experience in the audio field.

Mr LEONG Ue Cheong, aged 50, joined the Group in 1978 and is the shipping manager of Alco International Limited. He has over 30 years of experience in shipping.

Mr LAU Kwok Wai, Francis, aged 57, joined the Group in 1986 and is a director of Alco Plastic Products Limited. He has over 23 years of experience in the plastics industry and is responsible for the operations of the plastics factory.

Mr HO Man Shuen, Francis, aged 49, 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 26 years of experience in research and development, manufacturing and quality control of electronic products.

Mr CHOW Tung Yiu, Tony, aged 38, joined the Group in 1997 and is the Group's management information system manager. He holds a bachelor degree in science and has over 15 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 2008. 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	3/4
Mr KUOK Kun Man, Andrew	4/4
Independent Non-executive Directors	
Mr WONG Po Yan	4/4
The Hon LI Wah Ming, Fred	2/4
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 WONG Po Yan and Mr LAU Wang Yip, Derrick will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2008.

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 2008 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 2008.

Three audit committee meetings were held during the year ended 31st March 2008 and the attendance of each committee member is set out as follows:

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

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 2008, 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	2,008
Non audit-related services	
Tax compliance services	393

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 2008.

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 35 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$50,476,000.

The directors recommended the payment of a final dividend of HK14 cents per share, totalling HK$78,213,000.

LIQUIDITY AND FINANCIAL RESOURCES

Total equity and total equity per share as at 31st March 2008 were HK$1,577 million and HK$2.82 respectively.

The Group's cash position remained healthy. As at 31st March 2008, our cash on hand and deposits totaled at HK$359 million. The ratio of total debts (net of cash) to shareholders' equity was 9%.

To enjoy bulk purchase discounts offered by suppliers during low season and to minimise the adverse effect on materials shortage, in March 2008, we strategically formulated our purchase plan of raw materials to cater for the coming season. As a result our inventory position at 31st March 2008 increased to HK$1,333 million (2007: HK$402 million). Correlated with this, trade payables, amounted to HK$479 million (2007: HK$288 million), also recorded an increase.

Trade receivables balance as at 31st March 2008 was HK$544 million. We have been adopting a prudent credit policy, and credit terms granted are generally based on the financial strengths of individual customers.

In view of the shortage of the supply of small size TFT-LCD panels during the period, we sought a steady supply of panels in long run. In November 2007, we formed a consortium with two other independent parties, Varitronix International Limited and Prime View International Co. Ltd. to submit a formal bid for an acquisition of approximately 95% interest of equity and certain amount of corporate bonds of BOE Hydis Technology Co. Ltd. ("BOE Hydis"), a company incorporated in Korea, which is principally engaged in the business of developing, manufacturing and supplying of TFT-LCD products, at a total consideration of approximately HK$2,047 million. Our 11% share of the total consideration amounted to approximately HK$225 million. During the year ended 31st March 2008, we have paid from our internal resources approximately HK$24 million as deposits for the acquisition.

We finance our operations using internal funds and banking facilities. As at 31st March 2008, we were granted banking facilities of HK$2,152 million, of which HK$507 million were utilised. Among the used facilities, HK$504 million are repayable within one year and HK$3 million are repayable within five years.

Report of the Directors

Capital expenditure on fixed assets during the year was HK$98 million (2007: HK$82 million), which was spent mainly on enhancing various advanced production facilities. As at 31st March 2008, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery approximately amounting to HK$334,000 (2007: HK$859,000).

Our exposure to foreign exchange risk is limited as nearly all of our sales, purchases and borrowings are denominated in United States dollar and Hong Kong dollar. Since Hong Kong dollar is pegged to United States dollar, we do not have significant currency risks and it is our policy not to engage in speculative activities.

EMPLOYEES

As at 31st March 2008, the Group had approximately 9,600 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 2008 are as follows:

Purchases	
the largest supplier	17%
five largest suppliers combined	40%
Sales	
the largest customer	26%
five largest customers combined	74%

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 28 to the consolidated financial statements.

DONATIONS

Charitable and other donation made by the Group during the year amounted to HK$53,000.

PROPERTY, PLANT AND EQUIPMENT

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

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out on page 77.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2008 amounted to approximately HK$46,576,000 (2007: HK$46,721,000), 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 78.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In January 2008, the Company paid an aggregate amount of approximately HK$5,720,000 to repurchase 1,920,000 shares of HK$0.10 per share, at prices that ranged from HK$2.67 to HK$3.15 per share, on The Stock Exchange of Hong Kong Limited. These shares were then cancelled.

In February 2008, the Company paid an aggregate amount of approximately HK$734,000 to repurchase 254,000 shares of HK$0.10 per share, at prices that ranged from HK$2.89 to HK$2.92 per share, on The Stock Exchange of Hong Kong Limited. These shares were then cancelled.

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 2008, and the Company has not redeemed any of its shares during the same financial year.

BANK LOANS AND OTHER BORROWINGS

An analysis of the Group's bank loans and other borrowings at 31st March 2008 is set out below:

	Trust receipt loans		Bank borrowings	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**440,975**	–	**63,108**	648
In the second year	**–**	–	**765**	661
In the third to fifth year	**–**	–	**1,718**	2,244
	440,975	–	**65,591**	3,553

Report of the Directors

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2008 are set out in Note 35 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.

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 WONG Po Yan and Mr LAU Wang Yip, Derrick 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.

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 2008, 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	43.70%
Mr LEUNG Wai Sing, Wilson	44,640,000	–	187,019,800 (note (ii))	231,659,800	41.47%
Mr KUOK Kun Man, Andrew	1,202,000	–	–	1,202,000	0.22%
The Hon LI Wah Ming, Fred	10,000	–	–	10,000	0.00%

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 2008, 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.

