二零零九年年報

2009 ANNUAL REPORT

ALCO HOLDINGS LIMITED

股份代號：328 Stock Code: 328

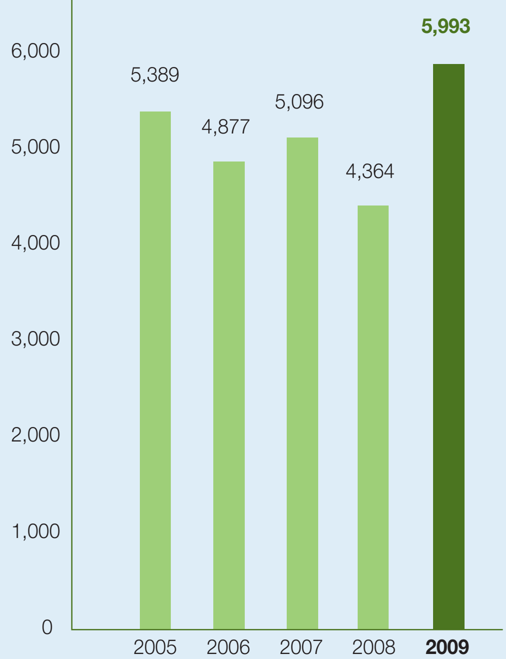
Contents

Corporate Information

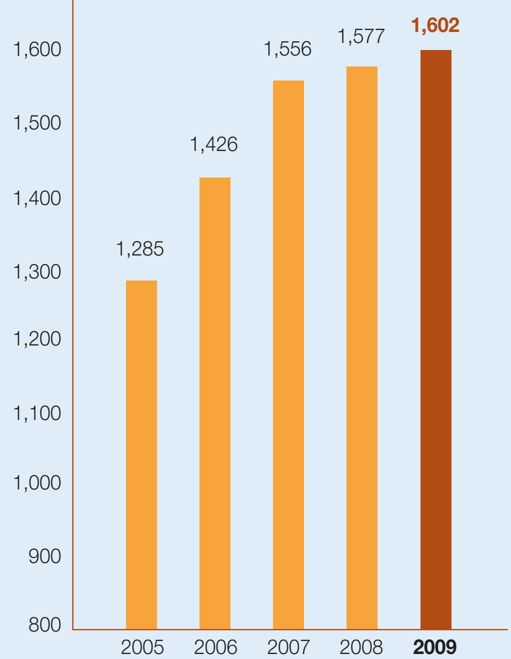
Directors	Mr LEUNG Kai Ching, Kimen *(Chairman)* Mr LEUNG Wai Sing, Wilson Mr KUOK Kun Man, Andrew Mr WONG Po Yan, *G.B.M., J.P.** The Hon LI Wah Ming, Fred, *S.B.S., J.P.** Mr LAU Wang Yip, Derrick* * *Independent non-executive directors*
Company Secretary	Mr KUOK Kun Man, Andrew
Principal Bankers	Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited Bank of China (Hong Kong) Limited China Construction Bank DBS Bank (Hong Kong) Limited Standard Chartered 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

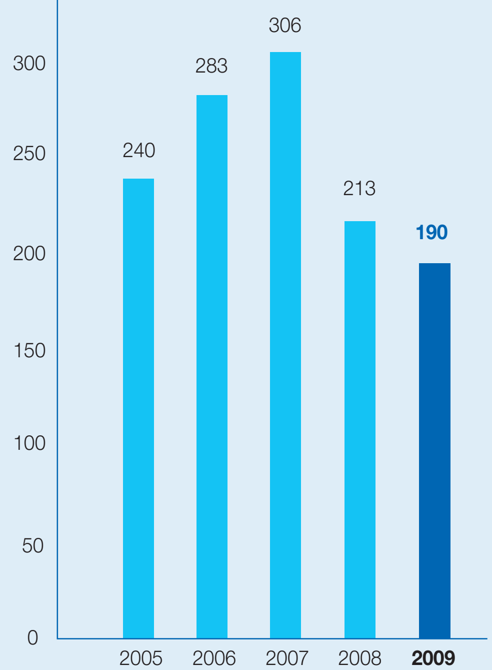
REVENUE
(HK$ MILLION)



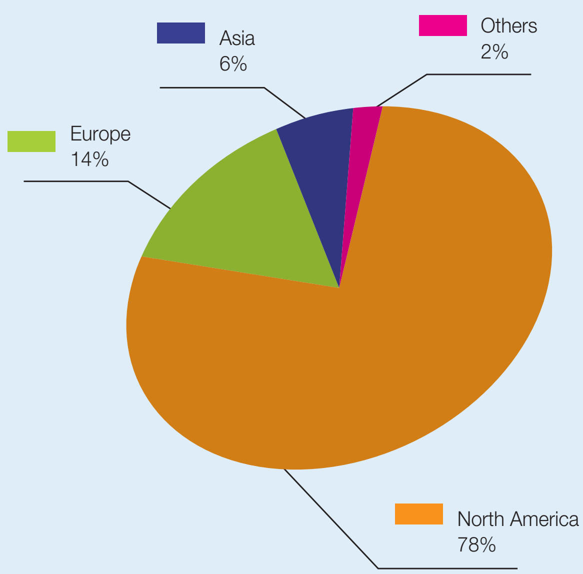
EQUITY
(HK$ MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
(HK$ MILLION)



REVENUE BY GEOGRAPHICAL SEGMENT IN 2009



Chairman's Statement

LEUNG KAI CHING, KIMEN
Chairman

GROUP RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I present the financial results of Alco Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st March 2009. During the review period the Group recorded a turnover of HK$6.0 billion, representing a year-on-year increase of 37% over last year (2008: HK$4.4 billion). Profit attributable to shareholders totalled HK$190 million (2008: HK$213 million). Earnings per share were HK34.1 cents, compared to HK38.1 cents for 2008.

The Board of Directors remains committed to delivering stable returns to shareholders, despite the highly challenging market conditions that have affected the Group's financial performance. As such, the payment of a final dividend of HK14 cents has been recommended. Including an interim dividend of HK9 cents per share, the total dividend will therefore amount to HK23 cents for the financial year (2008: HK23 cents), representing a payout ratio of 67%.

The final dividend will be paid on 15th September 2009 to the Group's shareholders upon approval at the upcoming Annual General Meeting.

REVIEW OF OPERATIONS

The past financial year was a challenging period for economies all over the world. During the first six months, we were confronted with a volatile business environment with fluctuating oil prices and material costs. The new labour laws in China, which took effect since January 2008, also placed pressure on labour costs for the whole industry. Moreover, stepping into the second half of 2008, the world economy was seriously affected by the financial tsunami triggered by the subprime mortgage crisis. Consequently, consumer confidence plummeted, companies faced tight credit, and retailers around the world, being cautious of worsening economies and high inventory, took preventive measures such as drastically reducing their purchases.

