ALCO HOLDINGS LIMITED

股份代號：328 Stock Code: 328

年報 2010 ANNUAL REPORT

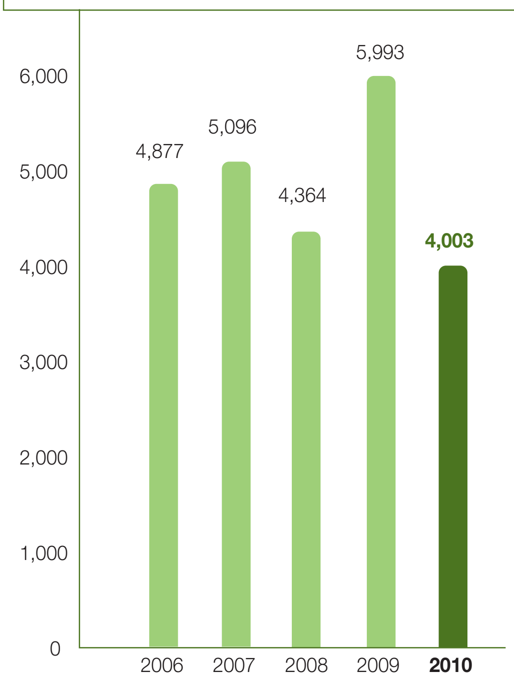
Contents

Corporate Information

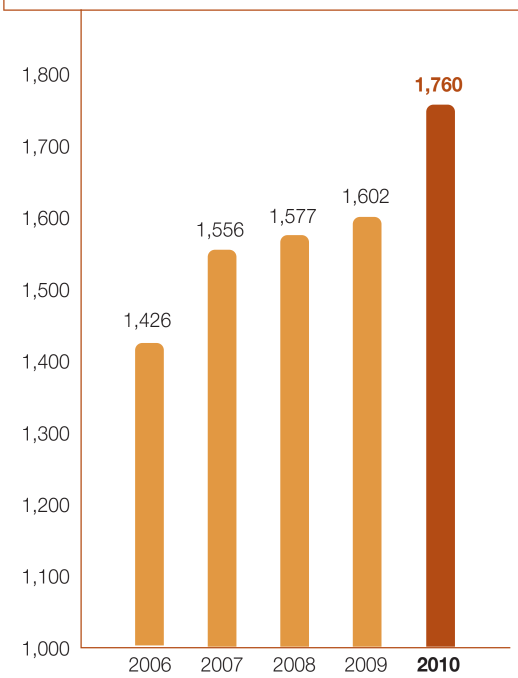
Directors	Mr LEUNG Kai Ching, Kimen *(Chairman)* Mr LEUNG Wai Sing, Wilson Mr KUOK Kun Man, Andrew Mr WONG Po Yan, *G.B.M., J.P.** The Hon LI Wah Ming, Fred, *S.B.S., J.P.** Mr LAU Wang Yip, Derrick* * *Independent non-executive directors*
Company Secretary	Mr KUOK Kun Man, Andrew
Principal Bankers	Hang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

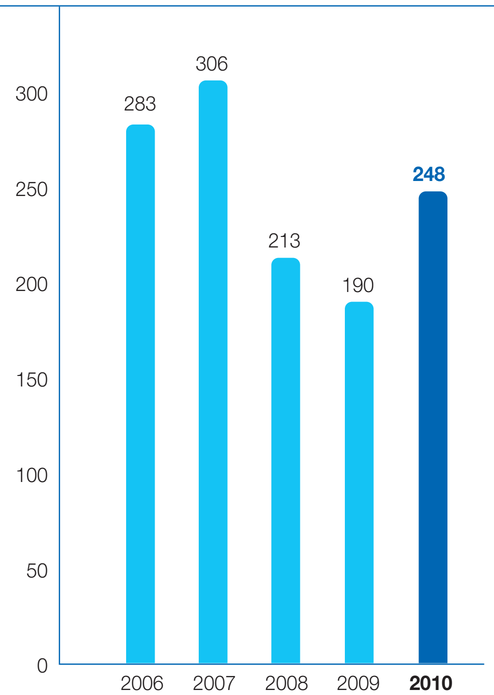
REVENUE
(HK$ MILLION)



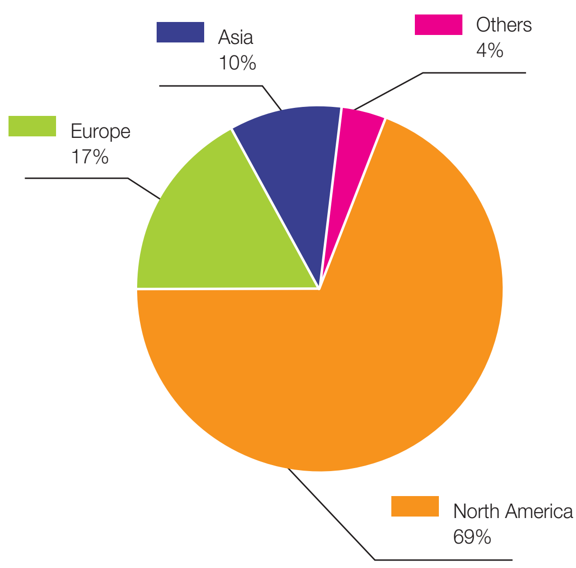
EQUITY
(HK$ MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
(HK$ MILLION)



REVENUE BY GEOGRAPHICAL SEGMENT IN 2010



Chairman's Statement

Chairman **LEUNG KAI CHING, KIMEN**

GROUP RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I am pleased to present the financial results of Alco Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st March 2010. During the review period, the Group recorded profit attributable to shareholders of HK$248 million (2009: HK$190 million) despite turnover falling by 33% to HK$4 billion over the same time last year (2009: HK$6 billion). Earnings per share were HK44.6 cents, compared to HK34.1 cents for 2009.

As the Group has achieved satisfactory results and maintained a strong financial position in the face of tough business conditions, the Board of Directors will continue to observe a dividend policy that delivers stable returns to shareholders. Accordingly, the payment of a final dividend of HK14 cents and a special dividend of HK6 cents has been recommended which, after including an interim dividend of HK9 cents per share, brings the total dividend to HK29 cents for the financial year (2009: HK23 cents), representing an increase of 26% over the previous financial year and an overall payout ratio of 65%.

The final dividend and special dividend will be paid on 15th September 2010 to the Group's shareholders upon approval at the upcoming Annual General Meeting.

REVIEW OF OPERATIONS

The past financial year remained a challenging period for the Group as pressure resulting from the global financial crisis had yet to dissipate fully. However, our focus on healthy profit margin, maintaining a product mix that is in tune with market needs, and employing stringent cost controls have all been important factors in allowing us to preserve our competitiveness and a strong financial position, which was paramount for weathering the downturn.

Chairman's Statement

Pursuing Healthy Profit Margins over Turnover

With the economic recession persisting, consolidation of the audio-visual manufacturing industry continued. As suppliers with less competitiveness were ousted from the market, the resultant vacuum presented us with more opportunities to fill new orders. However, electing to focus on quality over quantity and margins over turnover, we only accepted orders from selected customers who are financially sound and can share a similarly strong commitment to quality. As a result, we were able to improve our margins during the review period even though total turnover declined, partly due to change in product mix from low margin commodity type products to products with unique features and functions.