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 2008, 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))	40.44%
HSBC International Trustee Limited	Trustee	187,835,800 (note (ii))	33.62%
Kimen Leung UT Limited	Trustee	187,019,800 (notes (i) & (ii))	33.48%
Commonwealth Bank of Australia	Interest of controlled corporation	32,992,000 (note (iii))	5.91%
Leung Wai Lap David	Beneficial owner	32,972,190	5.90%

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 2008, 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.

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 2008.

The audit committee currently 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 2008 and up to the date of this report.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 10th July 2008

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 76, which comprise the consolidated and Company balance sheets as at 31st March 2008, 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.

Independent Auditor's Report

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.

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 2008 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 2008

Consolidated Income Statement

For the year ended 31st March 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	5	**4,363,889**	5,095,894
Cost of goods sold	7	**(3,905,694)**	(4,548,098)
Gross profit		**458,195**	547,796
Other income	6	**29,851**	17,639
Selling expenses	7	**(153,233)**	(136,291)
Administrative expenses	7	**(104,554)**	(100,061)
Other operating expenses	7	**(5,723)**	(6,240)
Operating profit		**224,536**	322,843
Finance income	9	**23,082**	32,791
Finance costs	9	**(8,009)**	(19,584)
Profit before income tax		**239,609**	336,050
Income tax expense	10	**(26,257)**	(30,266)
Profit attributable to equity holders of the Company		**213,352**	305,784
Earnings per share attributable to equity holders of the Company			
– basic	12	**HK38.1 cents**	HK54.5 cents
– diluted	12	**HK38.1 cents**	HK54.5 cents
Dividends	13	**128,689**	185,115

The notes on pages 28 to 76 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	14	**345,180**	312,799
Investment properties	15	**70,492**	46,830
Leasehold land and land use rights	16	**58,991**	59,189
Intangible assets	17	**83,863**	6,184
Held-to-maturity financial assets	20	**46,800**	111,400
Deposits for investment	21	**23,833**	–
		629,159	536,402
Current assets			
Inventories	22	**1,333,283**	401,844
Trade and other receivables	23	**569,970**	305,278
Cash and cash equivalents	24	**358,669**	892,794
		2,261,922	1,599,916
Current liabilities			
Trade and other payables	25	**756,952**	545,669
Trust receipt loans	31	**440,975**	–
Current income tax liabilities		**18,656**	3,474
Borrowings	26	**63,108**	648
		1,279,691	549,791
Net current assets		**982,231**	1,050,125
Total assets less current liabilities		**1,611,390**	1,586,527
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**55,867**	56,084
Reserves	28	**1,521,185**	1,499,679
Total equity		**1,577,052**	1,555,763
Non-current liabilities			
Borrowings	26	**2,483**	2,905
Deferred income tax liabilities	29	**31,855**	27,859
		34,338	30,764
Total equity and non-current liabilities		**1,611,390**	1,586,527

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 28 to 76 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment in subsidiaries	18	**350,835**	356,959
Current assets			
Other receivables, prepayments and deposits		**112**	105
Tax recoverable		**–**	10
Cash and cash equivalents	24	**48**	1,215
		160	1,330
Current liabilities			
Other payables and accruals		**1,502**	2,414
Net current liabilities		**(1,342)**	(1,084)
Total assets less current liabilities		**349,493**	355,875
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**55,867**	56,084
Reserves	28	**293,626**	299,791
Total equity		**349,493**	355,875

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 28 to 76 are an integral part of this financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2008

	Attributable to equity holders of the Company			
	Share capital HK$'000	**Other reserves** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
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
Balance at 1st April 2007	**56,084**	**251,786**	**1,247,893**	**1,555,763**
Currency translation differences	**–**	**(531)**	**–**	**(531)**
Profit for the year	**–**	**–**	**213,352**	**213,352**
Repurchase of own shares	**(217)**	**(6,020)**	**(217)**	**(6,454)**
2008 interim dividend	**–**	**–**	**(50,476)**	**(50,476)**
2007 final and final special dividends	**–**	**–**	**(134,602)**	**(134,602)**
Balance at 31st March 2008	**55,867**	**245,235**	**1,275,950**	**1,577,052**

The notes on pages 28 to 76 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30	(250,058)	342,742
Interest received		23,082	32,791
Interest paid		(8,009)	(19,584)
Profits tax paid		(24,133)	(45,865)
Net cash (used in)/generated from operating activities		(259,118)	310,084
Cash flows from investing activities			
Purchase of property, plant and equipment		(98,434)	(81,519)
Purchase of licence right		(78,000)	–
Proceeds from sale of property, plant and equipment		264	889
Payment for leasehold land and land use rights		–	(2,984)
Deferred development costs paid		(10,352)	(9,960)
Payment of deposits for investment		(23,833)	–
Proceeds from matured held-to-maturity financial assets		64,600	–
Net cash used in investing activities		(145,755)	(93,574)
Cash flows from financing activities			
Repurchase of own shares		(6,454)	(1,387)
Proceeds from borrowings		124,800	120,553
Repayments of borrowings		(63,027)	(298,227)
Dividends paid to the Company's shareholders		(185,078)	(173,988)
Net cash used in financing activities		(129,759)	(353,049)
Net decrease in cash and cash equivalents		(534,632)	(136,539)
Cash and cash equivalents at beginning of the year		892,794	1,028,572
Effect of foreign exchange rate change		507	761
Cash and cash equivalents at end of the year	24	358,669	892,794

The notes on pages 28 to 76 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Alco Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in designing, manufacturing and selling 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 listed 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 2008.

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") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. 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 new standard, amendment to standard and interpretations are relevant to the Group's operation and are mandatory for the financial year ended 31st March 2008:

HKAS 1 (Amendment) – "Presentation of Financial Statements – Capital Disclosures", which introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These disclosures are set out in Note 3.2.