Flexible Business Strategies amid the Global Financial Crisis

The difficult business conditions ousted many suppliers from the audio-visual manufacturing industry. Partly due to the credit crunch that ensued, many of them found it hard to deliver sufficient products to their clients due to cash flow problems. We, however, managed to gain new orders and boosted overall sales during the period, benefiting from market consolidation and leveraging our strong financial position.

Aside from market consolidation, more and more North American retail chain stores are now requiring domestic deliveries, which tends to lengthen shipping window and inventory holding time for products, thus placing greater responsibility on suppliers for inventory control and financing. Our strong financial position has enabled us to adapt to this trend with ease and allowed us to gain orders that other suppliers were forced to give up. During the period under review, our market coverage remained relatively stable with North America accounting for approximately 78% of products shipped, and Europe at 14%.

Our LCD TV products, particularly models featuring 19-inch and 22-inch screens, continued to receive strong demand. As the majority of our retail customers cater for the mass market, popular consumer electronics products, such as home theatre units, portable DVD players, and audio systems with iPod docking feature continued to be our top performers. Our capacity to deliver innovative products early to market further contributed to sales growth. During the past financial year we took the lead in adding iPod dock feature to LCD TV and home theatre products, which were very well received by the market and commanded higher average selling prices. Also, with US federal law requiring the television stations to convert from analogue to digital broadcasting by 12th June 2009, demand for products incorporating digital TV tuners became very high, especially for our customers who operate national retail chains with widespread distribution throughout the USA.

Stringent Cost Control

Apart from seizing market opportunities despite the global financial crisis, we were also dedicated to strengthening our competitiveness through various cost control measures. We successfully decreased our direct labour costs and associated overheads by increasing automation and by trimming our workforce by approximately 10%. Furthermore, overtime expenditure was reduced through stringent operation and work flow management.

Chairman's Statement

Our ongoing efforts to standardise parts and components, including PCB sub-assemblies and modules, have aided us as we pursue opportunities across different product segments. Parts and components sharing not only achieve such benefits as efficient assembly, economies of scale and production flexibility, but also decreases our production costs by reducing obsolescence of parts and components. Moreover, sharing proven components and platforms among different products can assure product quality as well as increase the efficiency of our research and development efforts.

Recognising the importance of securing reliable supply of TFT-LCD panels – a key component for many of our products – the Group in early 2008 acquired minority interest in a Korean company principally engaged in the development and manufacture of such panels. During the year under review, the Korean manufacturer's business performance was affected by the financial tsunami as demand for visual products dropped due to weak consumer sentiment. However, as demand and price of LCD panels have been surging since the second quarter of calendar year 2009, this deal will not only allow us to secure a steady supply of TFT-LCD panels, but also represent an investment with promising prospect in the long run.

Strong Financial Position

Acknowledging the added importance of remaining financially healthy and maintaining a high degree of liquidity during the global financial crisis, we adopted a prudent credit policy and held firm control of credit terms with clients. Our inventory has also been significantly reduced from HK$1,333 million a year earlier to HK$704 million as at 31st March 2009, a year-on-year decline of 47%. By eliminating bank loans, we achieved a strong net cash position of HK$490 million.

PROSPECTS

With the global economic downturn expected to persist for at least the short to medium terms, our key objective will be to continue strengthening the Group's financial position. We will also adopt a flexible strategy to cope with changing market needs and deliver products to customers in an effective manner.

As we have seen throughout the year, despite depressed economies in many parts of the world, the demand for LCD TVs has continued to grow and consumers' interest in popular consumer electronic products such as DVD home theatres, portable DVD players and other audio items has remained strong. We will therefore direct our development and marketing efforts in these key areas, creating stylish, high demand products that bolster sales, capture market share and enhance the Group's turnover. To this end, we will be launching LCD TVs with further enhanced "combo features", and new models of higher-end iPod dock related products are set for introduction in the fourth quarter of the coming financial year.

Chairman’s Statement

In addition to refining our product line up, alertness to market developments is essential. The Chinese Government’s economic stimulus plan, which includes a subsidy scheme for the rural population to purchase electrical appliances and consumer electronics products such as LCD TVs, will provide growth momentum for associated industries. Proactively, we recently participated in a convention held in Houjie Town, Dongguang City, which promoted products from many export manufacturers. Participating in the convention represented the first step for many export-based manufacturers seeking to achieve the ultimate goal of supplying products to retail channels in the mainland Chinese market. One of our long-term goals has always been to supply products to this key market and while there are certainly many unique challenges that require careful planning and finely executed strategies to overcome, we will continue to carefully explore all opportunities to expand our business in mainland China.

Besides, construction of a new manufacturing facility in the Houjie Industrial Park, Dongguan is progressing on schedule and will be completed towards the end of 2010 with production lines commencing operation in 2011. This new facility will allow us to more flexibly manufacture a wide range of products and enhance our economies of scale. Since the new plant will employ state-of-the-art production technologies, thus achieving greater production efficiency, our reliance on direct labour will be further reduced. By using energy efficient construction materials and employing environmental friendly and energy saving solutions, we will also be able to drive down our energy and related operating costs.

Though the global financial crisis has made the past year among the toughest that the Group has faced, this period has prompted consolidation of the audio-visual manufacturing industry, which will benefit us when the economy rebounds. Our strong financial position, coupled with flexible yet low-cost manufacturing operations, will allow us to weather the existing financial storm and emerge as a stronger company. We are confident that efforts to refine our product mix, control costs and enhance relationships with customers will stand us in good stead, not just for the present business climate, but for our long-term growth.

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, 15th July 2009

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 76, is the founder and Chairman of the Group. He has more than 42 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 49, 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 55, 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 32 years of experience in finance and accounting with multinational organisations.

Independent Non-executive Directors

Mr WONG Po Yan, *G.B.M., J.P.,* aged 86, 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, *S.B.S., J.P.,* aged 54, 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 48, 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.

Biographical Details of Directors and Senior Management

Senior Management

Mr Colin Frederick LIVERMORE, aged 54, joined the Group in 1991 and is the managing director of Alco International Limited. He has over 29 years of experience in the marketing of consumer electronic products and is responsible for formulating the marketing strategy primarily to European customers.

Mr HO Ping Hung, Joe, aged 61, joined the Group in 2008 and is the Group's General Manager – Manufacturing. He is responsible for the day-to-day operations of Group's manufacturing plants in China. He holds a Master Degree in Economics/Business and a Diploma in Engineering. He has over 30 years solid background management in both OEM and EMS industries.

Mr LEUNG Wai Ming, Jimmy, aged 40, joined the Group in 1993 and is the Group's purchasing manager. He has more than 16 years of experience in the field of audio electronic products.

Ms PANG Siu Mui, Wendy, aged 58, 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.

Mr CHOW Koon Shing, Stephen, aged 58, joined the Group in 1972 and is the shipping manager of Alco Electronics Limited. He has over 34 years of experience in shipping.

Mr LEUNG Kam Fai, Peter, aged 52, joined the Group in 1979. He is the Group's material planning and control manager. He has over 30 years of experience in the audio field.

