ALCO HOLDINGS LIMITED

股份代號：328　Stock Code: 328

ANNUAL REPORT 2011 年報

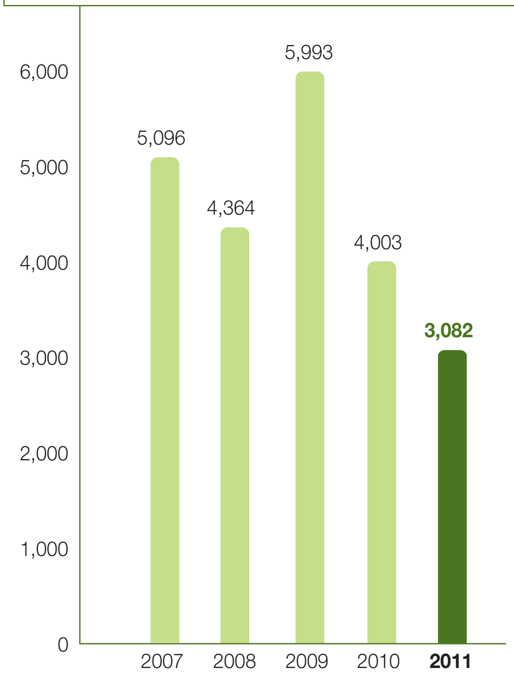
Contents

Corporate Information

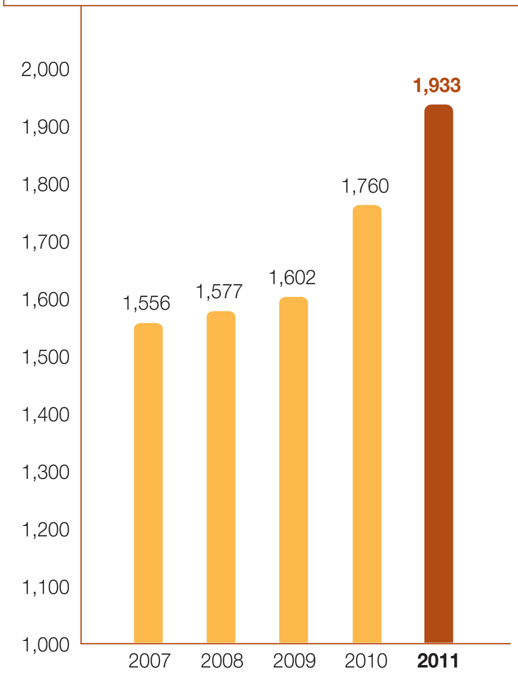
Directors	Mr LEUNG Kai Ching, Kimen *(Chairman)* Mr LEUNG Wai Sing, Wilson Mr KUOK Kun Man, Andrew Mr WONG Po Yan, *G.B.M., J.P.** The Hon LI Wah Ming, Fred, *S.B.S., J.P.** Mr LAU Wang Yip, Derrick* * *Independent non-executive directors*
Company Secretary	Mr KUOK Kun Man, Andrew
Principal Bankers	Hang 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 Bank of Tokyo-Mitsubishi UFJ
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

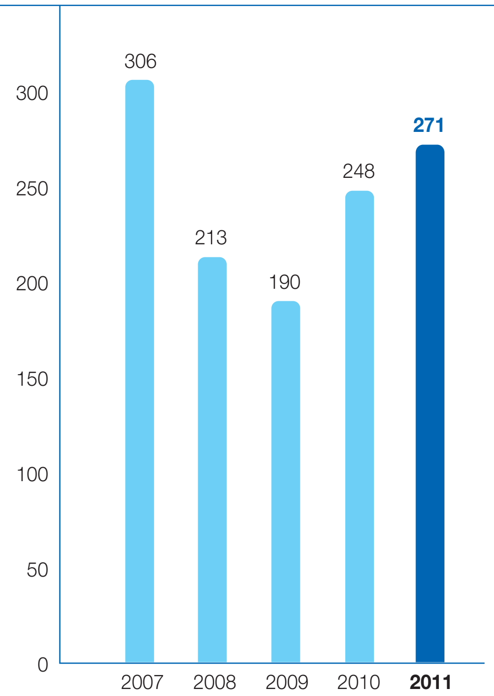
REVENUE
(HK$ MILLION)



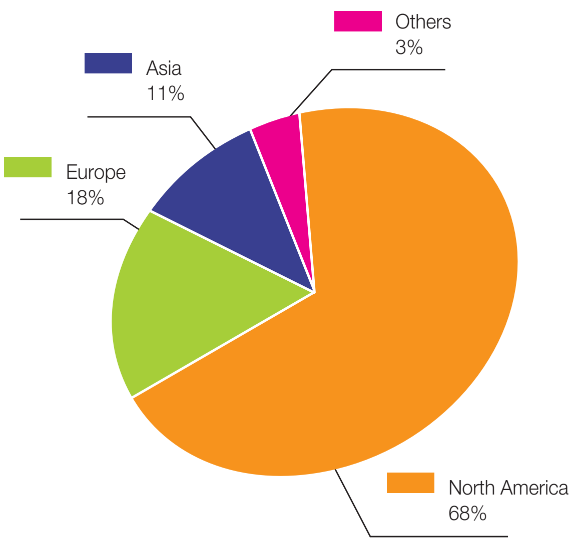
EQUITY
(HK$ MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
(HK$ MILLION)



REVENUE BY GEOGRAPHICAL SEGMENT IN 2011



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 2011.