HKFRS 7 – "Financial Instruments: Disclosures", which requires disclosures on the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. These disclosures are provided throughout these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

HK(IFRIC) – Interpretation 9 – "Reassessment of Embedded Derivatives", which requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract, with reassessment only if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

HK(IFRIC) – Interpretation 10 – "Interim Financial Reporting and Impairment", which prohibits the impairment losses recognised in an interim period on goodwill, investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

The above new standard, amendment to standard and interpretations had no material effect on the Group's accounting policies except that there were additional disclosures requirement by HKAS 1 (Amendment) and HKFRS 7.

The following new standard, amendments to standards and interpretation are relevant to the Group's operation but are not effective for the year ended 31st March 2008 and have not been early adopted by the Group:

HKAS 1 (Revised) – "Presentation of Financial Statements" (effective for annual periods beginning on or after 1st January 2009), which requires all owner changes in equity to be presented in a statement of changes in equity.

HKAS 23 (Revised) – "Borrowing Costs" (effective for annual periods beginning on or after 1st January 2009), which requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

HKAS 27 (Revised) – "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1st July 2009) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

HKFRS 3 (Revised) – "Business Combination" (effective for annual periods beginning on or after 1st July 2009), which brings more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly.

HKFRS 8 – "Operating Segments" (effective for annual periods beginning on or after 1st January 2009), which requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

HK(IFRIC) – Interpretation 14 – "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 1st January 2008) provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset.

The Group believes that the adoption of the above new standard, amendments to standards and interpretation will not result in substantial changes to the Group's accounting policies and have no material impact on the consolidated financial statements. The Group expects to adopt the above standard, amendments to standards and interpretation when they become effective.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of 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 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations 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 Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost mainly represents consideration paid for the rights to use the land from the date the respective rights were granted. Amortisation of leasehold land and land use rights is calculated on a straight-line basis over the period of the rights.

2.6 Property, plant and equipment

Property, plant and equipment is 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 depreciation rates are as follows:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

The assets' residual value and 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 2.9).

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

2.7 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 definitions of investment property are 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 income".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets

(a) Acquired licence right

Acquired licence right is carried at cost less accumulated amortisation. The economic useful life of acquired licence right is estimated at the time of purchase (Note 4(b)). Amortisation is calculated using the straight-line method to allocate the cost of the acquired licence right over its estimated useful lives of 10 years.

Licence right is tested for impairment annually, in accordance with HKAS 36.

(b) Deferred development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the developing/developed product so that it will be available for use or sale;

(ii) management intends to complete the developing/developed product and use or sell it;

(iii) there is an ability to use or sell the developing/developed product;

(iv) it can be demonstrated how the developing/developed product will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the developing/developed product are available; and

(vi) the expenditure attributable to the developing/developed product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 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" and "cash and cash equivalents" in the balance sheet (Notes 2.12 and 2.13).

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 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 2.12.

2.11 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.

2.12 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.

2.13 Cash and cash equivalents

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

2.14 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.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Trade and other payables

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

2.16 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.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

(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.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 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.

2.20 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Leases

Operating lease (as the 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.

Operating lease (as the 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 2.7. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2.20(ii).

2.22 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group's exposure to foreign exchange risk is limited as nearly all of the Group's sales, purchases and borrowings are denominated in United States dollar and Hong Kong dollar. Since Hong Kong dollar is pegged to United States dollar, the Group does not have significant currency risks and it is the Group's policy not to engage in speculative activities.

At 31st March 2008, if United States dollar had strengthened/weakened by 1% against Hong Kong dollar with all other variables held constant, post-tax profit for the year would have been approximately HK$4,051,000 higher/lower (2007: HK$3,582,000 higher/lower).

At 31st March 2008, if Hong Kong dollar had strengthened/weakened by 10% against the Renminbi, equity would have been approximately HK$1,923,000 higher/lower (2007: HK$529,000 higher/lower), arising mainly from foreign exchange gain/loss on translation of PRC subsidiary equity denominated in Renminbi.

(ii) Cash flow and fair value 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 trust receipt loans and bank borrowings. The Group's trust receipt loans and bank borrowings are carried at floating rates which expose the Group to cash flow interest rate risk. The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risk. At 31st March 2008, since majority of the Group's trust receipt loans and bank borrowings are within 3 months of maturity, the Group is not subject to material cash flow interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents and short-term deposits with banks and financial institutions, as well as exposures to customers, including outstanding receivables. With reference to Standard & Poor's ratings (if available), over 95% of the Group's cash and short-term deposits are placed with reputable banks and financial institutions with minimum ratings of "A". For credit exposures from customers, management assesses the credit quality of each individual major customer, taking into account its financial position, past experience and other factors.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The Group maintains its liquidity mainly through funding generated from its daily operations and maintaining funding availability under committed credit facilities.

Banking facilities have been put in place for contingency purposes. As at 31st March 2008, the Group's total available banking facilities amounted to approximately HK$2,152 million (2007: HK$1,720 million).

The table below analyses the Group's and the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**	**Carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March 2007					
Borrowings	883	839	2,486	4,208	3,553
Trade and other payables	545,669	–	–	545,669	545,669
At 31st March 2008					
Trust receipt loans	**442,616**	**–**	**–**	**442,616**	**440,975**
Borrowings	**63,408**	**930**	**1,860**	**66,198**	**65,591**
Trade and other payables	**756,952**	**–**	**–**	**756,952**	**756,952**

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) ***Liquidity risk*** *(continued)*

	Company				
	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000	**Total** HK$'000	**Carrying amount** HK$'000
At 31st March 2007					
Other payables and accruals	2,414	–	–	2,414	2,414
At 31st March 2008					
Other payables and accruals	**1,502**	**–**	**–**	**1,502**	**1,502**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity.

The Group's policy is to keep the gearing ratio at a healthy level, which is expected to be below 50%.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The gearing ratios at 31st March 2008 and 2007 were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Trust receipt loans	**440,975**	–
Borrowings (Note 26)	**65,591**	3,553
Less: Cash and cash equivalents (Note 24)	**(358,669)**	(892,794)
Net borrowings/(surplus cash)	**147,897**	(889,241)
Total equity	**1,577,052**	1,555,763
Gearing ratio	**9.4%**	Not applicable

The change from surplus cash as at 31st March 2007 to net borrowings as at 31st March 2008 resulted primarily from the increased utilisation of banking facilities to meet operational needs.