Product Mix That is In Tune with Market Needs

To generate solid demand for the Group's products while delivering reasonable margins, we employed a flexible yet shrewd product mix strategy. During the year, portable DVD players and LCD TV products featuring 19-inch and 22-inch screens remained the key revenue drivers for the Group. We also sought to increase the supply of high end audio products for the mass market as prices for these products remained relatively stable. Audio and visual products with value-added iPod and iPhone docking features have been some of the most popular items with the Group's customers.

Committed to the pursuit of innovation as well as exploring new income sources, we were among the first manufacturers to launch LED backlight LCD TVs in 2009. These models have been very well received by customers as they bring several advantages, including less energy consumption, superior contrast levels and greater aesthetic appeal, being thinner than conventional LCD TVs due to the elimination of bulky CCFL (Cold Cathode Fluorescent Lamps) backlights. The sleek and stylish look of LCD TVs with LED backlighting will likely make them "must-have" items in coming years.

Stringent Cost Control

During the slow period of economic recovery and facing the rapid increase in labour cost, we were more committed than ever to employing cost control measures that enhance our competitiveness. The measures taken included containing operating costs by further reducing our workforce. Overtime expenditure was also reduced through stringent operation and work flow management. Greater inventory control was practiced as well, astutely purchasing materials at opportune occasions to keep down cost of sales. Moreover, the ongoing practice of standardising parts where feasible allowed us to achieve efficient product assembly and derive other advantages such as greater quality control, lower production cost, benefit from economies of scale and less susceptibility to the effects of parts obsolescence.

Chairman's Statement

Other Factors for Increased Net Profit

While we are committed to maintaining profit margin and employing stringent cost control measures, several items further contributed to increased net profit during the review period, including

– Revaluation gain of HK$9 million on investment properties as compared to a revaluation loss of HK$5 million in last financial year.

– Exchange gain of HK$14 million due to the appreciation of Korean Won as compared to an exchange loss of HK$26 million in last financial year.

– Saving in finance costs of HK$22 million due to strong cash position.

Prudent Cash Flow Management

To ensure our financial position remained sound, the Group held tight control on cash flow. Even though the Group had maintained a strong cash position well before the economic downturn, we took further measures to fortify our foundation, minimizing the size of bank loans and enforcing a strict spending policy. Also, we have been highly vigilant when reviewing credit terms with customers in order to minimise the credit risk especially during this adverse economic situation.

Investment in Korean Company Takes Positive Turn

Aside from progress made in our core business, we are also pleased to report that Hydis Technologies Co., Ltd. ("Hydis"), a Korean company within which the Group acquired a minority interest back in early 2008, has also made steps forward. Principally engaged in the development and manufacture of TFT-LCD panels, Hydis has reported a net profit making position since early 2010. Apart from securing a reliable supply of TFT LCD panels, we believe that the investment can provide a good return in the long run.

PROSPECTS

While consumer sentiment in the US is showing signs of improvement in the first quarter of 2010, there remain mixed signals coming out of the country on its pace of recovery. Moreover, many European countries are now implementing tough austerity measures, which may pose a drag on Europe's recovery and affect market demand. Amid such uncertainties, we are cautiously optimistic about the outlook of the consumer electronics market and will continue to prudently steer the Group forward, mindful of protecting our financial health yet not at the expense of constricting business development.

Seeking to build on our range of consumer electronics products to create new income sources, we will continue to ride on the crest of the latest trends as well as take the initiative of exploring more business opportunities by making the best use of our R&D resources. The focus of our product development is on integrating value-added technologies, and we will launch Blu-ray Disk players for portable and home theatre applications as well as eBook Readers in the later part of 2010. We will also target introducing iPad docking audio and visual products on the market in early 2011.

Chairman's Statement

With global LCD TV shipments for the first quarter of 2010 exceeding 40 million units, equivalent to year-on-year growth of approximately 48%, according to research firm DisplaySearch, we will tap this growing demand by placing more emphasis on the sale of large-screen LCD TVs in the coming year. In relation to LED-backlight LCD TV, penetration is expected to surge to about 20% in 2010, according to estimates. Here too is an area that warrants steady development, capitalising on our competitive advantage of being an early entrant in this technology. In addition, we will explore opportunities in connection with 3D format Blu-ray Disk players and the emergence of 3D TVs.

The Group's manufacturing efficiency will receive a decided boost in the future by way of a new manufacturing facility in Dongguan. With construction ending in 2011 and production commencing in 2012, the state-of-the-art plant will be equipped with the latest technologies that will see labour reduced yet productivity increased still further. While helping us realise our business objectives, the facility will also enable the Group to fulfil its commitment to good corporate citizenship, having been designed from the outset to incorporate environmentally-friendly features that promote energy efficiency and reduce resources consumption.

Strengthened as opposed to weakened by the global financial crisis, the Group will continue to take decisive action that sustains business growth, bolsters its market and financial position, and ensures long-term healthy development.

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 2010

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 77, is the founder and Chairman of the Group. He has more than 43 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 50, is a son of the Chairman of the Group, 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 56, 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 33 years of experience in finance and accounting with multinational organisations.

Independent Non-executive Directors

Mr WONG Po Yan, *G.B.M., J.P.*, aged 87, 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 55, 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 49, joined the Group in 2000 and is the managing director 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 55, joined the Group in 1991 and is the managing director of Alco International Limited. He has over 30 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 62, 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 31 years solid background management in both OEM and EMS industries.

Mr LEUNG Wai Lap, David, aged 49, is a son of the Chairman of the Group. He joined the Group in 2005 and is the senior sales manager of the Group. He oversees the sales and marketing for the Group's product and service in North America.

Mr LEUNG Wai Ming, Jimmy, aged 41, is a son of the Chairman of the Group, joined the Group in 1993 and is the Group's purchasing manager. He has more than 17 years of experience in the field of audio electronic products.

Ms PANG Siu Mui, Wendy, aged 59, 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 59, joined the Group in 1972 and is the shipping manager of Alco Electronics Limited. He has over 35 years of experience in shipping.

Mr LEUNG Kam Fai, Peter, aged 53, joined the Group in 1979. He is the Group's material planning and control manager. He has over 31 years of experience in the audio field.

Mr LEONG Ue Cheong, aged 52, joined the Group in 1978 and is the shipping manager of Alco International Limited. He has over 32 years of experience in shipping.

Mr LAU Kwok Wai, Francis, aged 59, joined the Group in 1986 and is a director of Alco Plastic Products Limited. He has over 25 years of experience in the plastics industry and is responsible for the operations of the plastics factory.

Mr HO Man Shuen, Francis, aged 51, 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 28 years of experience in research and development, manufacturing and quality control of electronic products.

Mr CHOW Tung Yiu, Tony, aged 40, joined the Group in 1997 and is the Group's management information system manager. He holds a bachelor degree in science and has over 17 years of experience in developing manufacturing systems.

Mr LIU Lup Man, Stephen, aged 38, 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 Member of the HKICPA and the ACCA. He has over 15 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 2010. The attendance of each director is set out as follows:

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

The Hon LI Wah Ming, Fred and Mr LAU Wang Yip, Derrick will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions with the Company for the 12 months ended 31st March 2010.