During the review year, the Group recorded profit attributable to shareholders of HK$271 million (2010: HK$248 million) though turnover contracted by 23% year on year to HK$3.1 billion (2010: HK$4.0 billion). Apart from the management's commitment to maintaining a reasonable profit level when selecting orders and employing stringent measures to control costs, a revaluation gain of HK$78 million from an industrial building in Fanling and a compensation gain of HK$34 million from a piece of land in Houjie Town, also contributed to the Group's results. Basic earnings per share were HK47.9 cents, compared with HK44.6 cents in 2010.

The Board of Directors remains dedicated to observing a dividend policy that delivers stable returns to shareholders. Accordingly, the payment of a final dividend of HK14 cents (2010: HK14 cents) and a special dividend of HK8 cents (2010: HK6 cents) has been recommended which, with the inclusion of an interim dividend of HK10 cents per share already paid (2010: HK9 cents), represents a total dividend of HK32 cents for the financial year (2010: HK29 cents).

The final dividend and special dividend will be paid on 9th September 2011 to the Group's shareholders upon approval at the upcoming Annual General Meeting.

REVIEW OF OPERATIONS

Though the global economy has made certain progress since the financial crisis, some European countries and North America continued to experience a very slow path of recovery. Combined with intense competition, the Group endured intense cost and pricing pressure. Nevertheless, through our commitment to preserving a reasonable profit margin when selecting orders, delivering a product mix that observes current trends for smart electronics, and further implementation of inventory and production controls, we were able to maintain our competitiveness and a strong financial position – paramount for the Group to move forward.

Chairman's Statement

Profit Margin Preceding Turnover

Recently, consolidation of the audio-visual manufacturing industry has become more intense as a greater number of Mainland Chinese manufacturers have entered the export market with the intent of using a low price strategy to compete. Our pursuit of quality over quantity and reasonable profit margin over turnover – a policy that we have observed over the past several years – has proved essential for allowing us to protect our market position and financial health amidst such competition. We have also been able to maintain a relatively stable gross margin of 12.5% (2010: 13.9%) due to our commitment to only accepting orders from trusted customers who share our vision of providing quality products; maintaining ties with customers with sound financial credentials; and compiling a portfolio of products that offer unique functions and features.

Addressing Market Needs for Smart Electronics

In order to safeguard our leading position in the market, we are constantly in step with the latest industry trends for smart consumer electronic products which provide integrated solutions and have continuously incorporated value-added features into our audio and visual products. During the review year, LCD TVs, high-end audio items and portable DVD/Blu-ray players continued to constitute our main revenue sources. The trend to replace CCFL (Cold Cathode Fluorescent Lamps) TVs with LED backlight LCD TVs is expected to continue to drive European market demand in the coming year. To address interest in multifunctional consumer electronic products and internet connectivity, we continued to develop audio and visual

products and home theatre systems with value-added features such as iPhone and iPad docking as well as internet access. We further upgraded our Blu-ray disk products by adding new functions, including video streaming and internet connection via numerous user-friendly and popular applications ("apps").

Controlling Costs and Cash flow

The ability to control costs remains at the heart of our efforts to protect the Group's competitiveness. Product optimisation, standardisation of parts and components, and streamlining of production processes, such as the use of Cell Production Concept, are among the practices that we have continued to employ to stay ahead, yet without sacrificing our commitment to quality and the high functionality of our products. Through workflow management and aforementioned streamlining of production, we have also reduced our dependence on human labour; maintaining a lean, efficient workforce that allows us to be less affected by rising labour rates or migration of workers.

Keeping Check of Our Dollars and Cents

Another facet of operations that the Group has meticulously scrutinised is cash flow. Since a strong cash position provides an important buffer against uncertain market condition, it is the reason why we have long sought to maintain a high level of liquidity, well before the latest financial turmoil. We will continue to closely monitor our inventories and receivables, minimising the risks of obsolescence and bad debts.

Chairman's Statement

Impact of Japan's Natural Disasters

The earthquake and tsunami that struck Japan in March 2011 resulted in disruptions to the supply chain of certain electronic components. As far as the Group is concerned, we experienced little impact on our production because we used considerable volume of electronic components from suppliers in Korea, Taiwan and Mainland China.

PROSPECTS

Though more countries are moving out of the economic trough, there remain others, such as the United States and several European countries, which continue to grapple with issues ranging from high unemployment to soaring debt. Despite the lacklustre performance of certain markets, we remain cautiously optimistic that the consumer electronics segment will make further progress, driven by gradually strengthening consumption sentiment as well as the fast development of smart electronics, which is spurred on by consumers' insatiable desire for such products.

To ensure that we are not merely a bystander amid such progress, the Group will endeavour to develop even more attractive products that leverage the latest trends and fully capitalises on our strong R&D capabilities.