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, held-to-maturity financial assets) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for these financial instruments.

The carrying value less impairment provision of trade and other receivables and trade and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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.

(a) 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.

(b) Estimate of useful lives of property, plant and equipment and intangible assets

The Group has significant property, plant and equipment and intangible assets. The Group is required to estimate the useful lives of property, plant and equipment and intangible assets in order to ascertain the amount of depreciation and amortisation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Impairment of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment
– deposits for investment
– leasehold land and land use rights
– intangible assets
– investment in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amounts. If an indication of impairment is identified, the Group is required to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Changes in any of these estimates could result in a material change to the asset carrying value in the financial statements.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in designing, manufacturing and selling of consumer electronic products and plastic products. Revenues recognised during the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Revenue		
Consumer electronic products	**4,360,637**	5,090,793
Plastic products	**3,252**	5,101
	4,363,889	5,095,894

5 REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segment

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, leasehold land and land use rights, intangible assets, deposits, inventories, receivables and operating cash and exclude items such as investment properties and held-to-maturity financial assets.

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 intangible assets.

5 REVENUE AND SEGMENT INFORMATION *(continued)*

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

The segment results and other segment items for the years ended 31st March 2008 and 2007 are as follows:

	Group							
	2008				2007			
	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 revenue								
External sales	4,360,637	3,252	–	4,363,889	5,090,793	5,101	–	5,095,894
Inter-segment sales	–	157,592	(157,592)	–	–	173,863	(173,863)	–
	4,360,637	160,844	(157,592)	4,363,889	5,090,793	178,964	(173,863)	5,095,894
Segment results	224,633	(97)		224,536	323,085	(242)		322,843
Finance income				23,082				32,791
Finance costs				(8,009)				(19,584)
Profit before income tax				239,609				336,050
Income tax expense				(26,257)				(30,266)
Profit attributable to equity holders of the Company				213,352				305,784
Capital expenditure	181,946	4,840		186,786	66,520	27,943		94,463
Depreciation of property, plant and equipment	52,342	13,372		65,714	53,651	14,189		67,840
Amortisation of leasehold land and land use rights	436	12		448	368	12		380
Amortisation and write-off of intangible assets	10,673	–		10,673	10,573	–		10,573
Write-off of property, plant and equipment	–	–		–	17,907	1,279		19,186

5 REVENUE AND SEGMENT INFORMATION *(continued)*

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

The segment assets and liabilities as at 31st March 2008 and 2007 are as follows:

	Group							
	2008				2007			
	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	2,692,987	80,802	–	2,773,789	1,884,106	93,982	–	1,978,088
Unallocated corporate assets				117,292				158,230
Total assets				2,891,081				2,136,318
Segment liabilities	1,187,700	10,227	–	1,197,927	534,364	11,305	–	545,669
Unallocated corporate liabilities				116,102				34,886
Total liabilities				1,314,029				580,555

(b) Secondary reporting format – geographical segment

The segment revenue for the years ended 31st March 2008 and 2007 are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
North America	3,241,502	3,556,457
Europe	691,792	1,099,795
Asia	334,879	268,456
Others	95,716	171,186
	4,363,889	5,095,894

The analysis of revenue 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 revenue achieved for the above geographical segments are not substantially out of line with the Group's overall ratio of profit to revenue. Primarily all of its assets and capital expenditure for the years ended 31st March 2008 and 2007 were located or utilised in the PRC and Hong Kong.

6 OTHER INCOME

	Group 2008 HK$'000	Group 2007 HK$'000
Fair value gains on investment properties (Note 15)	**23,662**	10,770
Rental income from investment properties	**3,881**	3,643
Sale of moulds	**454**	941
Others	**1,854**	2,285
	29,851	17,639

7 EXPENSES BY NATURE

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

	Group 2008 HK$'000	Group 2007 HK$'000
Cost of inventories	**3,249,112**	3,859,232
Depreciation of property, plant and equipment	**65,714**	67,840
Amortisation of leasehold land and land use rights	**448**	380
Amortisation of intangible assets	**7,981**	6,386
Auditor's remuneration	**2,033**	1,935
Write-off of property, plant and equipment	**–**	19,186
Write-off of intangible assets	**2,692**	4,187
Loss on disposal of property, plant and equipment	**588**	1,213
Operating lease rental in respect of land and buildings	**34,144**	34,379
Research and development costs	**24,302**	24,241
Employee benefit expenses (including directors' emoluments) (Note 8)	**337,898**	326,557

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Group 2008 HK$'000	Group 2007 HK$'000
Wages and salaries	**321,159**	312,240
Pension costs – defined contribution retirement schemes (Note (a))	**3,625**	3,375
Other staff benefits	**13,114**	7,378
Termination benefits	**–**	3,564
	337,898	326,557

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

Notes:

(a) 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 approximately HK$3,625,000 (2007: HK$3,375,000). There was no forfeited contribution in respect of the defined contribution retirement scheme being utilised during the year. For the year ended 31st March 2007, approximately HK$88,000 forfeited contribution were utilised. No forfeiture balance was available as at 31st March 2008 and 2007 to reduce future contributions.