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 2010 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 2010.

Two audit committee meetings were held during the year ended 31st March 2010 and the attendance of each committee member is set out as follows:

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

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

For the year ended 31st March 2010, the remuneration paid to the Company's auditor, Messrs. PricewaterhouseCoopers, was as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit-related services	2,380
Non audit-related services	
Tax compliance services	845

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 2010.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 34 to the consolidated financial statements.

Analyses of the Group's performance for the year by product and geographical area are 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 ordinary share and a special dividend of HK6 cents per ordinary share, totalling HK$111,333,000.

LIQUIDITY AND FINANCIAL RESOURCES

Total equity and total equity per share as at 31st March 2010 were approximately HK$1,760 million (2009: HK$1,602 million) and HK$3.16 (2009: HK$2.88) respectively.

The Group maintains a strong financial position. As at 31st March 2010, we had cash and deposits of HK$1,040 million. After deducting interest-bearing debts of HK122 million, we had net cash of HK$918 million. Our inventory as at 31st March 2010 was HK$473 million (2009: HK$704 million) as a result of tight inventory control.

The trade receivables balance as at 31st March 2010 was approximately HK$521 million (2009: HK$584 million). We have been adopting a prudent credit policy, with credit terms granted based generally on the financial strengths of individual customer.

As at 31st March 2010, we had banking facilities of approximately HK$1,716 million, of which approximately HK$122 million were utilised. Among the used facilities, approximately HK$76 million are repayable in the first year and approximately HK$46 million are repayable in the second to fifth years.

Capital expenditure on fixed assets during the year was approximately HK$34 million (2009: HK$66 million), mainly for purchase of moulds, plant and equipments. All expenditures were financed with internal resources. As at 31st March 2010, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounting to approximately HK$914,000 (2009: HK$1,413,000).

We have limited exposure to trade-related foreign exchange risk as nearly all of 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 activities, we did not make any gain or loss from such activities during the reporting period.

Report of the Directors

EMPLOYEES

As at 31st March 2010, the Group had approximately 7,900 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 2010 are as follows:

Purchases	
– the largest supplier	7%
– five largest suppliers combined	22%
Sales	
– the largest customer	25%
– five largest customers combined	73%

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

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 28 to the consolidated financial statements.

DONATIONS

Charitable and other donation made by the Group during the year amounted to HK$77,000.

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 81.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2010 amounted to approximately HK$46,475,000 (2009: HK$46,424,000), 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 82.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31st March 2010 and the Company has not redeemed any of its shares during the same financial year.

BANK BORROWINGS

An analysis of the Group's bank borrowings at 31st March 2010 is set out below:

	Bank borrowings	
	2010	2009
	HK$'000	HK$'000
Within one year	**76,400**	74,808
In the second year	**39,400**	74,855
In the third to fifth year	**6,600**	232,906
	122,400	382,569

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2010 are set out in Note 34 to the consolidated financial statements.

Report of the Directors

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, The Hon LI Wah Ming, Fred and Mr LAU Wang Yip, Derrick will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

On 1st April 2010, 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 2010, 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			Percentage of the issued share capital of the Company
	Personal interest	Corporate interest	Total	
Mr LEUNG Kai Ching, Kimen	18,200,000	225,911,400 (note i)	244,111,400	43.85%
Mr LEUNG Wai Sing, Wilson	44,640,000	–	44,640,000	8.02%
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.

(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 2010, 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 2010, 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.

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%
Leung Wai Lap, David	Beneficial owner	34,078,190	6.12%
DJE Investment S.A.	Investment manager	33,402,000 (note ii)	6.00%
DJE Kapital AG	Investment manager	33,402,000 (note ii)	6.00%
Dr. Jens Alfred Karl Ehrhardt	Investment manager	33,402,000 (note ii)	6.00%
Webb David Michael	Beneficial owner	27,971,400	5.02%

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

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 held by DJE Investment S.A. which is controlled by DJE Kapital AG, which in turn is controlled by Dr. Jens Alfred Karl Ehrhardt.

Save as disclosed above, as at 31st March 2010, 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$1 to the Company for the acceptance of an option.

40,540,000 share options have been granted by the Company after the reporting date. Details of which are set out in Note 35 to the consolidated financial statements.

Report of the Directors

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 high standards of corporate governance. 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 2010.

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 2010 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 2010

Independent Auditor's Report

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 80, which comprise the consolidated and company balance sheets as at 31st March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2010 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, 16th July 2010

Consolidated Income Statement

For the year ended 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	**4,003,213**	5,993,075
Cost of goods sold	7	**(3,447,672)**	(5,321,070)
Gross profit		**555,541**	672,005
Other income	6	**14,451**	2,394
Selling expenses	7	**(216,833)**	(303,236)
Administrative expenses	7	**(93,428)**	(100,132)
Other operating expenses	7	**(4,718)**	(12,869)
Exchange gain/(loss) on loans and receivables	18	**14,397**	(25,957)
Operating profit		**269,410**	232,205
Finance income	9	**5,989**	8,130
Finance costs	9	**(1,381)**	(23,839)
Profit before income tax		**274,018**	216,496
Income tax expense	10	**(25,725)**	(26,311)
Profit for the year attributable to equity holders of the Company		**248,293**	190,185
Earnings per share attributable to equity holders of the Company			
– basic	12	**HK44.6 cents**	HK34.1 cents
– diluted	12	**HK44.6 cents**	HK34.1 cents
Dividends	13	**161,433**	128,033

The notes on pages 29 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**248,293**	190,185
Other comprehensive income/(expenses), net of tax		
Fair value gain/(loss) on available-for-sale financial assets	**40,485**	(38,935)
Currency translation differences	**(2,828)**	3,144
Total comprehensive income for the year attributable to equity holders of the Company	**285,950**	154,394

The notes on pages 29 to 80 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**278,749**	332,065
Investment properties	15	**75,020**	65,970
Leasehold land and land use rights	16	**58,191**	58,648
Intangible assets	17	**76,827**	81,658
Deferred income tax assets	29	**7,072**	–
Loans and receivables	18	**78,501**	64,104
Available-for-sale financial assets	19	**136,641**	96,156
		711,001	698,601
Current assets			
Inventories	22	**472,688**	703,846
Trade and other receivables	23	**535,383**	608,697
Cash and cash equivalents	24	**1,039,830**	872,307
		2,047,901	2,184,850
Current liabilities			
Trade and other payables	25	**819,062**	831,317
Current income tax liabilities		**57,891**	38,439
Borrowings	26	**76,400**	74,808
		953,353	944,564
Net current assets		**1,094,548**	1,240,286
Total assets less current liabilities		**1,805,549**	1,938,887
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**55,666**	55,666
Reserves	28	**1,703,883**	1,545,966
Total equity		**1,759,549**	1,601,632
Non-current liabilities			
Borrowings	26	**46,000**	307,761
Deferred income tax liabilities	29	**–**	29,494
		46,000	337,255
Total equity and non-current liabilities		**1,805,549**	1,938,887