Mr LEONG Ue Cheong, aged 51, joined the Group in 1978 and is the shipping manager of Alco International Limited. He has over 31 years of experience in shipping.

Mr LAU Kwok Wai, Francis, aged 58, joined the Group in 1986 and is a director of Alco Plastic Products Limited. He has over 24 years of experience in the plastics industry and is responsible for the operations of the plastics factory.

Mr HO Man Shuen, Francis, aged 50, 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 27 years of experience in research and development, manufacturing and quality control of electronic products.

Mr CHOW Tung Yiu, Tony, aged 39, joined the Group in 1997 and is the Group's management information system manager. He holds a bachelor degree in science and has over 16 years of experience in developing manufacturing systems.

Mr LIU Lup Man, Stephen, aged 37, joined the Group in 2005 and is the Group's financial controller. He holds a bachelor degree from the University of Toronto, Canada, and is a Fellow of the HKICPA and the ACCA. He has over 14 years of experience in auditing and accounting.

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 2009. 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	4/4

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Mr LEUNG Wai Sing, Wilson and Mr KUOK Kun Man, Andrew 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 2009.

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 2009 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 2009.

Three audit committee meetings were held during the year ended 31st March 2009 and the attendance of each committee member is set out as follows:

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

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 2009, 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	2,100
Non audit-related services	
Tax compliance services	623

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 2009.

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$50,100,000.

The directors recommended the payment of a final dividend of HK14 cents per share, totalling HK$77,933,000.

LIQUIDITY AND FINANCIAL RESOURCES

Total equity and total equity per share as at 31st March 2009 were approximately HK$1,602 million (2008: HK$1,577 million) and HK$2.88 (2008: HK$2.82) respectively.

As at 31st March 2009, our cash on hand and deposits totalled at approximately HK$872 million. The Group's strong cash position was the result of stringent inventory control. After deducting long-term interest-bearing debts of HK$383 million, the Group had net cash of HK$489 million as at 31st March 2009.

Trade receivables balance as at 31st March 2009 was approximately HK$584 million (2008: HK$544 million). We have been adopting a prudent credit policy with credit terms granted based generally on the financial strengths of individual customer.

We finance our operations using internal funds and banking facilities. In early 2008, the Group invested HK$135 million to acquire 10.42% of equity of a Korean TFT-LCD panel manufacturer and HK$90 million to acquire the interest-bearing corporate bonds of the manufacturer.

As at 31st March 2009, we had banking facilities of approximately HK$2,030 million, of which approximately HK$383 million were utilised. Among the used facilities, approximately HK$75 million are repayable within one year and approximately HK$308 million are repayable within three years.

Capital expenditure on fixed assets during the year was approximately HK$66 million (2008: HK$98 million), mainly for purchase of moulds, plant and equipment. All expenditures were financed with internal resources. As at 31st March 2009, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounting to HK$1,413,000 (2008: HK$334,000).

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

We have limited exposure to trade-related foreign exchange risk as nearly all our sales, purchases and borrowings are denominated in United States dollar and Hong Kong dollar. Moreover, adhering to the policy of not engaging in speculative financial derivatives, we did not make any gain or loss for such activities during the reporting period.

EMPLOYEES

As at 31st March 2009, the Group had approximately 8,600 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 2009 are as follows:

Purchases	
the largest supplier	23%
five largest suppliers combined	42%
Sales	
the largest customer	39%
five largest customers combined	72%

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 29 to the consolidated financial statements.

DONATIONS

Charitable and other donation made by the Group during the year amounted to HK$382,000.

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 79.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2009 amounted to approximately HK$46,424,000 (2008: HK$46,576,000), 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 80.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In October 2008, the Company repurchased 1,906,000 shares of HK$0.10 per share, at prices that ranged from HK$0.66 to HK$0.88 per share, on The Stock Exchange of Hong Kong Limited. Total consideration was approximately HK$1,427,780. These shares were then cancelled.

In November 2008, the Company repurchased 100,000 shares of HK$0.10 per share, at a price of HK$0.73 per share, on The Stock Exchange of Hong Kong Limited. Total consideration was approximately HK$73,000. 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 2009 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 2009 is set out below:

	Trust receipt loans		**Bank borrowings**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	440,975	**74,808**	63,108
In the second year	**–**	–	**74,855**	765
In the third to fifth year	**–**	–	**232,906**	1,718
	–	440,975	**382,569**	65,591

Report of the Directors

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2009 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, *S.B.S., J.P.* [1]
Mr LAU Wang Yip, Derrick [1]

[1] *Independent non-executive directors*

In accordance with clause 87(1) of the Company's Bye-laws, Mr LEUNG Wai Sing, Wilson and Mr KUOK Kun Man, Andrew 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 2009, 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	43.85%
Mr LEUNG Wai Sing, Wilson	44,640,000	–	187,019,800 (note ii)	231,659,800	41.62%
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.

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

(b) Long positions in underlying shares of the Company *(continued)*

Save as disclosed above, as at 31st March 2009, 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 2009, 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)	40.58%
HSBC International Trustee Limited	Trustee	187,835,800 (note ii)	33.74%
Kimen Leung UT Limited	Trustee	187,019,800 (notes i & ii)	33.60%
Leung Wai Lap, David	Beneficial owner	34,078,190	6.12%
Commonwealth Bank of Australia	Interest of controlled corporation	32,992,000 (note iii)	5.93%
Webb David Michael	Beneficial owner	27,971,400	5.02%

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Save as disclosed above, as at 31st March 2009, 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.

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 2009.

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, *S.B.S., 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 2009 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, 15th July 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, 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 78, which comprise the consolidated and company balance sheets as at 31st March 2009, 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 2009 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, 15th July 2009

Consolidated Income Statement

For the year ended 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	5	**5,993,075**	4,363,889
Cost of goods sold	7	**(5,321,070)**	(3,905,694)
Gross profit		**672,005**	458,195
Other income	6	**2,394**	29,851
Selling expenses	7	**(303,236)**	(153,233)
Administrative expenses	7	**(100,132)**	(104,554)
Other operating expenses	7	**(12,869)**	(5,723)
Exchange loss on loans and receivables	18	**(25,957)**	–
Operating profit		**232,205**	224,536
Finance income	9	**8,130**	23,082
Finance costs	9	**(23,839)**	(8,009)
Profit before income tax		**216,496**	239,609
Income tax expense	10	**(26,311)**	(26,257)
Profit attributable to equity holders of the Company		**190,185**	213,352
Earnings per share attributable to equity holders of the Company			
– basic	12	**HK34.1 cents**	HK38.1 cents
– diluted	12	**HK34.1 cents**	HK38.1 cents
Dividends	13	**128,033**	128,689