Contributions totalling approximately HK$632,000 (2007: HK$558,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

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 2008 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	**–**	**3,657**	**5,864**	**157**	**9,678**
Mr LEUNG Wai Sing, Wilson	**–**	**3,657**	**6,246**	**157**	**10,060**
Mr KUOK Kun Man, Andrew	**–**	**1,539**	**3,495**	**66**	**5,100**
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 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	–	3,500	5,794	150	9,444
Mr LEUNG Wai Sing, Wilson	–	3,500	5,440	150	9,090
Mr KUOK Kun Man, Andrew	–	1,472	3,242	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

No directors waived any emoluments and no emoluments were paid to the directors as an inducement fee to join or as compensation for loss of office during the years ended 31st March 2008 and 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 (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individuals during the year are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**3,123**	2,994
Discretionary bonuses	**10,584**	9,675
Contributions to pension schemes	**90**	87
	13,797	12,756

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
HK$3,000,001-HK$3,500,000	**1**	1
HK$9,000,001-HK$9,500,000	**–**	1
HK$10,000,001-HK$10,500,000	**1**	–

(d) Key management compensation

	Group	
	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**11,976**	11,466
Discretionary bonuses	**26,189**	24,151
Contributions to pension schemes	**470**	450
	38,635	36,067

9 FINANCE INCOME AND FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Finance income:		
– Bank interest income	**23,082**	32,791
Finance costs:		
– Interest expense on bank borrowings and trust receipt loans wholly repayable within five years	**8,009**	19,584

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profit 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	
	2008	2007
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**22,331**	30,876
– Over-provision in prior years	**(70)**	(305)
Deferred income tax (Note 29)	**3,996**	(305)
	26,257	30,266

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	
	2008	2007
	HK$'000	HK$'000
Profit before income tax	**239,609**	336,050
Tax calculated at a tax rate of 17.5% (2007: 17.5%)	**41,932**	58,809
Effect of different tax rates in other countries	**(285)**	(226)
Income not subject to tax	**(29,615)**	(41,068)
Expenses not deductible for tax purposes	**12,220**	10,715
Over-provision in prior years	**(70)**	(305)
Unrecognised tax losses	**2,075**	2,341
Tax charge	**26,257**	30,266

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 approximately HK$185,150,000 (2007: HK$174,080,000).

12 EARNINGS PER SHARE

Basic

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.

	Group	
	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**213,352**	305,784
Weighted average number of ordinary shares in issue (thousands)	**560,403**	561,152
Basic earnings per share (HK cents)	**38.1**	54.5

Diluted

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.

There were no dilutive potential ordinary shares during the years ended 31st March 2008 and 2007. Therefore, the diluted earnings per share is the same as basic earnings per share.

13 DIVIDENDS

	Company	
	2008 **HK$'000**	2007 HK$'000
Interim dividend, paid, of HK9 cents (2007: HK9 cents) per ordinary share	**50,476**	50,513
Final dividend, proposed, of HK14 cents (2007: HK16 cents) per ordinary share	**78,213**	89,735
No final special dividend proposed (2007: HK8 cents per ordinary share)	**–**	44,867
	128,689	185,115

At a meeting held on 10th July 2008, the directors proposed a final dividend of HK14 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 2009.

14 PROPERTY, PLANT AND EQUIPMENT

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

	Group						
	Buildings	Moulds	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 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
Year ended 31st March 2008							
Opening net book amount	**22,467**	**30,483**	**13,574**	**51,439**	**188,222**	**6,614**	**312,799**
Additions	**–**	**22,080**	**2,255**	**27,110**	**44,714**	**2,275**	**98,434**
Disposals	**–**	**–**	**(4)**	**(337)**	**(252)**	**(259)**	**(852)**
Depreciation	**(747)**	**(12,311)**	**(2,954)**	**(13,151)**	**(35,074)**	**(1,477)**	**(65,714)**
Exchange differences	**177**	**–**	**40**	**280**	**–**	**16**	**513**
Closing net book amount	**21,897**	**40,252**	**12,911**	**65,341**	**197,610**	**7,169**	**345,180**
At 31st March 2008							
Cost	**29,700**	**347,971**	**98,073**	**279,549**	**592,617**	**19,412**	**1,367,322**
Accumulated depreciation and impairment	**(7,803)**	**(307,719)**	**(85,162)**	**(214,208)**	**(395,007)**	**(12,243)**	**(1,022,142)**
Net book amount	**21,897**	**40,252**	**12,911**	**65,341**	**197,610**	**7,169**	**345,180**

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Depreciation expenses have been included in:

	Group	
	2008	2007
	HK$'000	HK$'000
Cost of goods sold	**62,131**	63,662
Administrative expenses	**3,583**	4,178
	65,714	67,840

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

	Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**8,909**	9,241
Leases of between 10 and 50 years	**317**	328
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**12,671**	12,898
	21,897	22,467

(d) As at 31st March 2008, bank borrowing is secured on a building for the carrying amount of HK$2,265,000 (2007: HK$2,155,000) (Note 26).

15 INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**46,830**	36,060
Fair value gains (Note 6)	**23,662**	10,770
End of the year	**70,492**	46,830

The investment properties were revalued at 31st March 2008 by independent, professionally qualified valuers, LCH (Asia-Pacific) Surveyors Limited. Valuations were based on current prices in an active market for all properties.

15 INVESTMENT PROPERTIES *(continued)*

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

	Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**40,620**	27,750
Leases of between 10 and 50 years	**29,872**	19,080
	70,492	46,830

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2008	2007
	HK$'000	HK$'000
Opening net book amount	**59,189**	56,497
Additions	**–**	2,984
Amortisation	**(448)**	(380)
Exchange differences	**250**	88
Closing net book amount	**58,991**	59,189

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

	Group	
	2008	2007
	HK$'000	HK$'000
Administrative expenses	**448**	380

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

	Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**45,870**	45,921
Leases of between 10 and 50 years	**453**	465
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**12,668**	12,803
	58,991	59,189

As at 31st March 2008, bank borrowing is secured on leasehold land and land use rights for the carrying amount of approximately HK$3,167,000 (2007: HK$3,029,000) (Note 26).