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 29 to 80 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	20	**348,177**	348,105
Current assets			
Other receivables	23	**105**	105
Cash and cash equivalents	24	**89**	107
		194	212
Current liabilities			
Other payables	25	**278**	276
Tax payable		**1**	–
		279	276
Net current liabilities		**(85)**	(64)
Total assets less current liabilities		**348,092**	348,041
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**55,666**	55,666
Reserves	28	**292,426**	292,375
Total equity		**348,092**	348,041

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 29 to 80 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2010

	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 2008	55,867	245,235	1,275,950	1,577,052
Comprehensive income				
Profit for the year	–	–	190,185	190,185
Other comprehensive income/(expense)				
Fair value loss on available-for-sale financial assets	–	(38,935)	–	(38,935)
Currency translation differences	–	3,144	–	3,144
Total comprehensive (expense)/income	–	(35,791)	190,185	154,394
Transactions with owners				
Repurchase of own shares	(201)	(1,099)	(201)	(1,501)
2009 interim dividend	–	–	(50,100)	(50,100)
2008 final dividend	–	–	(78,213)	(78,213)
Total transactions with owners	(201)	(1,099)	(128,514)	(129,814)
Balance at 31st March 2009	55,666	208,345	1,337,621	1,601,632
Balance at 1st April 2009	**55,666**	**208,345**	**1,337,621**	**1,601,632**
Comprehensive income				
Profit for the year	**–**	**–**	**248,293**	**248,293**
Other comprehensive income/(expense)				
Fair value gain on available-for-sale financial assets	**–**	**40,485**	**–**	**40,485**
Currency translation differences	**–**	**(2,828)**	**–**	**(2,828)**
Total comprehensive income	**–**	**37,657**	**248,293**	**285,950**
Transactions with owners				
2010 interim dividend	**–**	**–**	**(50,100)**	**(50,100)**
2009 final dividend	**–**	**–**	**(77,933)**	**(77,933)**
Total transactions with owners	**–**	**–**	**(128,033)**	**(128,033)**
Balance at 31st March 2010	**55,666**	**246,002**	**1,457,881**	**1,759,549**

The notes on pages 29 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**641,240**	572,763
Interest received		**5,989**	8,130
Interest paid		**(1,381)**	(23,839)
Profits tax (paid)/refund		**(42,839)**	418
Net cash generated from operating activities		**603,009**	557,472
Cash flows from investing activities			
Purchase of property, plant and equipment		**(34,266)**	(65,598)
Proceeds from sale of property, plant and equipment		**1,887**	3,069
Deferred development costs paid		**(11,515)**	(14,036)
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
Net cash used in investing activities		**(43,894)**	(231,084)
Cash flows from financing activities			
Repurchase of own shares		**–**	(1,501)
Proceeds from borrowings		**12,000**	380,000
Repayments of borrowings		**(272,169)**	(63,138)
Dividends paid to the Company's shareholders		**(128,033)**	(128,313)
Net cash (used in)/generated from financing activities		**(388,202)**	187,048
Net increase in cash and cash equivalents		**170,913**	513,436
Cash and cash equivalents at beginning of the year		**872,307**	358,669
Effect of foreign exchange rate change		**(3,390)**	202
Cash and cash equivalents at end of the year	24	**1,039,830**	872,307

The notes on pages 29 to 80 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 16th July 2010.

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 to 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 and available-for-sale financial assets, which are carried at fair value.

The preparation of consolidated 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.

New and Amended Standards adopted by the Group

The following new/revised standards and amendments to standards are mandatory, relevant to and have been adopted by the Group for the financial year beginning 1st April 2009, but had no significant impact on the Group's financial statements:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

HKAS 1 (Revised) – Presentation of financial statements

The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on total equity and earnings per share.

HKFRS 7 – Financial instruments: disclosures (Amendment)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on total equity and earnings per share.

HKFRS 8 – Operating segments

HKFRS 8 replaces HKAS 14, 'Segment Reporting', and it requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. There has been no change in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to chief operating decision maker.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new/revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the financial year ended 31st March 2010 and have not been early adopted by the Group:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

		Effective for annual periods beginning or after
• HKFRS 1 (Revised)	First-time Adoption of HKFRS	1st July 2009
• HKFRS 3 (Revised)	Business Combinations	1st July 2009
• HKFRS 9	Financial Instruments	1st January 2013
• HKAS 24 (Revised)	Related Party Disclosures	1st January 2011
• HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
• Amendment to HKAS 32	Classification of Rights Issues	1st February 2010
• Amendment to HKAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1st July 2009
• Amendment to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement	1st January 2011
• HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1st July 2009
• HK(IFRIC)-Int 18	Transfers of Assets from Customers	1st July 2009
• HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010
• Amendment to HKFRS 1	Additional Exemptions for First-time Adopters	1st January 2010
• Amendment to HKFRS 2	Group Cash-settled Share-based Payment Transactions	1st January 2010

- Certain improvements to HKFRS published by HKICPA in May 2009 and May 2010

The Group has already commenced an assessment of the impact of the above new/revised standards, amendments and interpretations to existing standards but is not yet in a position to state whether these new/revised standards, amendments and interpretations to existing standards would have a significant impact to its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation

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

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

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

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management committee that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations 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.

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

Subsequent costs are included in 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%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

2.7 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 right is 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 (directly attributable 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 expenses 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of investments in subsidiaries and other non-financial assets

Assets that have an indefinite useful life 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.

2.10 Financial assets

2.10.1 *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. 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 end of the reporting period. 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) 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 the investment matures or management intends to dispose of the investment within 12 months from the end of the reporting period.

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. Loans and receivables are subsequently 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 other comprehensive income.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is evidenced that the assets 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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the 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 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 payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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 end of the reporting period.

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax.

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

Deferred income tax is 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 only 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 recognised/provided on temporary differences arising on investments 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.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 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 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 expenses 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 the end of the reporting period 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. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

(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 and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

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 and USD, except for the loans and receivables are denominated in Korean Won ("KRW") as disclosed in note 18. There are no significant assets or liabilities denominated in other currencies.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

In respect of foreign exchange risk with USD, 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.

In respect of foreign exchange risk with RMB, at 31st March 2010, 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$1,702,000 lower/higher (2009: HK$2,295,000), mainly as a result of the foreign exchange losses/gains on translation of RMB denominated cash and bank balances and other payables.

In respect of the loans and receivables denominated in KRW, at 31st March 2010, 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$7,850,000 higher/lower (2009: HK$6,410,000).

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, other than short-term bank deposits, 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 bank borrowings. The Group's 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 2010, the Group's borrowings at variable rates were denominated in HKD.

At 31st March 2010, 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$1,224,000 lower/higher (2009: HK$3,826,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

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)

At 31st March 2010, if interest rates on all interest-bearing bank and cash deposits had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$1,039,000 higher/lower (2009: HK$872,000) due to interest income earned on market interest rate.

The total bank loans held by the Group as at 31st March 2010 were all with floating rates.

(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 2010, the Group's total available banking facilities amounted to approximately HK$1,716 million (2009: HK$2,030 million).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

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

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.