As we have been an early entrant in the LED-backlight LCD TV and Blu-ray disk player markets, we have proven our ability to identify and adopt the latest technologies that possess strong consumer appeal. Continuing to use such prowess, we will investigate the application of 3D technology in Blu-ray disk player products and Wi-Fi connectivity in our consumer electronics products, both of which have been gaining popularity in recent years. Moreover, further integration of audio and video players with iPad docking features, along with iPod and iPhone docking capabilities, will help to build an even stronger line-up of docking products. We have also started investigating 3D TVs, tablet PCs and video streaming players, all of which are expected to become main stream and popular products for the Group's mass merchants customers and consumers. All of these endeavours will go

towards strengthening the Group's reputation as a leading consumer electronics manufacturer and brand.

What will certainly help to strengthen our stature as a reputable manufacturer is the soon-to-open Dongguan production facility, which has a site area of approximately 2.8 million square feet and a floor area of approximately 2.5 million square feet. Construction efforts are progressing well with topping out work expected in October 2011, following which renovation will be made. Production lines will be operational in the first half of 2012 as scheduled. The state-of-the-art facility will enable us to optimise production as well as open the way for the assembly of new product lines. Aside from greater production efficiency and flexibility, the Dongguan site employs various environmental friendly features for reducing energy consumption and sewage treatment, thus allowing the Group to do its part to protect the environment as well.

Moving ahead, we will continue to devise and employ strategies that enable us to grasp emerging opportunities, and thereby strengthen our market position and protect the Group's financial health. We will also seek to fulfil our vision of offering high-quality products that satisfy market needs, as well as further develop and launch products that pave the way for long-term growth.

APPRECIATION

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

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 28th June 2011

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 78, is the founder and Chairman of the Group. He has more than 44 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 51, 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 57, 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 34 years of experience in finance and accounting with multinational organisations.

Independent Non-executive Directors

Mr WONG Po Yan, *G.B.M., J.P.*, aged 88, 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 56, 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 50, joined the Group in 2000 and was a 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 56, joined the Group in 1991 and is the managing director of Alco International Limited. He has over 31 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 63, 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 32 years solid background management in both OEM and EMS industries.

Mr LEUNG Wai Lap, David, aged 50, 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 products and service in North America.

Mr LEUNG Wai Ming, Jimmy, aged 42, is a son of the Chairman of the Group. He joined the Group in 1993 and is the Group's purchasing manager. He has more than 18 years of experience in the field of audio electronic products.

Ms PANG Siu Mui, Wendy, aged 60, 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 60, joined the Group in 1972 and is the shipping manager of Alco Electronics Limited. He has over 36 years of experience in shipping.

Mr LEUNG Kam Fai, Peter, aged 54, joined the Group in 1979. He is the Group's material planning and control manager. He has over 32 years of experience in the audio field.

Mr LEONG Ue Cheong, aged 53, joined the Group in 1978 and is the shipping manager of Alco International Limited. He has over 33 years of experience in shipping.

Mr LAU Kwok Wai, Francis, aged 60, joined the Group in 1986 and is a director of Alco Plastic Products Limited. He has over 26 years of experience in the plastics industry and is responsible for the operations of the plastics factory.

Mr HO Man Shuen, Francis, aged 52, 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 29 years of experience in research and development, manufacturing and quality control of electronic products.

Mr CHOW Tung Yiu, Tony, aged 41, joined the Group in 1997 and is the Group's management information system manager. He holds a master of science degree in information systems and has over 18 years of experience in developing manufacturing systems.

Mr LIU Lup Man, Stephen, aged 39, 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 16 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 2011. The attendance of each director is set out as follows:

Members of the Board	Attendance Record
Executive Directors	
Mr LEUNG Kai Ching, Kimen	4/4
Mr LEUNG Wai Sing, Wilson	3/4
Mr KUOK Kun Man, Andrew	4/4
Independent Non-executive Directors	
Mr WONG Po Yan	3/4
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.

Mr LEUNG Wai Sing, Wilson and Mr WONG Po Yan 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 2011.

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 2011 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 2011.

Two audit committee meetings were held during the year ended 31st March 2011 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	1/2

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 2011, the remuneration paid to the Company's auditor, Messrs. PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit-related services	2,380
Non audit-related services	
Tax compliance services	331

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 2011.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS

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 HK10 cents per ordinary share, totalling HK$57,669,000.

The directors recommended the payment of a final dividend of HK14 cents per ordinary share and a special dividend of HK8 cents per ordinary share, totalling HK$127,116,000

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity and total equity per share as at 31st March 2011 were HK$1,933 million (2010: HK$1,760 million) and HK$3.35 (2010: HK$3.16) respectively.

The Group maintains a strong financial position. As at 31st March 2011, we had cash and deposits of HK$902 million. After deducting bank loans of HK$116 million, we had net cash of HK$786 million. The Group has adequate liquidity for future working capital requirements. Subsequent to balance sheet date, the Group sold one of its investment properties and there would be a net cash inflow (after deducting the related mortgage loan and transaction cost) of approximately HK$130 million to the Group. This will further fortify our financial position.

In order to optimising inventory level, management has put much effort in improving just-in-time delivery and in parts standardisation. Our inventory as at 31st March 2011 was HK$429 million (2010: HK$473 million). We have been closely monitoring the inventory level to reduce the risk of obsolescence and to maintain a healthy working capital.