17 INTANGIBLE ASSETS

	Group		
	Licence right	Deferred development costs	Total
	HK$'000 (Note (a))	HK$'000	HK$'000
At 1st April 2006			
Cost	–	69,566	69,566
Accumulated amortisation	–	(62,769)	(62,769)
Net book amount	–	6,797	6,797
For the year ended 31st March 2007			
At 1st April 2006	–	6,797	6,797
Additions	–	9,960	9,960
Write-off	–	(4,187)	(4,187)
Amortisation (Note (b))	–	(6,386)	(6,386)
At 31st March 2007	–	6,184	6,184
At 31st March 2007			
Cost	–	67,188	67,188
Accumulated amortisation	–	(61,004)	(61,004)
Net book amount	–	6,184	6,184
For the year ended 31st March 2008			
At 1st April 2007	**–**	**6,184**	**6,184**
Additions	**78,000**	**10,352**	**88,352**
Write-off	**–**	**(2,692)**	**(2,692)**
Amortisation (Note (b))	**(1,950)**	**(6,031)**	**(7,981)**
At 31st March 2008	**76,050**	**7,813**	**83,863**
At 31st March 2008			
Cost	**78,000**	**66,697**	**144,697**
Accumulated amortisation	**(1,950)**	**(58,884)**	**(60,834)**
Net book amount	**76,050**	**7,813**	**83,863**

17 INTANGIBLE ASSETS *(continued)*

Notes:

(a) On 1st January 2008, the Group entered into a licence agreement with an independent external party to use an established trademark on its audio visual products with an upfront fee of approximately HK$78,000,000 and brand promotion expenses in future.

(b) Amortisation expenses of licence right and deferred development costs have been included in:

	Group	
	2008	2007
	HK$'000	HK$'000
Cost of goods sold	**7,981**	6,386

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost (Note (a))	**67,586**	67,586
Amounts due from subsidiaries (Note (b))	**283,249**	289,373
	350,835	356,959

Notes:

(a) Details of principal subsidiaries are set out in Note 35 to the consolidated financial statements.

(b) The amounts due from subsidiaries are unsecured and interest-free. The Company has confirmed it has no intention to collect these amounts due within 12 months from the balance sheet date. The maximum exposure to credit risk at the reporting date is the fair value of the amounts due from subsidiaries mentioned above.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		
	Loans and receivables	Held-to-maturity financial assets	Total
	HK$'000	HK$'000	HK$'000
Assets as per consolidated balance sheet			
31st March 2007			
Held-to-maturity financial assets (Note 20)	–	111,400	111,400
Trade and other receivables (Note 23)	305,278	–	305,278
Cash and cash equivalents (Note 24)	892,794	–	892,794
Total	1,198,072	111,400	1,309,472
31st March 2008			
Held-to-maturity financial assets (Note 20)	**–**	**46,800**	**46,800**
Trade and other receivables (Note 23)	**569,970**	**–**	**569,970**
Cash and cash equivalents (Note 24)	**358,669**	**–**	**358,669**
Total	**928,639**	**46,800**	**975,439**

	Group
	HK$'000
Liabilities as per consolidated balance sheet	
31st March 2007	
Trade and other payables (Note 25)	545,669
Borrowings (Note 26)	3,553
Total	549,222
31st March 2008	
Trade and other payables (Note 25)	**756,952**
Trust receipt loans	**440,975**
Borrowings (Note 26)	**65,591**
Total	**1,263,518**

19 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Company HK$'000
Assets as per balance sheet	
31st March 2007	
Other receivables, prepayment and deposits	105
Cash and cash equivalents (Note 24)	1,215
Total	1,320
31st March 2008	
Other receivables, prepayment and deposits	**112**
Cash and cash equivalents (Note 24)	**48**
Total	**160**

	Company HK$'000
Liabilities as per balance sheet	
31st March 2007	
Other payables and accruals	2,414
31st March 2008	
Other payables and accruals	**1,502**

20 HELD-TO-MATURITY FINANCIAL ASSETS

	Group	
	2008 HK$'000	2007 HK$'000
Structured bank deposits in Hong Kong	**46,800**	111,400

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

	Group	
	2008 HK$'000	2007 HK$'000
Beginning of the year	**111,400**	110,887
Matured deposits	**(64,600)**	–
Exchange differences	**–**	513
End of the year	**46,800**	111,400

20 HELD-TO-MATURITY FINANCIAL ASSETS *(continued)*

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

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong dollar	**–**	10,000
United States dollar	**46,800**	101,400
	46,800	111,400

These investments earn interests at variable rates offered by two (2007: three) banks and interest payable semi-annually with maturity date of December 2009 to August 2013 (2007: July 2007 to August 2013). The fair value of these financial assets is not materially different from their carrying value.

The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity financial assets. As at 31st March 2008 and 2007, there was no provision for impairment of held-to-maturity financial assets.

21 DEPOSITS FOR INVESTMENT

In November 2007, a consortium was formed by the Group and two other independent parties, Varitronix International Limited and Prime View International Co. Ltd., to submit a formal bid for an acquisition of approximately 95% interest of equity and certain amount of corporate bonds of BOE Hydis Technology Co. Ltd. ("BOE Hydis"), a company incorporated in Korea, which is principally engaged in the business of developing, manufacturing and supplying of thin film transistor LCD (TFT-LCD) products, at a total consideration of approximately HK$2,046,831,000. The Group's 11% share of the total consideration amounted to approximately HK$225,151,000. During the year ended 31st March 2008, the Group has paid approximately HK$23,833,000 as deposits for the acquisition. Details of the completion of the acquisition subsequent to the balance sheet date are disclosed in Note 34 to the financial statements.

22 INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**758,841**	185,990
Work in progress	**33,831**	23,194
Finished goods	**540,611**	192,660
	1,333,283	401,844

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$3,249,112,000 (2007: HK$3,859,232,000).

23 TRADE AND OTHER RECEIVABLES

	Group 2008 HK$'000	Group 2007 HK$'000
Trade receivables	**544,180**	291,006
Prepayments and deposits	**25,790**	14,272
	569,970	305,278

The credit terms given to customers 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 and other receivables approximate to their carrying value.