The notes on pages 28 to 78 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	14	**332,065**	345,180
Investment properties	15	**65,970**	70,492
Leasehold land and land use rights	16	**58,648**	58,991
Intangible assets	17	**81,658**	83,863
Loans and receivables	18	**64,104**	–
Available-for-sale financial assets	19	**96,156**	–
Held-to-maturity financial assets	22	**–**	46,800
Deposits for investment		**–**	23,833
		698,601	629,159
Current assets			
Inventories	23	**703,846**	1,333,283
Trade and other receivables	24	**608,697**	569,970
Cash and cash equivalents	25	**872,307**	358,669
		2,184,850	2,261,922
Current liabilities			
Trade and other payables	26	**831,317**	756,952
Trust receipt loans	32	**–**	440,975
Current income tax liabilities		**38,439**	18,656
Borrowings	27	**74,808**	63,108
		944,564	1,279,691
Net current assets		**1,240,286**	982,231
Total assets less current liabilities		**1,938,887**	1,611,390
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**55,666**	55,867
Reserves	29	**1,545,966**	1,521,185
Total equity		**1,601,632**	1,577,052
Non-current liabilities			
Borrowings	27	**307,761**	2,483
Deferred income tax liabilities	30	**29,494**	31,855
		337,255	34,338
Total equity and non-current liabilities		**1,938,887**	1,611,390

On behalf of the Board

Leung Kai Ching, Kimen
Director

Leung Wai Sing, Wilson
Director

The notes on pages 28 to 78 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	20	**348,105**	350,835
Current assets			
Other receivables	24	**105**	112
Cash and cash equivalents	25	**107**	48
		212	160
Current liabilities			
Other payables	26	**276**	1,502
Net current liabilities		**(64)**	(1,342)
Total assets less current liabilities		**348,041**	349,493
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**55,666**	55,867
Reserves	29	**292,375**	293,626
Total equity		**348,041**	349,493

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 28 to 78 are an integral part of this financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2009

	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 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
Balance at 1st April 2008	**55,867**	**245,235**	**1,275,950**	**1,577,052**
Currency translation differences	**–**	**(35,791)**	**–**	**(35,791)**
Profit for the year	**–**	**–**	**190,185**	**190,185**
Repurchase of own shares	**(201)**	**(1,099)**	**(201)**	**(1,501)**
2009 interim dividend	**–**	**–**	**(50,100)**	**(50,100)**
2008 final dividend	**–**	**–**	**(78,213)**	**(78,213)**
Balance at 31st March 2009	**55,666**	**208,345**	**1,337,621**	**1,601,632**

The notes on pages 28 to 78 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	31	**572,763**	(250,058)
Interest received		**8,130**	23,082
Interest paid		**(23,839)**	(8,009)
Profits tax refund/(paid)		**418**	(24,133)
Net cash generated from/(used in) operating activities		**557,472**	(259,118)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(65,598)**	(98,434)
Purchase of licence right		**–**	(78,000)
Proceeds from sale of property, plant and equipment		**3,069**	264
Deferred development costs paid		**(14,036)**	(10,352)
Payment of deposits for investment		**–**	(23,833)
Purchase of available-for-sale financial assets		**(120,791)**	–
Purchase of loans and receivables		**(80,528)**	–
Proceeds from matured held-to-maturity financial assets		**46,800**	64,600
Net cash used in investing activities		**(231,084)**	(145,755)
Cash flows from financing activities			
Repurchase of own shares		**(1,501)**	(6,454)
Proceeds from borrowings		**380,000**	124,800
Repayments of borrowings		**(63,138)**	(63,027)
Dividends paid to the Company's shareholders		**(128,313)**	(185,078)
Net cash generated from/(used in) financing activities		**187,048**	(129,759)
Net increase/(decrease) in cash and cash equivalents		**513,436**	(534,632)
Cash and cash equivalents at beginning of the year		**358,669**	892,794
Effect of foreign exchange rate change		**202**	507
Cash and cash equivalents at end of the year	25	**872,307**	358,669

The notes on pages 28 to 78 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 is 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 15th July 2009.

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 Company 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 Appendix 16 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) *Amendments to existing standards and new interpretations effective in year 2009*

The following amendments to existing standards and new interpretations are relevant to the Group and are mandatory for the financial year ended 31st March 2009:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above amendments to existing standards and new interpretations did not have a significant impact to the Group's financial statements and has not led to any changes in the Group's accounting policies.

(b) *New/revised standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted by the Group*

The following new/revised standards, amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after 1st April 2009 and later periods, which the Group has not early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Embedded Derivatives
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised) and HKAS 27 (Revised)	Business Combinations and Consolidated and Separate Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) *New/revised standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted by the Group* *(continued)*

HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
Various	HKICPA's improvements to HKFRSs

The Group is in the process of assessing the impact of these new/revised standards, amendments to existing standards and interpretations on the Group's results and financial position in the future.

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) whose financial and operating policies the Group has the power to govern, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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 consolidated income statement.

Inter-company transactions, balances and unrealised gains on transaction 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 in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments 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.

2.3 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 is 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 the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 consolidated income statement.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other reserves in equity.

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

(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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 an 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 costs are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation on buildings and moulds is calculated using the straight-line method to allocate their costs 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% to 20%
Motor vehicles	20%

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 within "other operating expenses" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Investment properties

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

Investment property comprises leasehold land and buildings.

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.

Changes in fair values are recognised in the income statement as part of “other income”.

2.8 Intangible assets

(a) Acquired licence right

An acquired licence right is carried at cost less accumulated amortisation. The economic useful life of an 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 over its estimated useful life of 10 years.

Licence rights are tested for impairment annually, in accordance with HKAS 36.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(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 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.

2.9 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Other assets 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets

2.10.1 *Classification*

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose 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 those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'loans and receivables', '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 was 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 that are classified as current assets with maturities less than 12 months from the balance sheet date.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

2.10.2 *Recognition and measurement*

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. Available-for-sale financial assets are subsequently carried at fair value. Available-for-sale financial assets that do not have quoted market prices in any active markets and those fair values cannot be reliably measured are stated at cost less impairment loss. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Trade and other receivables

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 receivable is 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 carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the consolidated income statement within other operating expenses. When a receivable is uncollectible, it is written off against the provision account for receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the consolidated 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. 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.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 consolidated 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 tax expense comprises current and deferred tax. Tax is recognised in the consolidated income statement.

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 recognised, 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 which assumes the obligations to pay pensions to the employees. 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.

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 value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

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

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

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

2 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 consolidated 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.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group's transactions are mainly denominated in Hong Kong dollar ("HKD"), US dollar ("USD") and Renminbi ("RMB"). The majority of assets and liabilities are denominated in HKD, USD and Korean Won ("KRW"), and there are no significant assets and liabilities denominated in other currencies.

Since HKD is pegged to USD, the Group does not have significant currency risks and it is the Group's policy not to engage in speculative activities. The Group has not entered into any contracts to hedge its exposure for foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

(i) Foreign exchange risk (continued)

At 31st March 2009, if KRW had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax profit for the year would have been approximately HK$6,410,000 higher/lower (2008: Nil), mainly as a result of the foreign exchange gains/losses on translation of KRW denominated loans and receivables.