Trade receivables balance as at 31st March 2011 was HK$702 million (2010: HK$521 million). It is our policy to adopt a prudent credit policy and to deal with creditworthy customers, in order to minimise credit risk. The receivables were substantially settled by June 2011 according to the payment terms.

Trade payables balance as at 31st March 2011 was HK$794 million (2010: HK$729 million).

As at 31st March 2011, we had banking facilities of HK$1,748 million, of which HK$116 million were utilised. Among the used facilities, HK$50 million shall be payable in the first year and HK$66 million shall be payable in the second to seventh years.

Report of the Directors

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

Capital expenditure on fixed assets during the year was HK$30 million (2010: HK$34 million), mainly on the purchase of moulds. All expenditures were financed from internal resources. As at 31st March 2011, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounting to HK$1,521,000 (2010: HK$914,000). In addition, the Group's production facility in Houjie Town will be relocated to a new factory. Upon the completion of the new factory, we expect to spend approximately HK$150 million for the relocation and renovation.

Due to peg-rate system, we have limited exposure to trade-related foreign exchange risk as substantially all of our sales, purchases and borrowings are denominated in United States dollars and Hong Kong dollars. Adhering to the policy of not engaging in currency speculation, there was no gain or loss from speculative activities during the reporting financial year.

Following the signing of the revised Settlement Agreement on the Clearing of Renminbi business in July 2010, corporations are now able to conduct Renminbi business through the banks in Hong Kong. Taking this opportunity, we have diversified our cash portfolio by investing in RMB denominated deposits and bonds, totally RMB343 million. This provides a natural hedge against the cost impact caused by the potential appreciation of RMB.

EMPLOYEES

As at 31st March 2011, the Group had approximately 6,900 (2010: 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 2011 are as follows:

Purchases	
– the largest supplier	8%
– five largest suppliers combined	28%
Sales	
– the largest customer	35%
– five largest customers combined	84%

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 at any time during the year.

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$52,000.

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 85.

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 2011 amounted to approximately HK$107,648,000 (2010: HK$46,475,000), 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 86.

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 2011 and the Company has not redeemed any of its shares during the same financial year.

BANK LOANS AND OTHER BORROWINGS

An analysis of the Group's bank borrowings at 31st March 2011 is set out below:

	Bank borrowings	
	2011	2010
	HK$'000	HK$'000
Within one year	**49,771**	76,400
In the second year	**12,771**	39,400
In the third to fifth year	**35,315**	6,600
Over five years	**18,150**	–
	116,007	122,400

Report of the Directors

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2011 are set out in Note 34 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

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

DIRECTORS

The directors during the year were:

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

[1] *Independent non-executive directors*

In accordance with clause 87(1) of the Company's Bye-laws, Mr LEUNG Wai Sing, Wilson and Mr WONG Po Yan 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 2011, the interests and short positions of each director and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

	Number of shares held				
	Personal interest	Corporate interest	Equity derivatives – share options	Total	Percentage of the issued share capital of the Company
Mr LEUNG Kai Ching, Kimen	20,150,000	225,911,400 *(note)*	750,000	246,811,400	42.72%
Mr LEUNG Wai Sing, Wilson	45,390,000	–	750,000	46,140,000	7.99%
Mr KUOK Kun Man, Andrew	752,000	–	750,000	1,502,000	0.26%
Mr WONG Po Yan	–	–	500,000	500,000	0.09%
The Hon LI Wah Ming, Fred	260,000	–	250,000	510,000	0.09%
Mr LAU Wang Yip, Derrick	–	–	500,000	500,000	0.09%

Note:

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 2011, 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 2011, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name	Capacity in which shares were held	No. of Shares Long position	Equity Derivatives Share options	Total	Percentage of the issued share capital of the Company
Shundean Investments Limited	Beneficial owner	225,911,400 (note i)	–	225,911,400	39.10%
Webb David Michael	Beneficial owner	40,397,400	–	40,397,400	6.99%
LEUNG Wai Lap, David	Beneficial owner	34,828,190	750,000	35,578,190	6.16%
DJE Investment S.A.	Investment manager	33,830,980 (note ii)	–	33,830,980	5.86%
DJE Kapital AG	Investment manager	33,830,980 (note ii)	–	33,830,980	5.86%
Dr. Jens Alfred Karl Ehrhardt	Investment manager	33,830,980 (note ii)	–	33,830,980	5.86%

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 2011, 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.

40,810,000 share options have been granted by the Company since the adoption of the Scheme. Details of which are set out in Note 27 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 a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 10 to 12.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the financial statements of the Group for the year ended 31st March 2011.