	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 2009					
Borrowings	75,408	76,039	233,920	385,367	382,569
Trade and other payables	831,317	–	–	831,317	831,317
At 31st March 2010					
Borrowings	**76,897**	**39,936**	**6,972**	**123,805**	**122,400**
Trade and other payables	**819,062**	**–**	**–**	**819,062**	**819,062**

	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 2009					
Other payables	276	–	–	276	276
At 31st March 2010					
Other payables	**278**	**–**	**–**	**278**	**278**

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.

The gearing ratios at 31st March 2010 and 2009 were as follows:

	2010 HK$'000	2009 HK$'000
Borrowings (Note 26)	**122,400**	382,569
Less: Cash and cash equivalents (Note 24)	**(1,039,830)**	(872,307)
Net surplus cash	**(917,430)**	(489,738)
Total equity	**1,759,549**	1,601,632
Gearing ratio	**Not applicable**	Not applicable

3.3 Fair value estimation

Effective from 1st April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presented the assets (liabilities: Nil) that were measured at fair value at 31st March 2010 of the Company:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Assets				
Available-for-sale financial assets				
– Equity securities	–	–	136,641	136,641

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group engaged CB Richard Ellis, an independent valuer, to perform the valuation by the use of discounted cash flow model based on market conditions existed at the balance sheet date and business forecast provided by management. A discount rate of 14% was used in the valuation.

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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the year ended 31st March 2010.

	Available-for-sale financial assets HK$'000
Opening balance	96,156
Gain recognised in other reserves	40,485
Closing balance	136,641

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 reviews take 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 reviews.

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) Fair value estimation of available-for-sale financial assets

The fair value of available-for-sale financial assets which are not traded in an active market is determined by using valuation techniques. In conjunction with external advisers, the Group uses its judgment to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the issue date and each subsequent balance sheet date. The valuation model requires the input of both observable and unobservable data. Changes in these unobservable and subjective input assumptions can materially affect the fair value estimate of available-for-sale financial assets.

(e) Recognition of deferred income tax assets

According to the accounting policy as stated in Note 2.17, a deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised, and it is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised.

In determining the deferred income tax asset to be recognised, management is required to estimate the realisation of deferred tax assets. Any difference between these estimates and the actual outcome will impact the Group's result in the period in which the actual outcome is determined.

5 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Revenue		
Consumer electronic products	**3,998,776**	5,983,815
Plastic products	**4,437**	9,260
	4,003,213	5,993,075

(a) Segment analysed by products

The senior management (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed by the management committee.

The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong and is principally engaged in designing, manufacturing and selling consumer electronic products and plastic products.

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 among subsidiaries. The transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

Revenue is allocated geographically based on the places/countries in which the customers are located.

Management assesses the performance of the operating segments based on a measure of operating profit. Other information provided is measured in a manner consistent with that in the financial statements.

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 deferred tax assets.

5 REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment analysed by products *(continued)*

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.

	Group							
	2010				2009			
	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	3,998,776	4,437	–	4,003,213	5,983,815	9,260	–	5,993,075
Inter-segment sales	–	119,488	(119,488)	–	–	161,735	(161,735)	–
	3,998,776	123,925	(119,488)	4,003,213	5,983,815	170,995	(161,735)	5,993,075
Segment results	270,052	(642)	–	269,410	234,274	(2,069)	–	232,205
Finance income				5,989				8,130
Finance costs				(1,381)				(23,839)
Profit for the year before income tax				274,018				216,496
Income tax expense				(25,725)				(26,311)
Profit attributable to equity holders of the Company				248,293				190,185
Segment assets	2,621,442	55,368		2,676,810	2,749,141	68,340		2,817,481
Unallocated corporate assets				82,092				65,970
Total assets				2,758,902				2,883,451
Segment liabilities	807,764	11,298		819,062	820,283	11,034		831,317
Unallocated corporate liabilities				180,291				450,502
Total liabilities				999,353				1,281,819
Capital expenditure	45,146	635		45,781	77,449	2,185		79,634

5 REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment analysed by geographical areas

The segment revenue for the years ended 31st March 2010 and 2009 are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
North America	**2,782,269**	4,645,446
Europe	**661,599**	831,360
Asia	**403,890**	371,906
Others	**155,455**	144,363
	4,003,213	5,993,075

The analysis of revenue by geographical areas is based on the destination to which the shipments are made.

Primarily all of its assets and capital expenditure for the years ended 31 March 2010 and 2009 were located or utilised in the PRC and Hong Kong.

Details of the customers accounting for 10% or more of total revenue are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Customer A	**1,004,678**	2,352,504
Customer B	**955,965**	970,262
Customer C	**503,387**	465,670

6 OTHER INCOME

	Group	
	2010	2009
	HK$'000	HK$'000
Fair value gain/(loss) on investment properties (Note 15)	**9,050**	(4,522)
Rental income from investment properties	**5,203**	4,670
Sale of moulds	**162**	2,065
Others	**36**	181
	14,451	2,394

7 EXPENSES BY NATURE

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

	Group	
	2010	2009
	HK$'000	HK$'000
Cost of inventories	**2,632,467**	4,367,077
Depreciation of property, plant and equipment	**76,983**	73,640
Amortisation of leasehold land and land use rights	**457**	458
Amortisation of intangible assets	**16,137**	13,067
Auditor's remuneration	**2,508**	2,380
Write-off/impairment of property, plant and equipment	**7,629**	–
Write-off of intangible assets	**209**	3,174
Loss on disposal of property, plant and equipment	**1,083**	2,039
Operating lease rental in respect of land and buildings	**32,591**	33,538
Research and development costs	**22,577**	19,794
Employee benefit expenses (including directors' emoluments) (Note 8)	**313,404**	348,267

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2010	2009
	HK$'000	HK$'000
Wages and salaries	**296,106**	324,521
Pension costs – defined contribution retirement schemes (Note (a))	**3,286**	4,851
Other staff benefits	**12,646**	16,371
Termination benefits	**1,366**	2,524
	313,404	348,267

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 each required to contribute 5% on the employees' monthly net salaries with a maximum of HK$1,000 for employees' monthly contribution.

Contributions to the ORSO Scheme and MPF Scheme charged to the consolidated income statement for the year amounted to approximately HK$3,286,000 (2009: HK$4,851,000). Forfeited contributions in respect of the defined contribution retirement scheme of approximately HK$28,000 (2009: HK$11,000) were utilised during the year. Forfeiture contributions of approximately HK$13,000 (2009: HK$14,000) were available as at 31st March 2010 to reduce future contributions.

Contributions totalling approximately HK$543,000 (2009: HK$533,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

(b) Directors' emoluments

The remuneration of every director of the Company for the years ended 31st March 2010 and 2009 is set out below:

Name of Director	Fee	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31st March 2009					
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
For the year ended 31st March 2010					
Mr LEUNG Kai Ching, Kimen	**–**	**4,389**	**4,279**	**188**	**8,856**
Mr LEUNG Wai Sing, Wilson	**–**	**4,389**	**4,564**	**188**	**9,141**
Mr KUOK Kun Man, Andrew	**–**	**1,847**	**2,567**	**79**	**4,493**
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 2010 and 2009.