At 31st March 2008 and 2007, the ageing analysis of the trade receivables based on invoice date is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
0 – 30 days	**337,191**	209,323
31 – 60 days	**159,990**	79,160
61 – 90 days	**45,479**	48
Over 90 days	**1,520**	2,475
	544,180	291,006

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Group 2008 HK$'000	Group 2007 HK$'000
Counterparties without external credit rating		
– New customers (less than 6 months)	**9,365**	6
– Customers (more than 6 months) with no defaults in the past	**534,815**	291,000
	544,180	291,006

There were no trade receivables which were past due but not impaired as at 31st March 2008 and 2007.

23 TRADE AND OTHER RECEIVABLES *(continued)*

The carrying amounts of these trade receivables are denominated in the following currencies:

	Group	
	2008 HK$'000	2007 HK$'000
United States dollar	**458,599**	276,778
Canadian dollar	**79,693**	13,330
Hong Kong dollar	**5,888**	898
	544,180	291,006

As at 31st March 2008 and 2007, there was no provision for impairment of trade receivables. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash at bank and on hand	**114,460**	124,672	**48**	1,215
Short-term bank deposits	**244,209**	768,122	**–**	–
	358,669	892,794	**48**	1,215
Maximum exposure to credit risk	**357,050**	891,639	**48**	1,215

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong dollar	**14,850**	650,508	**48**	1,215
United States dollar	**337,319**	236,277	**–**	–
Others	**6,500**	6,009	**–**	–
	358,669	892,794	**48**	1,215

25 TRADE AND OTHER PAYABLES

	Group 2008 HK$'000	2007 HK$'000
Trade payables	**478,998**	288,436
Other payables and accruals	**277,954**	257,233
	756,952	545,669

At 31st March 2008 and 2007, the ageing analysis of the trade payables based on invoice date is as follows:

	Group 2008 HK$'000	2007 HK$'000
0 – 30 days	**243,775**	214,665
31 – 60 days	**124,987**	48,979
61 – 90 days	**85,870**	23,904
Over 90 days	**24,366**	888
	478,998	288,436

The carrying amounts of trade payables are denominated in the following currencies:

	Group 2008 HK$'000	2007 HK$'000
Hong Kong dollar	**119,147**	110,774
United States dollar	**357,053**	176,453
Others	**2,798**	1,209
	478,998	288,436

26 BORROWINGS

	Group 2008 HK$'000	2007 HK$'000
Non-current		
Bank borrowing, secured (Note (b))	**2,483**	2,905
Current		
Bank borrowing, secured (Note (b))	**708**	648
Bank borrowings, unsecured (Note (a))	**62,400**	–
	63,108	648
Total borrowings	**65,591**	3,553

Notes:

(a) The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Notes 31 and 32). The borrowings are denominated in United States dollar. Interests are charged at margin over 3-month LIBOR rate.

(b) 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 Renminbi Benchmark Lending Rates determined by the People's Bank of China.

The maturity of bank borrowings is as follows:

	Group 2008 HK$'000	2007 HK$'000
Within 1 year	**63,108**	648
Between 1 and 2 years	**765**	661
Between 2 and 5 years	**1,718**	2,244
	65,591	3,553

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

The carrying amounts of the borrowings are denominated in the following currencies:

	Group 2008 HK$'000	2007 HK$'000
United States dollar	**62,400**	–
Renminbi	**3,191**	3,553
	65,591	3,553

27 SHARE CAPITAL

	Company	
	Number of shares (thousands)	Ordinary shares HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 31st March 2008 and 2007	800,000	80,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1st April 2006	561,252	56,125
Repurchase of own shares (Note (a))	(410)	(41)
At 31st March 2007	560,842	56,084
At 1st April 2007	**560,842**	**56,084**
Repurchase of own shares (Note (a))	**(2,174)**	**(217)**
At 31st March 2008	**558,668**	**55,867**

Note:

(a) Repurchase of own shares

In December 2006 and January 2007, the Company paid an aggregate amount of approximately HK$1,387,000 to repurchase 410,000 shares of HK$0.10 per share, at prices that ranged from HK$3.36 to HK$3.46 per share, on The Stock Exchange of Hong Kong Limited. These shares were then cancelled.

In January 2008, the Company paid an aggregate amount of approximately HK$5,720,000 to repurchase 1,920,000 shares of HK$0.10 per share, at prices that ranged from HK$2.67 to HK$3.15 per share, on The Stock Exchange of Hong Kong Limited. These shares were then cancelled.

In February 2008, the Company paid an aggregate amount of approximately HK$734,000 to repurchase 254,000 shares of HK$0.10 per share, at prices that ranged from HK$2.89 to HK$2.92 per share, on The Stock Exchange of Hong Kong Limited. These shares were then cancelled.

28 RESERVES

	Group				
	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
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)
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
At 1st April 2007	**252,548**	**522**	**(1,284)**	**1,247,893**	**1,499,679**
Currency translation differences	**–**	**–**	**(531)**	**–**	**(531)**
Profit for the year	**–**	**–**	**–**	**213,352**	**213,352**
Repurchase of own shares	**(6,237)**	**217**	**–**	**(217)**	**(6,237)**
2008 interim dividend	**–**	**–**	**–**	**(50,476)**	**(50,476)**
2007 final and final special dividends	**–**	**–**	**–**	**(134,602)**	**(134,602)**
At 31st March 2008	**246,311**	**739**	**(1,815)**	**1,275,950**	**1,521,185**
Representing:					
Proposed dividend					**78,213**
Reserves					**1,442,972**
At 31st March 2008					**1,521,185**

28 RESERVES (continued)

	Company				
	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
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)
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
At 1st April 2007	**252,548**	**522**	**40,586**	**6,135**	**299,791**
Profit for the year	**–**	**–**	**–**	**185,150**	**185,150**
Repurchase of own shares	**(6,237)**	**217**	**–**	**(217)**	**(6,237)**
2008 interim dividend	**–**	**–**	**–**	**(50,476)**	**(50,476)**
2007 final and final special dividends	**–**	**–**	**–**	**(134,602)**	**(134,602)**
At 31st March 2008	**246,311**	**739**	**40,586**	**5,990**	**293,626**
Representing:					
Proposed dividend					**78,213**
Reserves					**215,413**
At 31st March 2008					**293,626**

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.