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 2011 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, 28th June 2011

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 84, which comprise the consolidated and company balance sheets as at 31st March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, 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, 28th June 2011

Consolidated Income Statement

For the year ended 31st March 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	5	**3,082,330**	4,003,213
Cost of goods sold	7	**(2,698,147)**	(3,447,672)
Gross profit		**384,183**	555,541
Other income	6	**145,205**	14,451
Selling expenses	7	**(144,560)**	(216,833)
Administrative expenses	7	**(103,856)**	(93,428)
Other operating expenses	7	**(1,600)**	(4,718)
Exchange gain on loans and receivables	18	**3,140**	14,397
Operating profit		**282,512**	269,410
Finance income	9	**8,189**	5,989
Finance costs	9	**(889)**	(1,381)
Profit before income tax		**289,812**	274,018
Income tax expense	10	**(18,401)**	(25,725)
Profit for the year attributable to equity holders of the Company		**271,411**	248,293
Earnings per share attributable to equity holders of the Company			
– basic	12	**HK47.9 cents**	HK44.6 cents
– diluted	12	**HK47.6 cents**	HK44.6 cents
Dividends	13	**184,785**	163,265

The notes on pages 29 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2011

	Note	2011 HK$'000	2010 HK$'000
Profit for the year attributable to equity holders of the Company		**271,411**	248,293
Other comprehensive (loss)/income, net of tax			
Fair value gain on available-for-sale financial assets	19	**48**	40,485
Currency translation differences		**(86)**	(2,828)
Other comprehensive (loss)/income for the year, net of tax		**(38)**	37,657
Total comprehensive income for the year attributable to equity holders of the Company		**271,373**	285,950

The notes on pages 29 to 84 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2011

	Note	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000 (Restated)	As at 1st April 2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	14	**252,813**	324,943	378,324
Investment properties	15	**312,388**	75,020	65,970
Leasehold land and land use rights	16	**7,821**	11,997	12,389
Intangible assets	17	**69,426**	76,827	81,658
Deferred income tax assets	29	**18,826**	7,072	–
Loans and receivables	18	**97,884**	78,501	64,104
Available-for-sale financial assets	19	**136,689**	136,641	96,156
		895,847	711,001	698,601
Current assets				
Inventories	22	**429,187**	472,688	703,846
Trade and other receivables	23	**714,757**	535,383	608,697
Cash and cash equivalents	24	**902,404**	1,039,830	872,307
		2,046,348	2,047,901	2,184,850
Current liabilities				
Trade and other payables	25	**878,433**	819,062	831,317
Current income tax liabilities		**14,551**	57,891	38,439
Borrowings	26	**49,771**	76,400	74,808
		942,755	953,353	944,564
Net current assets		**1,103,593**	1,094,548	1,240,286
Total assets less current liabilities		**1,999,440**	1,805,549	1,938,887
Capital and reserves attributable to equity holders of the Company				
Share capital	27	**57,780**	55,666	55,666
Reserves	28	**1,875,424**	1,703,883	1,545,966
Total equity		**1,933,204**	1,759,549	1,601,632
Non-current liabilities				
Borrowings	26	**66,236**	46,000	307,761
Deferred income tax liabilities		**–**	–	29,494
		66,236	46,000	337,255
Total equity and non-current liabilities		**1,999,440**	1,805,549	1,938,887

The financial statements on pages 23 to 84 were approved by the Board of Directors on 28th June 2011 and were signed on its behalf.

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 29 to 84 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	20	**482,180**	348,177
Current assets			
Other receivables	23	**105**	105
Current income tax assets		**4**	–
Cash and cash equivalents	24	**307**	89
		416	194
Current liabilities			
Other payables	25	**215**	278
Current income tax liabilities		**–**	1
		215	279
Net current assets/(liabilities)		**201**	(85)
Total assets less current liabilities		**482,381**	348,092
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**57,780**	55,666
Reserves	28	**424,601**	292,426
Total equity		**482,381**	348,092

The financial statements on pages 23 to 84 were approved by the Board of Directors on 28th June 2011 and were signed on its behalf.

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 29 to 84 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2011

	Attributable to equity holders of the Company			
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
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/(loss)				
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)
At 31st March 2010	55,666	246,002	1,457,881	1,759,549
At 1st April 2010	**55,666**	**246,002**	**1,457,881**	**1,759,549**
Comprehensive income				
Profit for the year	**–**	**–**	**271,411**	**271,411**
Other comprehensive income/(loss)				
Fair value gain on available-for-sale financial assets	**–**	**48**	**–**	**48**
Currency translation differences	**–**	**(86)**	**–**	**(86)**
Total comprehensive (loss)/income	**–**	**(38)**	**271,411**	**271,373**
Transactions with owners				
Shares issued from exercise of share options	**2,114**	**59,219**	**–**	**61,333**
Equity compensation	**–**	**11,783**	**–**	**11,783**
2011 interim dividend	**–**	**–**	**(57,669)**	**(57,669)**
2010 final and special dividends	**–**	**–**	**(113,165)**	**(113,165)**
Total transactions with owners	**2,114**	**71,002**	**(170,834)**	**(97,718)**
At 31st March 2011	**57,780**	**316,966**	**1,558,458**	**1,933,204**

The notes on pages 29 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st March 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**166,548**	641,240
Interest received		**8,189**	5,989
Interest paid		**(889)**	(1,381)
Profits tax paid		**(73,495)**	(42,839)
Net cash generated from operating activities		**100,353**	603,009
Cash flows from investing activities			
Purchase of property, plant and equipment		**(29,909)**	(34,266)
Proceeds from sale of property, plant and equipment		**3,556**	1,887
Deferred development costs paid		**(12,107)**	(11,515)
Purchase of loans and receivables		**(16,243)**	–
Purchase of an investment property		**(128,206)**	–
Proceeds from disposal of land and buildings		**43,515**	–
Net cash used in investing activities		**(139,394)**	(43,894)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		**61,333**	–
Proceeds from borrowings		**72,600**	12,000
Repayments of borrowings		**(78,993)**	(272,169)
Dividends paid to the Company's shareholders		**(170,834)**	(128,033)
Net cash used in financing activities		**(115,894)**	(388,202)
Net (decrease)/increase in cash and cash equivalents		**(154,935)**	170,913
Cash and cash equivalents at beginning of the year		**1,039,830**	872,307
Effect of foreign exchange rate change		**17,509**	(3,390)
Cash and cash equivalents at end of the year	24	**902,404**	1,039,830

The notes on pages 29 to 84 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 of 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 28th June 2011.