At 31st March 2009, if RMB had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax profit for the year would have been approximately HK$2,295,000 lower/higher (2008: HK$2,488,000), mainly as a result of the foreign exchange losses/gains on translation of RMB denominated cash and bank balances and other payables.

At 31st March 2009, if KRW had strengthened/weakened by 10% against HKD with all other variables held constant, equity would have been approximately HK$9,616,000 higher/lower (2008: Nil), mainly as a result of the foreign exchange gains/losses on translation of KRW denominated securities classified as available-for-sale financial assets.

(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.

As at 31st March 2009, the Group's borrowings at variable rates were denominated in HKD.

At 31st March 2009, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$3,826,000 lower/higher (2008: HK$656,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st March 2009, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$8,716,000 higher/lower (2008: HK$3,571,000) due to interest income earned on market interest rate.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

(ii) Cash flow and fair value interest rate risk (continued)

The total bank loans held by the Group as at 31st March 2009 were all with floating rates, of which the interest period are all within one year.

(b) ***Credit risk***

Credit risk arises from cash and cash equivalents and short-term deposits with banks and financial institutions, loans and receivables, as well as credit exposures to customers, including outstanding receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash and short-term deposits are placed with reputable banks and financial institutions. 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.

(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 2009, the Group's total available banking facilities amounted to approximately HK$2,030 million (2008: HK$2,152 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) *Liquidity risk* (continued)

	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
Group					
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
At 31st March 2009					
Borrowings	**75,408**	**76,039**	**233,920**	**385,367**	**382,569**
Trade and other payables	**831,317**	**–**	**–**	**831,317**	**831,317**

	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
Company					
At 31st March 2008					
Other payables	1,502	–	–	1,502	1,502
At 31st March 2009					
Other payables	**276**	**–**	**–**	**276**	**276**

3 FINANCIAL RISK MANAGEMENT *(continued)*

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, raise or repay bank borrowings, 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 total borrowings net of cash and cash equivalents divided by total equity as shown in the consolidated balance sheet. Total borrowings include borrowings and trust receipt loans as shown in the consolidated balance sheet.

The gearing ratios at 31st March 2009 and 2008 were as follows:

	2009 **HK$'000**	2008 HK$'000
Trust receipt loans	**–**	440,975
Borrowings (Note 27)	**382,569**	65,591
Less: Cash and cash equivalents (Note 25)	**(872,307)**	(358,669)
Net (surplus cash)/borrowings	**(489,738)**	147,897
Total equity	**1,601,632**	1,577,052
Gearing ratio	**Not applicable**	9.4%

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market 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. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis refined to reflect the issuer's specific circumstances.

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 long-term 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.

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
– leasehold land and land use rights
– intangible assets
– investments in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated 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.

(d) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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	
	2009	2008
	HK$'000	HK$'000
Revenue		
Consumer electronic products	**5,983,815**	4,360,637
Plastic products	**9,260**	3,252
	5,993,075	4,363,889

(a) Primary reporting format – business segments

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

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

Plastic products – Manufacture and sale of plastic and packaging products

The Group's inter-segment transactions mainly consist of sale 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, loans and receivables, available-for-sale financial assets, 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 2009 and 2008 are as follows:

	Group							
	2009				2008			
	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	5,983,815	9,260	–	5,993,075	4,360,637	3,252	–	4,363,889
Inter-segment sales	–	161,735	(161,735)	–	–	157,592	(157,592)	–
	5,983,815	170,995	(161,735)	5,993,075	4,360,637	160,844	(157,592)	4,363,889
Segment results	234,274	(2,069)		232,205	224,633	(97)		224,536
Finance income				8,130				23,082
Finance costs				(23,839)				(8,009)
Profit before income tax				216,496				239,609
Income tax expense				(26,311)				(26,257)
Profit attributable to equity holders of the Company				190,185				213,352
Capital expenditure	77,449	2,185		79,634	181,946	4,840		186,786
Depreciation of property, plant and equipment	62,094	11,546		73,640	52,342	13,372		65,714
Amortisation of leasehold land and land use rights	446	12		458	436	12		448
Amortisation and write-off of intangible assets	16,241	–		16,241	10,673	–		10,673

5 REVENUE AND SEGMENT INFORMATION *(continued)*

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

The segment assets and liabilities as at 31st March 2009 and 2008 are as follows:

	Group							
	2009				2008			
	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	2,749,141	68,340	–	2,817,481	2,692,987	80,802	–	2,773,789
Unallocated corporate assets				65,970				117,292
Total assets				2,883,451				2,891,081
Segment liabilities	820,283	11,034	–	831,317	1,187,700	10,227	–	1,197,927
Unallocated corporate liabilities				450,502				116,102
Total liabilities				1,281,819				1,314,029

(b) Secondary reporting format – geographical segment

The segment revenue for the years ended 31st March 2009 and 2008 are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
North America	4,645,446	3,241,502
Europe	831,360	691,792
Asia	371,906	334,879
Others	144,363	95,716
	5,993,075	4,363,889

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 2009 and 2008 were located or utilised in the PRC and Hong Kong.

6 OTHER INCOME

	Group 2009 HK$'000	Group 2008 HK$'000
Fair value (loss)/gain on investment properties (Note 15)	**(4,522)**	23,662
Rental income from investment properties	**4,670**	3,881
Sale of moulds	**2,065**	454
Others	**181**	1,854
	2,394	29,851

7 EXPENSES BY NATURE

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

	Group 2009 HK$'000	Group 2008 HK$'000
Cost of inventories	**4,367,077**	3,249,112
Depreciation of property, plant and equipment	**73,640**	65,714
Amortisation of leasehold land and land use rights	**458**	448
Amortisation of intangible assets	**13,067**	7,981
Auditor's remuneration	**2,380**	2,033
Write-off of intangible assets	**3,174**	2,692
Loss on disposal of property, plant and equipment	**2,039**	588
Operating lease rental in respect of land and buildings	**33,538**	34,144
Research and development costs	**19,794**	24,302
Employee benefit expenses (including directors' emoluments) (Note 8)	**348,267**	337,898

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Group 2009 HK$'000	Group 2008 HK$'000
Wages and salaries	**324,521**	321,159
Pension costs – defined contribution retirement schemes (Note (a))	**4,851**	3,625
Other staff benefits	**16,371**	13,114
Termination benefits	**2,524**	–
	348,267	337,898

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 was 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$4,851,000 (2008: HK$3,625,000). Forfeited contributions in respect of the defined contribution retirement scheme of approximately HK$11,000 (2008: Nil) were utilised during the year. Forfeiture balance of approximately HK$14,000 (2008: Nil) was available as at 31st March 2009 to reduce future contributions.

Contributions totalling approximately HK$533,000 (2008: HK$632,000) 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 2009 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr LEUNG Kai Ching, Kimen	**–**	**4,389**	**4,800**	**188**	**9,377**
Mr LEUNG Wai Sing, Wilson	**–**	**4,389**	**5,120**	**188**	**9,697**
Mr KUOK Kun Man, Andrew	**–**	**1,847**	**2,880**	**79**	**4,806**
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 2008 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total 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

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 2009 and 2008.