29 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% (2007: 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	
	2008	2007
	HK$'000	HK$'000
Deferred income tax liabilities to be settled after more than 12 months	**33,132**	30,319
Deferred income tax assets to be recovered after more than 12 months	**(1,277)**	(2,460)
	31,855	27,859

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

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**27,859**	28,164
Recognised in the consolidated income statement (Note 10)	**3,996**	(305)
End of the year	**31,855**	27,859

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		Revaluation of properties		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**(2,460)**	(1,530)	**27,767**	28,428	**685**	801	**1,775**	–	**92**	465	**27,859**	28,164
Recognised in the consolidated income statement	**1,183**	(930)	**330**	(661)	**42**	(116)	**2,441**	1,775	**-**	(373)	**3,996**	(305)
End of the year	**(1,277)**	(2,460)	**28,097**	27,767	**727**	685	**4,216**	1,775	**92**	92	**31,855**	27,859

29 DEFERRED INCOME TAX *(continued)*

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of approximately HK$7,225,000 (2007: HK$5,150,000) in respect of tax losses amounting to approximately HK$23,686,000 (2007: HK$13,235,000) that can be carried forward against future taxable profit. Approximately HK$5,569,000 (2007: nil) of the unrecognised tax losses have no expiry date and the remaining balance will expire at various dates up to and including 2018 (2007: 2017).

30 CASH (USED IN)/GENERATED FROM OPERATIONS

	Group	
	2008	2007
	HK$'000	HK$'000
Profit before income tax	**239,609**	336,050
Interest income	**(23,082)**	(32,791)
Interest expense on bank borrowings and trust receipt loans	**8,009**	19,584
Amortisation of intangible assets	**7,981**	6,386
Write-off of intangible assets	**2,692**	4,187
Loss on disposal of property, plant and equipment	**588**	1,213
Depreciation of property, plant and equipment	**65,714**	67,840
Amortisation of leasehold land and land use rights	**448**	380
Write-off of property, plant and equipment	**–**	19,186
Fair value gains on investment properties	**(23,662)**	(10,770)
Operating profit before working capital changes	**278,297**	411,265
(Increase)/decrease in inventories	**(931,439)**	216,561
(Increase)/decrease in trade and other receivables	**(264,692)**	108,232
Increase/(decrease) in trade and other payables	**226,801**	(253,338)
Increase/(decrease) in trust receipt loans	**440,975**	(139,978)
Net cash (used in)/generated from operations	**(250,058)**	342,742

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Group	
	2008	2007
	HK$'000	HK$'000
Net book amount (Note 14)	**852**	2,102
Loss on disposal of property, plant and equipment	**(588)**	(1,213)
Proceeds from sale of property, plant and equipment	**264**	889

31 BANKING FACILITIES

As at 31st March 2008, banking facilities of approximately HK$2,152 million (2007: HK$1,720 million) were granted by banks to the Group, of which approximately HK$507 million (2007: HK$4 million) have been utilised by the Group. Of the banking facilities, approximately HK$2,149 million (2007: HK$1,716 million) were supported by corporate guarantees given by the Company and approximately HK$3 million (2007: HK$4 million) is secured by charges over the use of certain assets of the Group with carrying amount of approximately HK$5 million (2007: HK$5 million) (Notes 14 and 16).

32 FINANCIAL GUARANTEE

The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain of its subsidiaries (Note 26). The directors consider that the fair value of such guarantees is immaterial.

33 COMMITMENTS

(a) Capital commitments

	Group	
	2008	2007
	HK$'000	HK$'000
Moulds, plant and machinery contracted but not provided for	**334**	859

(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	
	2008	2007
	HK$'000	HK$'000
Not later than one year	**33,996**	15,331
Later than one year and not later than five years	**43,613**	33,094
Later than five years	**10,890**	13,026
	88,499	61,451

33 COMMITMENTS *(continued)*

(c) Operating lease commitments (as lessor)

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Not later than one year	**1,491**	2,469
Later than one year and not later than five years	**454**	536
	1,945	3,005

The lease terms are from one to three years.

34 SUBSEQUENT EVENT

In May 2008, the Group paid the remaining amount of approximately HK$201,318,000 and completed the acquisition of interest and corporate bonds of BOE Hydis (Note 21). The total consideration of approximately HK$225,151,000 represented acquisition of about 10.42% shares of BOE Hydis of approximately HK$135,091,000 and 5-year corporate bonds issued by BOE Hydis of approximately HK$90,060,000 with interest bearing at 4% per annum.

35 PRINCIPAL SUBSIDIARIES

As at 31st March 2008, 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 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	–	100	Design, manufacture and sale of consumer electronic products
		Non-voting deferred HK$5,000,000			
Alco Electronics (Shenzhen) Limited [1]	The PRC	Registered capital HK$21,000,000	–	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

35 PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity held by the Company Direct	Indirect	Principal activities
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
Multimedia Devices Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Trading 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 2008 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.

36 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

Principal Properties

31st March 2008

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

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

	2008 **HK$'000**	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Revenue	**4,363,889**	5,095,894	4,876,788	5,389,124	3,814,781
Profit attributable to equity holders of the Company	**213,352**	305,784	283,475	239,716	150,267
Total assets	**2,891,081**	2,136,318	2,590,990	2,210,074	2,025,738
Total liabilities	**(1,314,029)**	(580,555)	(1,164,953)	(925,360)	(898,864)
Total equity	**1,577,052**	1,555,763	1,426,037	1,284,714	1,126,874