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/revised standards, amendments to standards and interpretations adopted by the Group

The adoption of all the new/revised standards, amendments to standards and interpretations which are effective from 1st April 2010 does not have a material impact on the Group's consolidated financial statements except for HKAS 17 (Amendment) "Leases". The effect of the adoption of this amendment is as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

***New/revised standards, amendments to standards and interpretations adopted by the Group** (continued)*

HKAS 17 (Amendment) – Leases

The amendment to HKAS 17 "Leases" removes the specific guidance which previously required that land element held under a lease should be classified as an operating lease. It provides new guidance which indicates that entities should use judgement to decide whether the lease transfers the significant risk and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group has made a reassessment of the existing land lease arrangements and certain "Leasehold land and land use rights" have been reclassified to "Property, plant and equipment" and the corresponding "Amortisation of leasehold land and land use rights" has been reclassified to "Depreciation of property, plant and equipment" retrospectively. Comparative information has been restated to reflect this change in accounting policy. The adoption of amendment to HKAS 17 has the following impact on the consolidated financial statements due to the reclassification as aforesaid:

	31st March 2011 HK$'000	31st March 2010 HK$'000	1st April 2009 HK$'000
Increase in property, plant and equipment	**46,133**	46,194	46,259
Decrease in leasehold land and land use rights	**46,133**	46,194	46,259

	Year ended 31st March	
	2011 HK$'000	2010 HK$'000
Increase in depreciation of property, plant and equipment	**61**	65
Decrease in amortisation of leasehold land and land use rights	**61**	65

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1st April 2009, with consequential reclassification adjustments to comparatives for the year ended 31st March 2010. The reclassification has had no effect on reported profit, total comprehensive income or equity for any period presented.

As a result of the above retrospective reclassification, an additional consolidated statement of financial position as at 1st April 2009 is presented in accordance with the requirements of HKAS 1 "Presentation of financial statements".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

The following new/revised standards, amendments to standards and interpretations have been published but are not yet effective for the financial year ended 31st March 2011 and have not been early adopted by the Group:

		Effective for annual periods beginning or after
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1st July 2010
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1st July 2011
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1st July 2011
HKFRS 9	Financial Instruments	1st January 2013
HKAS 1 (Amendment)	Presentation of Financial Information	1st January 2011
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 24 (Revised)	Related Party Disclosures	1st January 2011
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1st January 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010
Various improvements to HKFRSs published by the HKICPA in May 2010		

The Group has already commenced an assessment of the impact of the above new/revised standards, amendments to standards and interpretations but is not yet in a position to state whether these new/revised standards, amendments to standards and interpretations 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 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.4 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 ("HK$"), 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 equity investments classified as available-for-sale are included in other comprehensive income.

(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 rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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 other comprehensive income. 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 classified as operating leases 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

Leasehold land classified as financial lease and all other 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 are charged to the consolidated income statement during the financial year in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over the shorter of the unexpired lease term or their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

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

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

The assets' residual 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 the fair value are recognised in the consolidated income statement as part of "other income".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(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 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 financial assets. 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 consolidated 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 way 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 financial assets 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 receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

2.14 Share capital

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Trade and other payables

Trade 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.

2.16 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 and is recognised in the consolidated income statement.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

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 provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability 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.

2.18 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits *(continued)*

(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 a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.19 Share-based payments

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets);and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 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.

2.21 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)*

2.22 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.

Finance lease (as the lessee)

The Group has land leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Operating lease (as the lessor)

Where the Group leases out assets under operating leases, the assets are included in the consolidated 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 2.21 (ii).

2.23 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"), United States dollar ("USD"), Renminbi ("RMB") and British Pound ("GBP"). The majority of assets and liabilities are denominated in HKD, USD, GBP and Korean Won ("KRW"), and there are no significant assets and liabilities denominated in other currencies.

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

At 31st March 2011, 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$37,927,000 higher/lower (2010: HK$1,702,000 lower/higher), mainly as a result of the foreign exchange differences on translation of RMB denominated cash and bank balances and other payables.

At 31st March 2011, if GBP had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax profit for the year would have been approximately HK$12,346,000 (2010: HK$8,807,000) higher/lower, mainly as a result of the foreign exchange differences on translation of GBP denominated cash and bank balances.

At 31st March 2011, 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$8,136,000 (2010: HK$7,850,000) higher/lower, mainly as a result of the foreign exchange differences on translation of KRW denominated loans and receivables.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

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

(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 2011, the Group's borrowings at variable rates were denominated in HKD.