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 (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**3,123**	3,123
Discretionary bonuses	**8,000**	10,584
Contributions to pension schemes	**91**	90
	11,214	13,797

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
HK$3,000,001-HK$3,500,000	**1**	1
HK$7,500,001-HK$8,000,000	**1**	–
HK$10,000,001-HK$10,500,000	**–**	1

(d) Key management compensation

	Group	
	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**13,748**	11,976
Discretionary bonuses	**20,800**	26,189
Contributions to pension schemes	**546**	470
	35,094	38,635

9 FINANCE INCOME AND FINANCE COSTS

	Group	
	2009	2008
	HK$'000	HK$'000
Finance income:		
– Bank interest income	**5,892**	23,082
– Loans and receivables	**2,238**	–
	8,130	23,082
Finance costs:		
– Interest expense on bank borrowings and trust receipt loans wholly repayable within five years	**23,839**	8,009

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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	
	2009	2008
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**28,642**	22,331
– Under/(over) provision in prior years	**30**	(70)
Deferred income tax (Note 30)	**(2,361)**	3,996
	26,311	26,257

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	
	2009	2008
	HK$'000	HK$'000
Profit before income tax	**216,496**	239,609
Tax calculated at a tax rate of 16.5% (2008: 17.5%)	**35,722**	41,932
Effect of different tax rates in other countries	**(339)**	(285)
Income not subject to tax	**(31,368)**	(29,615)
Expenses not deductible for tax purposes	**22,353**	12,220
Under/(over) provision in prior years	**289**	(70)
Unrecognised tax losses	**649**	2,075
Utilisation of previously unrecognised tax losses	**(995)**	–
Tax charge	**26,311**	26,257

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$128,362,000 (2008: HK$185,150,000).

12 EARNINGS PER SHARE

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

	Group	
	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**190,185**	213,352
Weighted average number of ordinary shares in issue (thousands)	**557,797**	560,403
Basic earnings per share (HK cents)	**34.1**	38.1

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 2009 and 2008. Therefore, the diluted earnings per share are the same as basic earnings per share.

13 DIVIDENDS

	Company	
	2009	2008
	HK$'000	HK$'000
Interim dividend, paid, of HK9 cents (2008: HK9 cents) per ordinary share	**50,100**	50,476
Final dividend, proposed, of HK14 cents (2008: HK14 cents) per ordinary share	**77,933**	78,213
	128,033	128,689

At a meeting held on 15th July 2009, 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.

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 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
Year ended 31st March 2009							
Opening net book amount	**21,897**	**40,252**	**12,911**	**65,341**	**197,610**	**7,169**	**345,180**
Additions	**–**	**40,357**	**2,788**	**12,355**	**9,730**	**368**	**65,598**
Disposals	**–**	**–**	**(368)**	**(1,090)**	**(3,526)**	**(124)**	**(5,108)**
Depreciation	**(756)**	**(20,872)**	**(2,972)**	**(14,551)**	**(33,032)**	**(1,457)**	**(73,640)**
Exchange differences	**82**	**–**	**(29)**	**(23)**	**–**	**5**	**35**
Closing net book amount	**21,223**	**59,737**	**12,330**	**62,032**	**170,782**	**5,961**	**332,065**
At 31st March 2009							
Cost	**29,786**	**381,458**	**98,664**	**284,066**	**581,766**	**19,418**	**1,395,158**
Accumulated depreciation and impairment	**(8,563)**	**(321,721)**	**(86,334)**	**(222,034)**	**(410,984)**	**(13,457)**	**(1,063,093)**
Net book amount	**21,223**	**59,737**	**12,330**	**62,032**	**170,782**	**5,961**	**332,065**

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Depreciation expenses have been included in:

	Group 2009 HK$'000	2008 HK$'000
Cost of goods sold	**70,094**	62,131
Administrative expenses	**3,546**	3,583
	73,640	65,714

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

	Group 2009 HK$'000	2008 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**8,575**	8,909
Leases of between 10 and 50 years	**305**	317
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**12,343**	12,671
	21,223	21,897

(d) As at 31st March 2009, bank borrowing is secured on a building for the carrying amount of HK$2,274,000 (2008: HK$2,265,000) (Note 27).

15 INVESTMENT PROPERTIES

	Group 2009 HK$'000	2008 HK$'000
Beginning of the year	**70,492**	46,830
Fair value (loss)/gain (Note 6)	**(4,522)**	23,662
End of the year	**65,970**	70,492

The investment properties were revalued at 31st March 2009 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	
	2009	2008
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**42,010**	40,620
Leases of between 10 and 50 years	**23,960**	29,872
	65,970	70,492

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2009	2008
	HK$'000	HK$'000
Opening net book amount	**58,991**	59,189
Amortisation	**(458)**	(448)
Exchange differences	**115**	250
Closing net book amount	**58,648**	58,991

Amortisation expenses of prepaid operating lease payment have been included in administrative expenses.

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

	Group	
	2009	2008
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**45,817**	45,870
Leases of between 10 and 50 years	**442**	453
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**12,389**	12,668
	58,648	58,991

As at 31st March 2009, bank borrowing is secured on leasehold land and land use rights for the carrying amount of approximately HK$3,162,000 (2008: HK$3,167,000) (Note 27).

17 INTANGIBLE ASSETS

	Group		
	Licence right	Deferred development costs	Total
	HK$'000	HK$'000	HK$'000
At 1st April 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	(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
For the year ended 31st March 2009			
At 1st April 2008	**76,050**	**7,813**	**83,863**
Additions	**–**	**14,036**	**14,036**
Write-off	**–**	**(3,174)**	**(3,174)**
Amortisation	**(7,800)**	**(5,267)**	**(13,067)**
At 31st March 2009	**68,250**	**13,408**	**81,658**
At 31st March 2009			
Cost	**78,000**	**77,559**	**155,559**
Accumulated amortisation	**(9,750)**	**(64,151)**	**(73,901)**
Net book amount	**68,250**	**13,408**	**81,658**

Amortisation expenses of licence right and deferred development costs have been included in cost of goods sold.

18 LOANS AND RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Corporate bonds, at cost	**90,061**	–
Less: exchange loss	**(25,957)**	–
	64,104	–

The loans and receivables represent the Group's investment in the five-year interest-bearing corporate bonds (4% per annum) issued by Hydis Technologies Company Limited ("Hydis"), a company incorporated in Korea. They are denominated in KRW.

The carrying amount of the loans and receivables approximates to its fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and receivables.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	2008
	HK$'000	HK$'000
Unlisted equity securities outside Hong Kong, at cost	**135,091**	–
Less: exchange loss	**(38,935)**	–
	96,156	–

The available-for-sale financial assets represent the Group's long-term investment in the shares of Hydis. They are denominated in KRW.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost (Note (a))	**67,586**	67,586
Amounts due from subsidiaries (Note (b))	**280,519**	283,249
	348,105	350,835

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 request repayment 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.