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 (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**3,123**	3,123
Discretionary bonuses	**9,739**	8,000
Contributions to pension schemes	**91**	91
	12,953	11,214

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1
HK$9,000,001 – HK$9,500,000	**1**	–

(d) Key management compensation

	Group	
	2010	2009
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**13,748**	13,748
Discretionary bonuses	**21,149**	20,800
Contributions to pension schemes	**546**	546
	35,443	35,094

9 FINANCE INCOME AND FINANCE COSTS

	Group 2010 HK$'000	Group 2009 HK$'000
Finance income:		
– Bank interest income	**3,852**	5,892
– Loans and receivables	**2,137**	2,238
	5,989	8,130
Finance costs:		
– Interest expense on bank borrowings wholly repayable within five years	**1,381**	23,839

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Group 2010 HK$'000	Group 2009 HK$'000
Current income tax		
– Hong Kong profits tax	**56,322**	28,642
– Under provision in prior years	**5,969**	30
Deferred income tax (Note 29)	**(36,566)**	(2,361)
	25,725	26,311

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 2010 HK$'000	Group 2009 HK$'000
Profit before income tax	**274,018**	216,496
Tax calculated at a tax rate of 16.5% (2009: 16.5%)	**45,213**	35,722
Effect of different tax rates in other countries	**590**	(339)
Income not subject to tax	**(82,254)**	(31,368)
Expenses not deductible for tax purposes	**56,935**	22,353
Under provision in prior years	**5,969**	289
Unrecognised tax losses	**452**	649
Utilisation of previously unrecognised tax losses	**(1,180)**	(995)
Tax charge	**25,725**	26,311

11 PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$128,084,000 (2009: HK$128,362,000).

12 EARNINGS PER SHARE

Basic

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

	Group	
	2010	2009
Profit for the year attributable to equity holders of the Company (HK$'000)	**248,293**	190,185
Weighted average number of ordinary shares in issue (thousands)	**556,662**	557,797
Basic earnings per share (HK cents)	**44.6**	34.1

Diluted

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

There were no dilutive potential ordinary shares during the years ended 31st March 2010 and 2009. Therefore, the diluted earnings per share are the same as basic earnings per share.

13 DIVIDENDS

	Company	
	2010	2009
	HK$'000	HK$'000
Interim dividend, paid, of HK9 cents (2009: HK9 cents) per ordinary share	**50,100**	50,100
Final dividend, proposed, of HK14 cents (2009: HK14 cents) per ordinary share	**77,933**	77,933
Special dividend, proposed, of HK6 cents (2009: Nil) per ordinary share	**33,400**	–
	161,433	128,033

At a meeting held on 15th July 2010, the directors proposed a final dividend of HK14 cents per ordinary share and a special dividend of HK6 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 HK$'000	Moulds HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st April 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
Year ended 31st March 2010							
Opening net book amount	**21,223**	**59,737**	**12,330**	**62,032**	**170,782**	**5,961**	**332,065**
Additions	**–**	**26,250**	**1,648**	**3,031**	**1,007**	**2,330**	**34,266**
Disposals	**–**	**(64)**	**(379)**	**(1,369)**	**(948)**	**(210)**	**(2,970)**
Depreciation	**(755)**	**(26,839)**	**(7,992)**	**(12,576)**	**(27,539)**	**(1,282)**	**(76,983)**
Write-off/impairment	**–**	**(24)**	**–**	**(296)**	**(7,284)**	**(25)**	**(7,629)**
Closing net book amount	**20,468**	**59,060**	**5,607**	**50,822**	**136,018**	**6,774**	**278,749**
At 31st March 2010							
Cost	**29,787**	**387,265**	**87,797**	**258,637**	**561,628**	**19,161**	**1,344,275**
Accumulated depreciation and impairment	**(9,319)**	**(328,205)**	**(82,190)**	**(207,815)**	**(425,610)**	**(12,387)**	**(1,065,526)**
Net book amount	**20,468**	**59,060**	**5,607**	**50,822**	**136,018**	**6,774**	**278,749**

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Depreciation expenses have been included in:

	Group	
	2010	2009
	HK$'000	HK$'000
Cost of goods sold	**73,672**	70,094
Administrative expenses	**3,311**	3,546
	76,983	73,640

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

	Group	
	2010	2009
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**8,244**	8,575
Leases of between 10 and 50 years	**293**	305
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**11,931**	12,343
	20,468	21,223

(d) As at 31st March 2010, no bank borrowing is secured on a building (2009: HK$2,274,000) (Note 26).

15 INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
Beginning of the year	**65,970**	70,492
Fair value gain/(loss) (Note 6)	**9,050**	(4,522)
End of the year	**75,020**	65,970

The investment properties were revalued at 31st March 2010 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	
	2010	2009
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**48,140**	42,010
Leases of between 10 and 50 years	**26,880**	23,960
	75,020	65,970

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2010	2009
	HK$'000	HK$'000
Opening net book amount	**58,648**	58,991
Amortisation	**(457)**	(458)
Exchange differences	**–**	115
Closing net book amount	**58,191**	58,648

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	
	2010	2009
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**45,764**	45,817
Leases of between 10 and 50 years	**430**	442
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**11,997**	12,389
	58,191	58,648

As at 31st March 2010, no bank borrowing is secured on leasehold land and land use rights (2009: bank borrowing was secured on leasehold land and land use rights for the carrying amount of approximately HK$3,162,000) (Note 26).

17 INTANGIBLE ASSETS

	Group		
	Licence right HK$'000	Deferred development costs HK$'000	Total HK$'000
At 1st April 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
For the year ended 31st March 2010			
At 1st April 2009	**68,250**	**13,408**	**81,658**
Additions	**–**	**11,515**	**11,515**
Write-off	**–**	**(209)**	**(209)**
Amortisation	**(7,800)**	**(8,337)**	**(16,137)**
At 31st March 2010	**60,450**	**16,377**	**76,827**
At 31st March 2010			
Cost	**78,000**	**88,865**	**166,865**
Accumulated amortisation	**(17,550)**	**(72,488)**	**(90,038)**
Net book amount	**60,450**	**16,377**	**76,827**

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

18 LOANS AND RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount as at year end	**78,501**	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 Korean Won ("KRW").

The carrying amount of the loans and receivables approximates to their 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	
	2010	2009
	HK$'000	HK$'000
Fair value of unlisted equity securities outside Hong Kong, at 1st April	**96,156**	135,091
Fair value gain/(loss) for the year	**40,485**	(38,935)
Fair value of unlisted equity securities outside Hong Kong, at 31st March	**136,641**	96,156

The available-for-sale financial assets represent the Group's long term investment in the shares of Hydis (Note 18). They are denominated in KRW.

The available-for-sale financial assets were revalued at 31st March 2010 by an independent, professionally qualified valuer, CB Richard Ellis.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost (Note (a))	**67,586**	67,586
Amounts due from subsidiaries (Note (b))	**280,591**	280,519
	348,177	348,105

Notes:

(a) Details of principal subsidiaries are set out in Note 34 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 carrying value of the amounts due from subsidiaries mentioned above.