At 31st March 2011, 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$1,160,000 (2010: HK$1,224,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st March 2011, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$9,183,000 (2010: HK$10,390,000) higher/lower due to interest income earned on market interest rate.

The total bank loans held by the Group as at 31st March 2011 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

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

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

Banking facilities have been put in place for contingency purposes. As at 31st March 2011, the Group's total available banking facilities amounted to approximately HK$1,748 million (2010: HK$1,716 million).

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Group						
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
At 31st March 2011						
Borrowings	**50,066**	**12,908**	**35,671**	**18,315**	**116,960**	**116,007**
Trade and other payables	**878,433**	**–**	**–**	**–**	**878,433**	**878,433**

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Company						
At 31st March 2010						
Other payables	278	–	–	–	278	278
At 31st March 2011						
Other payables	**215**	**–**	**–**	**–**	**215**	**215**

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 2011 and 2010 were as follows:

	2011 **HK$'000**	2010 HK$'000
Borrowings *(Note 26)*	**116,007**	122,400
Less: Cash and cash equivalents *(Note 24)*	**(902,404)**	(1,039,830)
Net surplus cash	**(786,397)**	(917,430)
Total equity	**1,933,204**	1,759,549
Gearing ratio	**Not applicable**	Not applicable

3.3 Fair value estimation

The Group's investments in financial instruments are measured in the consolidated balance sheet at fair value. The fair value measurements are disclosed 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 2011 of the Group:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Assets				
Available-for-sale financial assets				
– Equity securities *(Note 19)*	–	–	136,689	136,689

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 15.1% was used in the valuation.

The carrying value less impairment provision of trade and other receivables and trade and other payables is 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 2011.

	Available-for-sale financial assets HK$'000
Opening balance	136,641
Gains recognised in other reserves	48
Closing balance	136,689

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Estimate of fair value of investment properties

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

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

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

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

(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's carrying value in the financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(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.

(f) Provision for obsolete or slow moving inventories

The Group makes provision for obsolete or slow moving inventories based on consideration of ageing of raw materials and work in progress and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business requires the use of judgment and estimates.

5 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Revenue		
Consumer electronic products	**3,081,106**	3,998,776
Plastic products	**1,224**	4,437
	3,082,330	4,003,213

(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 of 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.

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

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets.

5 REVENUE AND SEGMENT INFORMATION *(continued)*

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

	Group							
	2011				2010			
	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	3,081,106	1,224	–	3,082,330	3,998,776	4,437	–	4,003,213
Inter-segment sales	–	115,586	(115,586)	–	–	119,488	(119,488)	–
	3,081,106	116,810	(115,586)	3,082,330	3,998,776	123,925	(119,488)	4,003,213
Segment results	282,604	(92)		282,512	270,052	(642)		269,410
Finance income				8,189				5,989
Finance costs				(889)				(1,381)
Profit before income tax				289,812				274,018
Income tax expense				(18,401)				(25,725)
Profit for the year attributable to equity holders of the Company				271,411				248,293
Segment assets	2,565,144	45,837		2,610,981	2,621,442	55,368		2,676,810
Unallocated corporate assets				331,214				82,092
Total assets				2,942,195				2,758,902
Segment liabilities	867,646	10,787		878,433	807,764	11,298		819,062
Unallocated corporate liabilities				130,558				180,291
Total liabilities				1,008,991				999,353
Capital expenditure	41,943	73		42,016	45,146	635		45,781

5 REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment analysed by geographical areas

The segment revenue for the years ended 31st March 2011 and 2010 are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
North America	**2,114,295**	2,782,269
Europe	**545,834**	661,599
Asia	**337,482**	403,890
Others	**84,719**	155,455
	3,082,330	4,003,213

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

Primarily all of its assets and capital expenditure for the years ended 31st March 2011 and 2010 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
	HK$'000
Customer A	1,004,678
Customer B	955,965
Customer C	503,387

	Group
	2011
	HK$'000
Customer A	**1,085,689**
Customer B	**430,645**
Customer C	**410,016**
Customer D	**400,425**

These are ranked from the highest to the lowest based on their revenue contributions for the years presented and not directly comparable year to year.

6 OTHER INCOME

	Group	
	2011	2010
	HK$'000	HK$'000
Fair value gain on investment properties *(Note a)*	**109,162**	9,050
Rental income from investment properties	**3,834**	5,203
(Loss)/gain from sale of moulds	**(1,335)**	162
Compensation gain on disposal of land & buildings *(Note b)*	**33,508**	–
Others	**36**	36
	145,205	14,451

(a) This includes the revaluation gain of HK$78 million from an investment property in Fanling. The investment property was subsequently sold in April 2011 (Note 35).

(b) For the purpose of re-development, the local government of Houjie Town requested the Group to surrender a piece of land and building in Houjie Town formerly used by the Group as a polyfoam factory (the "Property") in return for a consideration of approximately HK$44 million. The compensation gain on disposal of the Property was the difference between the consideration and its carrying value as at the date of disposal.