21 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 2008			
Held-to-maturity financial assets (Note 22)	–	46,800	46,800
Trade and other receivables (Note 24)	569,970	–	569,970
Cash and cash equivalents (Note 25)	358,669	–	358,669
Total	928,639	46,800	975,439
31st March 2009			
Loans and receivables (Note 18)	**64,104**	**–**	**64,104**
Available-for-sale financial assets (Note 19)	**–**	**96,156**	**96,156**
Trade and other receivables (Note 24)	**608,697**	**–**	**608,697**
Cash and cash equivalents (Note 25)	**872,307**	**–**	**872,307**
Total	**1,545,108**	**96,156**	**1,641,264**

21 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Other financial liabilities

	Group	
	2009	2008
	HK$'000	HK$'000
Liabilities as per consolidated balance sheet		
Trade and other payables (Note 26)	**831,317**	756,952
Trust receipt loans	**–**	440,975
Borrowings (Note 27)	**382,569**	65,591
Total	**1,213,886**	1,263,518

Loans and receivables

	Company	
	2009	2008
	HK$'000	HK$'000
Assets as per balance sheet		
Other receivables	**105**	112
Cash and cash equivalents (Note 25)	**107**	48
Amounts due from subsidiaries (Note 20)	**280,519**	283,249
Total	**280,731**	283,409

21 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Other financial liabilities

	Company	
	2009	2008
	HK$'000	HK$'000
Liabilities as per balance sheet		
Other payables	**276**	1,502

22 HELD-TO-MATURITY FINANCIAL ASSETS

	Group	
	2009	2008
	HK$'000	HK$'000
Structured bank deposits in Hong Kong	**–**	46,800

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

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of the year	**46,800**	111,400
Matured deposits	**(46,800)**	(64,600)
End of the year	**–**	46,800

Held-to-maturity financial assets are denominated in USD.

23 INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**282,942**	758,841
Work in progress	**20,424**	33,831
Finished goods	**400,480**	540,611
	703,846	1,333,283

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$4,367,077,000 (2008: HK$3,249,112,000).

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**583,632**	544,180	**–**	–
Prepayments, deposits and other receivables	**25,065**	25,790	**105**	112
	608,697	569,970	**105**	112

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 values of the trade and other receivables approximate to their carrying values.

At 31st March 2009 and 2008, the ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0-30 days	**299,693**	337,191
31-60 days	**241,968**	159,990
61-90 days	**40,448**	45,479
Over 90 days	**1,523**	1,520
	583,632	544,180

24 TRADE AND OTHER RECEIVABLES *(continued)*

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	
	2009 HK$'000	2008 HK$'000
Counterparties without external credit rating		
– New customers (less than 6 months)	**258**	9,365
– Customers (more than 6 months) with no defaults in the past	**583,374**	534,815
	583,632	544,180

There were no trade receivables which were past due but not impaired as at 31st March 2009 and 2008.

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

	Group	
	2009 HK$'000	2008 HK$'000
United States dollar	**576,113**	458,599
Canadian dollar	**5,514**	79,693
Hong Kong dollar	**1,937**	5,888
Renminbi	**68**	–
	583,632	544,180

As at 31st March 2009 and 2008, 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 carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Cash at bank and on hand	**262,181**	114,460	**107**	48
Short-term bank deposits	**610,126**	244,209	**–**	–
	872,307	358,669	**107**	48
Maximum exposure to credit risk	**871,571**	357,050	**107**	48

25 CASH AND CASH EQUIVALENTS *(continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**47,410**	14,850	**107**	48
United States dollar	**817,356**	337,319	**–**	–
Others	**7,541**	6,500	**–**	–
	872,307	358,669	**107**	48

26 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**722,717**	653,771	**–**	–
Other payables and accruals	**108,600**	103,181	**276**	1,502
	831,317	756,952	**276**	1,502

The carrying values of trade and other payables approximate to their fair values.

At 31st March 2009 and 2008, the ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0-30 days	**628,489**	418,548
31-60 days	**73,116**	124,987
61-90 days	**17,882**	85,870
Over 90 days	**3,230**	24,366
	722,717	653,771

26 TRADE AND OTHER PAYABLES *(continued)*

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

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollar	**309,002**	272,775
United States dollar	**412,516**	378,198
Others	**1,199**	2,798
	722,717	653,771

27 BORROWINGS

	Group	
	2009	2008
	HK$'000	HK$'000
Non-current		
Bank borrowing, secured (Note (b))	**1,761**	2,483
Bank borrowings, unsecured (Note (c))	**195,000**	–
Bank borrowings, unsecured (Note (a))	**111,000**	–
	307,761	2,483
Current		
Bank borrowing, secured (Note (b))	**808**	708
Bank borrowings, unsecured (Note (a))	**74,000**	62,400
	74,808	63,108
Total borrowings	**382,569**	65,591

(a) The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Notes 32 and 33). As at 31st March 2009, the borrowings are denominated in HKD and interest bearing at margin over HIBOR rate.

As at 31st March 2008, the borrowings are denominated in USD. 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 RMB. Interest is charged at Renminbi Benchmark Lending Rates determined by the People's Bank of China.

(c) The bank borrowings are revolving loans which are unsecured and are supported by corporate guarantees given by the Company (Notes 32 and 33). The borrowings are denominated in HKD and interest bearing at margin over HIBOR rate.

27 BORROWINGS *(continued)*

The maturity of bank borrowings is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**74,808**	63,108
In the second year	**74,855**	765
In the third to fifth year	**232,906**	1,718
	382,569	65,591

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollar	**380,000**	–
United States dollar	**–**	62,400
Renminbi	**2,569**	3,191
	382,569	65,591

28 SHARE CAPITAL

	Company Number of shares (thousands)	Ordinary shares HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 31st March 2009 and 2008	800,000	80,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
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
At 1st April 2008	**558,668**	**55,867**
Repurchase of own shares (Note (a))	**(2,006)**	**(201)**
At 31st March 2009	**556,662**	**55,666**

Note:

(a) Repurchase of own shares

In January 2008, the Company repurchased 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. Total consideration was approximately HK$5,720,000. These shares were then cancelled.

In February 2008, the Company repurchased 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. Total consideration was approximately HK$734,000. These shares were then cancelled.

In October 2008, the Company repurchased 1,906,000 shares of HK$0.10 per share, at prices that ranged from HK$0.66 to HK$0.88 per share, on The Stock Exchange of Hong Kong Limited. Total consideration was approximately HK$1,427,780. These shares were then cancelled.

In November 2008, the Company repurchased 100,000 shares of HK$0.10 per share, at a price of HK$0.73 per share, on The Stock Exchange of Hong Kong Limited. Total consideration was approximately HK$73,000. These shares were then cancelled.