21 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		
	Loans and receivables	**Available-for-sale financial assets**	**Total**
	HK$'000	HK$'000	HK$'000
Assets as per consolidated balance sheet			
At 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 23)	608,697	–	608,697
Cash and cash equivalents (Note 24)	872,307	–	872,307
Total	1,545,108	96,156	1,641,264
At 31st March 2010			
Loans and receivables (Note 18)	**78,501**	**–**	**78,501**
Available-for-sale financial assets (Note 19)	**–**	**136,641**	**136,641**
Trade and other receivables (Note 23)	**535,383**	**–**	**535,383**
Cash and cash equivalents (Note 24)	**1,039,830**	**–**	**1,039,830**
Total	**1,653,714**	**136,641**	**1,790,355**

21 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Other financial liabilities:

	Group	
	2010	2009
	HK$'000	HK$'000
Liabilities as per consolidated balance sheet		
Trade and other payables (Note 25)	**819,062**	831,317
Borrowings (Note 26)	**122,400**	382,569
Total	**941,462**	1,213,886

Loans and receivables:

	Company	
	2010	2009
	HK$'000	HK$'000
Assets as per balance sheet		
Other receivables	**105**	105
Cash and cash equivalents (Note 24)	**89**	107
Amounts due from subsidiaries (Note 20)	**280,591**	280,519
Total	**280,785**	280,731

21 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Other financial liabilities:

	Company	
	2010	2009
	HK$'000	HK$'000
Liabilities as per balance sheet		
Other payables	**278**	276

22 INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**192,751**	282,942
Work in progress	**17,229**	20,424
Finished goods	**262,708**	400,480
	472,688	703,846

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$2,632,467,000 (2009: HK$4,367,077,000).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**521,120**	583,632	**–**	–
Prepayments, deposits and other receivables	**14,263**	25,065	**105**	105
	535,383	608,697	**105**	105

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 2010 and 2009, the ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 30 days	**210,335**	299,693
31 – 60 days	**190,031**	241,968
61 – 90 days	**83,526**	40,448
Over 90 days	**37,228**	1,523
	521,120	583,632

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	
	2010	2009
	HK$'000	HK$'000
Counterparties without external credit rating		
– New customers (less than 6 months)	**–**	258
– Customers (more than 6 months) with no defaults in the past	**521,120**	583,374
	521,120	583,632

There were no trade receivables which were past due but not impaired as at 31st March 2010 and 2009.

23 TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
United States dollar	**422,847**	576,113
Canadian dollar	**9,173**	5,514
Hong Kong dollar	**1,034**	1,937
British pound	**88,066**	–
Renminbi	**–**	68
	521,120	583,632

As at 31st March 2010 and 2009, 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.

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**759,907**	262,181	**89**	107
Short-term bank deposits	**279,923**	610,126	**–**	–
	1,039,830	872,307	**89**	107
Maximum exposure to credit risk	**1,039,191**	871,571	**89**	107

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**145,505**	47,410	**89**	107
United States dollar	**884,764**	817,356	**–**	–
Others	**9,561**	7,541	**–**	–
	1,039,830	872,307	**89**	107

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**729,168**	722,717	**–**	–
Other payables and accruals	**89,894**	108,600	**278**	276
	819,062	831,317	**278**	276

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

At 31st March 2010 and 2009, the ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 30 days	**670,269**	628,489
31 – 60 days	**33,872**	73,116
61 – 90 days	**21,475**	17,882
Over 90 days	**3,552**	3,230
	729,168	722,717

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

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong dollar	**576,486**	309,002
United States dollar	**151,582**	412,516
Others	**1,100**	1,199
	729,168	722,717

26 BORROWINGS

	Group	
	2010	2009
	HK$'000	HK$'000
Non-current		
Bank borrowing, secured (Note (a))	**–**	1,761
Bank borrowings, unsecured (Note (b))	**–**	195,000
Bank borrowings, unsecured (Note (c))	**46,000**	111,000
	46,000	307,761
Current		
Bank borrowing, secured (Note (a))	**–**	808
Bank borrowings, unsecured (Note (c))	**76,400**	74,000
	76,400	74,808
Total borrowings	**122,400**	382,569

(a) As at 31st March 2010, no bank borrowing is secured by a building and leasehold land and land use rights of the Group (Notes 14 and 16).

As at 31st March 2009, the bank borrowing was denominated in RMB and was secured by a building and leasehold land and land use rights of the Group. Interest was charged at Renminbi Benchmark Lending Rates determined by the People's Bank of China.

(b) As at 31st March 2010, no revolving loan is held by the Group.

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

(c) The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Notes 31 and 32). The borrowings are denominated in HKD and interest bearing at margin over HIBOR.

26 BORROWINGS *(continued)*

The maturity of bank borrowings is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**76,400**	74,808
In the second year	**39,400**	74,855
In the third to fifth year	**6,600**	232,906
	122,400	382,569

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	
	2010	2009
	HK$'000	HK$'000
Hong Kong dollar	**122,400**	380,000
Renminbi	**–**	2,569
	122,400	382,569

27 SHARE CAPITAL

	Company	
	Number of Shares	Ordinary shares HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 31st March 2010 and 2009	800,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1st April 2008	558,667,720	55,867
Repurchase of own shares (Note (a))	(2,006,000)	(201)
At 31st March 2009 and 31st March 2010	**556,661,720**	**55,666**

Note:

(a) Repurchase of own shares

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.

28 RESERVES

	Group				
	Share premium HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st April 2008	246,311	739	(1,815)	1,275,950	1,521,185
Comprehensive income/(expense)					
Profit for the year	–	–	–	190,185	190,185
Other comprehensive income/(expenses)					
Fair value loss on available-for-sale financial assets	–	–	(38,935)	–	(38,935)
Currency translation differences	–	–	3,144	–	3,144
Total comprehensive (expense)/ income	–	–	(35,791)	190,185	154,394
Transactions with owners					
Repurchase of own shares	(1,300)	201	–	(201)	(1,300)
2009 interim dividend	–	–	–	(50,100)	(50,100)
2008 final dividend	–	–	–	(78,213)	(78,213)
Total transactions with owners	(1,300)	201	–	(128,514)	(129,613)
Balance at 31st March 2009	245,011	940	(37,606)	1,337,621	1,545,966
Balance at 1st April 2009	**245,011**	**940**	**(37,606)**	**1,337,621**	**1,545,966**
Comprehensive income/(expense)					
Profit for the year	**–**	**–**	**–**	**248,293**	**248,293**
Other comprehensive income/(expenses)					
Fair value gain on available-for-sale financial assets	**–**	**–**	**40,485**	**–**	**40,485**
Currency translation differences	**–**	**–**	**(2,828)**	**–**	**(2,828)**
Total comprehensive income	**–**	**–**	**37,657**	**248,293**	**285,950**
Transactions with owners					
2010 interim dividend	**–**	**–**	**–**	**(50,100)**	**(50,100)**
2009 final dividend	**–**	**–**	**–**	**(77,933)**	**(77,933)**
Total transactions with owners	**–**	**–**	**–**	**(128,033)**	**(128,033)**
Balance at 31st March 2010	**245,011**	**940**	**51**	**1,457,881**	**1,703,883**