29 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 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
At 1st April 2008	**246,311**	**739**	**(1,815)**	**1,275,950**	**1,521,185**
Currency translation differences	**–**	**–**	**(35,791)**	**–**	**(35,791)**
Profit for the year	**–**	**–**	**–**	**190,185**	**190,185**
Repurchase of own shares	**(1,300)**	**201**	**–**	**(201)**	**(1,300)**
2009 interim dividend	**–**	**–**	**–**	**(50,100)**	**(50,100)**
2008 final dividend	**–**	**–**	**–**	**(78,213)**	**(78,213)**
At 31st March 2009	**245,011**	**940**	**(37,606)**	**1,337,621**	**1,545,966**
Representing:					
Proposed dividend					**77,933**
Reserves					**1,468,033**
At 31st March 2009					**1,545,966**

29 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 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
At 1st April 2008	**246,311**	**739**	**40,586**	**5,990**	**293,626**
Profit for the year	**–**	**–**	**–**	**128,362**	**128,362**
Repurchase of own shares	**(1,300)**	**201**	**–**	**(201)**	**(1,300)**
2009 interim dividend	**–**	**–**	**–**	**(50,100)**	**(50,100)**
2008 final dividend	**–**	**–**	**–**	**(78,213)**	**(78,213)**
At 31st March 2009	**245,011**	**940**	**40,586**	**5,838**	**292,375**
Representing:					
Proposed dividend					**77,933**
Reserves					**214,442**
At 31st March 2009					**292,375**

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. Otherwise the contributed surplus is distributable.

30 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2008: 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	
	2009 HK$'000	2008 HK$'000
Deferred income tax liabilities to be settled after more than 12 months	29,800	33,132
Deferred income tax assets to be recovered after more than 12 months	(306)	(1,277)
	29,494	31,855

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

	Group	
	2009 HK$'000	2008 HK$'000
Beginning of the year	31,855	27,859
Recognised in the consolidated income statement (Note 10)	(2,361)	3,996
End of the year	29,494	31,855

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	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Beginning of the year	(1,277)	(2,460)	28,097	27,767	727	685	4,216	1,775	92	92	31,855	27,859
Recognised in the consolidated income statement	971	1,183	(2,504)	330	379	42	(1,311)	2,441	104	–	(2,361)	3,996
End of the year	(306)	(1,277)	25,593	28,097	1,106	727	2,905	4,216	196	92	29,494	31,855

30 DEFERRED INCOME TAX *(continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$7,421,000 (2008: HK$8,273,000) in respect of tax losses amounting to approximately HK$24,501,000 (2008: HK$29,673,000) that can be carried forward against future taxable profit. Approximately HK$946,000 (2008: HK$2,022,000) of the unrecognised tax losses have no expiry date and the remaining balance will be expired at various dates up to and including 2029 (2008: 2018).

31 CASH GENERATED FROM/(USED IN) OPERATIONS

	Group	
	2009	2008
	HK$'000	HK$'000
Profit before income tax	**216,496**	239,609
Interest income	**(8,130)**	(23,082)
Interest expense on bank borrowings and trust receipt loans	**23,839**	8,009
Amortisation of intangible assets	**13,067**	7,981
Write-off of intangible assets	**3,174**	2,692
Loss on disposal of property, plant and equipment	**2,039**	588
Depreciation of property, plant and equipment	**73,640**	65,714
Amortisation of leasehold land and land use rights	**458**	448
Fair value loss/(gain) on investment properties	**4,522**	(23,662)
Exchange loss on loans and receivables	**25,957**	–
Operating profit before working capital changes	**355,062**	278,297
Decrease/(increase) in inventories	**629,437**	(931,439)
Increase in trade and other receivables	**(48,034)**	(264,692)
Increase in trade and other payables	**77,273**	226,801
(Decrease)/increase in trust receipt loans	**(440,975)**	440,975
Net cash generated from/(used in) operations	**572,763**	(250,058)

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

	Group	
	2009	2008
	HK$'000	HK$'000
Net book amount (Note 14)	**5,108**	852
Loss on disposal of property, plant and equipment	**(2,039)**	(588)
Proceeds from sale of property, plant and equipment	**3,069**	264

32 BANKING FACILITIES

As at 31st March 2009, banking facilities of approximately HK$2,030 million (2008: HK$2,152 million) were granted by banks to the Group, of which approximately HK$383 million (2008: HK$507 million) have been utilised by the Group. Of the banking facilities, approximately HK$2,027 million (2008: HK$2,149 million) were supported by corporate guarantees given by the Company and approximately HK$3 million (2008: HK$3 million) is secured by charges over the use of certain assets of the Group with carrying amount of approximately HK$5 million (2008: HK$5 million) (Notes 14 and 16).

33 FINANCIAL GUARANTEE

The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain of its subsidiaries (Note 27). The directors consider that the fair value of such guarantees is immaterial.

34 COMMITMENTS

(a) Capital commitments

	Group	
	2009	2008
	HK$'000	HK$'000
Moulds, plant and machinery contracted but not provided for	**1,413**	334

(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	
	2009	2008
	HK$'000	HK$'000
Not later than one year	**27,895**	33,996
Later than one year and not later than five years	**22,927**	43,613
Later than five years	**7,451**	10,890
	58,273	88,499

34 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	
	2009	2008
	HK$'000	HK$'000
Not later than one year	**3,440**	1,491
Later than one year and not later than five years	**752**	454
	4,192	1,945

The lease terms are from one to three years.

35 PRINCIPAL SUBSIDIARIES

As at 31st March 2009, 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	Percentage of equity held by the Company 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 Non-voting deferred HK$5,000,000	–	100	Design, manufacture and sale of consumer electronic products

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	Percentage of equity held by the Company Indirect	Principal activities
Alco Electronics (Shenzhen) Limited [1]	The PRC	Registered capital HK$24,000,000	–	100	Provision of design and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK$500,000	–	100	Trading of consumer electronic products
Alco Plastic Products Limited	Hong Kong	Ordinary HK$3,000,000	–	100	Manufacture and sale of plastic products
Alco Properties Limited	Hong Kong	Ordinary HK$10,000	–	100	Property investment
Alco Technologies Limited	Hong Kong	Ordinary HK$10,000	–	100	Investment holding
Asia Dragon International Limited	Hong Kong	Ordinary HK$10,000	–	100	Trading of consumer electronic products
Commusonic Industries Limited	Hong Kong	Ordinary HK$400,000	–	100	Manufacture and sale 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 2009 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Principal properties 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:

	2009 **HK$'000**	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Revenue	**5,993,075**	4,363,889	5,095,894	4,876,788	5,389,124
Profit attributable to equity holders of the Company	**190,185**	213,352	305,784	283,475	239,716
Total assets	**2,883,451**	2,891,081	2,136,318	2,590,990	2,210,074
Total liabilities	**(1,281,819)**	(1,314,029)	(580,555)	(1,164,953)	(925,360)
Total equity	**1,601,632**	1,577,052	1,555,763	1,426,037	1,284,714