28 RESERVES *(continued)*

	Company				
	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st April 2008	246,311	739	40,586	5,990	293,626
Comprehensive income					
Profit for the year	–	–	–	128,362	128,362
Total comprehensive income	–	–	–	128,362	128,362
Transactions with owners					
Repurchase of own shares	(1,300)	201	–	(201)	(1,300)
2009 interim dividend	–	–	–	(50,100)	(50,100)
2008 final dividends	–	–	–	(78,213)	(78,213)
Total transactions with owners	(1,300)	201	–	(128,514)	(129,613)
Balance at 31st March 2009	245,011	940	40,586	5,838	292,375
Balance at 1st April 2009	**245,011**	**940**	**40,586**	**5,838**	**292,375**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**128,084**	**128,084**
Total comprehensive income	**–**	**–**	**–**	**128,084**	**128,084**
Transactions with owners					
2010 interim dividend	**–**	**–**	**–**	**(50,100)**	**(50,100)**
2009 final dividends	**–**	**–**	**–**	**(77,933)**	**(77,933)**
Total transactions with owners	**–**	**–**	**–**	**(128,033)**	**(128,033)**
Balance at 31st March 2010	**245,011**	**940**	**40,586**	**5,889**	**292,426**

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.

29 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% (2009: 16.5%).

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	
	2010 HK$'000	2009 HK$'000
Deferred income tax liabilities to be settled after more than 12 months	**23,834**	29,800
Deferred income tax assets to be recovered after more than 12 months	**(30,906)**	(306)
Deferred income tax (assets)/liabilities, net	**(7,072)**	29,494

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

	Group	
	2010 HK$'000	2009 HK$'000
Beginning of the year	**29,494**	31,855
Recognised in the consolidated income statement (Note 10)	**(36,566)**	(2,361)
End of the year	**(7,072)**	29,494

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	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Beginning of the year	**(306)**	(1,277)	**25,593**	28,097	**1,106**	727	**2,905**	4,216	**196**	92	**29,494**	31,855
Recognised in the consolidated income statement	**(177)**	971	**(6,385)**	(2,504)	**245**	379	**309**	(1,311)	**(30,558)**	104	**(36,566)**	(2,361)
End of the year	**(483)**	(306)	**19,208**	25,593	**1,351**	1,106	**3,214**	2,905	**(30,362)**	196	**(7,072)**	29,494

29 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$5,943,000 (2009: HK$7,421,000) in respect of tax losses amounting to approximately HK$23,205,000 (2009: HK$24,501,000) that can be carried forward against future taxable profit. Approximately HK$648,000 (2009: HK$946,000) of the unrecognised tax losses have no expiry date and the remaining balance will be expired at various dates up to and including 2029 (2009: 2029).

30 CASH GENERATED FROM OPERATIONS

	Group	
	2010	2009
	HK$'000	HK$'000
Profit before income tax	**274,018**	216,496
Interest income	**(5,989)**	(8,130)
Interest expense on bank borrowings	**1,381**	23,839
Amortisation of intangible assets	**16,137**	13,067
Write-off of intangible assets	**209**	3,174
Loss on disposal of property, plant and equipment	**1,083**	2,039
Depreciation of property, plant and equipment	**76,983**	73,640
Write-off/impairment of property, plant and equipment	**7,629**	–
Amortisation of leasehold land and land use rights	**457**	458
Fair value (gain)/loss on investment properties	**(9,050)**	4,522
Exchange (gain)/loss on loans and receivables	**(14,397)**	25,957
Operating cash flow before working capital changes	**348,461**	355,062
Decrease in inventories	**231,158**	629,437
Decrease/(increase) in trade and other receivables	**73,314**	(48,034)
(Decrease)/increase in trade and other payables	**(11,693)**	77,273
Decrease in trust receipt loans	**–**	(440,975)
Net cash generated from operations	**641,240**	572,763

In the Consolidated Statement of Cash Flows, proceeds from sale of property, plant and equipment comprise:

	Group	
	2010	2009
	HK$'000	HK$'000
Net book amount (Note 14)	**2,970**	5,108
Loss on disposal of property, plant and equipment	**(1,083)**	(2,039)
Proceeds from sale of property, plant and equipment	**1,887**	3,069

31 BANKING FACILITIES

As at 31st March 2010, banking facilities of approximately HK$1,716 million (2009: HK$2,030 million) were granted by banks to the Group, of which approximately HK$122 million (2009: HK$383 million) have been utilised by the Group. Of the banking facilities, as at 31st March 2010, approximately HK$1,716 million (2009: HK$2,027 million) are supported by corporate guarantees given by the Company and no borrowing (2009: approximately HK$3 million) is secured by charges over the use of any assets of the Group (2009: assets of the Group with carrying amount of approximately HK$5 million).

32 FINANCIAL GUARANTEE

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

33 COMMITMENTS

(a) Capital commitments

	Group	
	2010	2009
	HK$'000	HK$'000
Moulds, plant and machinery contracted but not provided for	**914**	1,413

(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	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**10,801**	27,895
Later than one year and not later than five years	**16,061**	22,927
Later than five years	**4,012**	7,451
	30,874	58,273

33 COMMITMENTS *(continued)*

(c) Operating lease commitments (as lessor)

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**1,723**	3,440
Later than one year and not later than five years	**207**	752
	1,930	4,192

The lease terms are from one to two years.

34 PRINCIPAL SUBSIDIARIES

As at 31st March 2010, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity held by the Company Direct	Indirect	Principal activities
Alco Investments (B.V.I.) Limited	British Virgin Islands	Ordinary US$50,000	100	–	Investment holding and provision of management services to its subsidiaries
Advance Packaging Limited	Hong Kong	Ordinary HK$500,000	–	100	Manufacture and sale of polyfoam and packaging products
Alco Digital Devices Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Software development and trading of electronic products
Alco Electronics Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$5,000,000	–	100	Design, manufacture and sale of consumer electronic products

34 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
Vdiobox 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 2010 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.

35 EVENTS AFTER REPORTING PERIOD

(i) Grant of Share options

On 11th May 2010, the Company granted 40,540,000 share options to eligible directors and employees. The exercise price of each share option is HK$2.90 and the share options are exercisable between 11th May 2010 and 20th August 2013. However, only up to 50% of the share options granted are exercisable on or before 31st October 2010.

(ii) Acquisition of property

On 5th July 2010, Euroform Enterprise Limited, a wholly-owned subsidiary of the Company, entered into a provisional agreement for sale and purchase with Chase Good Development Limited, an independent third party, for the acquisition of an industrial building in Fanling, Hong Kong at a consideration of HK$121 million. The deal will be completed on or before 15th October 2010. The acquisition will be funded through internal resources and banking facilities and the property will be used by the Group for investment purposes.

Principal Properties

31st March 2010

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:

	2010 **HK$'000**	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Revenue	**4,003,213**	5,993,075	4,363,889	5,095,894	4,876,788
Profit for the year attributable to equity holders of the Company	**248,293**	190,185	213,352	305,784	283,475
Total assets	**2,758,902**	2,883,451	2,891,081	2,136,318	2,590,990
Total liabilities	**(999,353)**	(1,281,819)	(1,314,029)	(580,555)	(1,164,953)
Total equity	**1,759,549**	1,601,632	1,577,052	1,555,763	1,426,037