7 EXPENSES BY NATURE

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

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Amortisation of intangible assets	**19,508**	16,137
Amortisation of leasehold land and land use rights	**283**	392
Auditor's remuneration	**2,400**	2,508
Cost of inventories	**1,984,760**	2,632,467
Depreciation of property, plant and equipment	**67,484**	77,048
Employee benefit expenses (including directors' emoluments) *(Note 8)*	**325,378**	313,404
(Gain)/loss on disposal of property, plant and equipment	**(570)**	1,083
Operating lease rental in respect of land and buildings	**33,587**	32,591
Research and development costs	**25,799**	22,577
Write-off of intangible assets	**–**	209
Write-off/impairment of property, plant and equipment	**25,738**	7,629

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2011	2010
	HK$'000	HK$'000
Wages and salaries	**293,260**	296,106
Pension costs – defined contribution retirement schemes *(Note a)*	**3,248**	3,286
Other staff benefits	**16,914**	12,646
Termination benefits	**173**	1,366
Equity compensation – share options	**11,783**	–
	325,378	313,404

(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$3,248,000 (2010: HK$3,286,000). No forfeited contribution in respect of the defined contribution retirement scheme was utilised during the year (2010: HK$28,000). Forfeiture contributions of approximately HK$13,000 (2010: HK$13,000) was available as at 31st March 2011 to reduce future contributions.

Contributions totaling approximately HK$454,000 (2010: HK$543,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

(b) Directors' and senior management's emoluments

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

Name of Director	Fee	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Subtotal	Equity Compensation – share options	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr LEUNG Kai Ching, Kimen	–	4,389	4,279	188	8,856	–	8,856
Mr LEUNG Wai Sing, Wilson	–	4,389	4,564	188	9,141	–	9,141
Mr KUOK Kun Man, Andrew	–	1,847	2,567	79	4,493	–	4,493
Mr WONG Po Yan	120	–	–	–	120	–	120
The Hon LI Wah Ming, Fred	120	–	–	6	126	–	126
Mr LAU Wang Yip, Derrick	120	–	–	6	126	–	126

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

(b) Directors' and senior management's emoluments *(continued)*

The remuneration of every director of the Company for the year ended 31st March 2011 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Subtotal HK$'000	Equity compensation – share options HK$'000	Total HK$'000
Mr LEUNG Kai Ching, Kimen	–	4,389	5,583	188	10,160	434	10,594
Mr LEUNG Wai Sing, Wilson	–	4,389	5,957	188	10,534	434	10,968
Mr KUOK Kun Man, Andrew	–	1,847	3,350	79	5,276	434	5,710
Mr WONG Po Yan	120	–	–	–	120	145	265
The Hon LI Wah Ming, Fred	120	–	–	6	126	145	271
Mr LAU Wang Yip, Derrick	120	–	–	6	126	145	271

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 2011 and 2010.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) individuals during the year are as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,123	3,123
Discretionary bonuses	9,731	9,739
Contributions to pension schemes	91	91
Equity compensation – share options	776	–
	13,721	12,953

The emoluments fell within the following bands:

	Number of individuals 2011	Number of individuals 2010
Emolument bands		
HK$3,500,001-HK$4,000,000	–	1
HK$4,000,001-HK$4,500,000	1	–
HK$9,000,001-HK$9,500,000	–	1
HK$9,500,001-HK$10,000,000	1	–

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

(d) Key management compensation

	Group	
	2011	2010
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**13,748**	13,748
Discretionary bonuses	**24,621**	21,149
Contributions to pension schemes	**546**	546
Equity compensation – share options	**2,078**	–
	40,993	35,443

9 FINANCE INCOME AND FINANCE COSTS

	Group	
	2011	2010
	HK$'000	HK$'000
Finance income:		
– Bank interest income	**4,886**	3,852
– Loans and receivables	**3,303**	2,137
	8,189	5,989
Finance costs:		
– Interest expense on bank borrowings wholly repayable within seven years	**889**	1,381

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Group	
	2011	2010
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**32,766**	56,322
– (Over)/under provision in prior years	**(2,611)**	5,969
Deferred income tax *(Note 29)*	**(11,754)**	(36,566)
	18,401	25,725

10 INCOME TAX EXPENSE *(continued)*

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	
	2011	2010
	HK$'000	HK$'000
Profit before income tax	**289,812**	274,018
Tax calculated at a tax rate of 16.5% (2010: 16.5%)	**47,819**	45,213
Effect of different tax rates in other countries	**115**	590
Income not subject to tax	**(42,600)**	(82,254)
Expenses not deductible for tax purposes	**13,566**	56,935
(Over)/under provision in prior years	**(2,611)**	5,969
Unrecognised tax losses	**2,112**	452
Utilisation of previously unrecognised tax losses	**–**	(1,180)
Tax charge	**18,401**	25,725

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$232,007,000 (2010: HK$128,084,000).

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	
	2011	2010
Profit for the year attributable to equity holders of the Company (HK$'000)	**271,411**	248,293
Weighted average number of ordinary shares in issue	**566,896,906**	556,661,720
Basic earnings per share (HK cents)	**47.9**	44.6

12 EARNINGS PER SHARE *(continued)*

Diluted

Diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the summation of the weighted average number of ordinary shares in issue during the year and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

	Group	
	2011	2010
Profit for the year attributable to equity holders of the Company (HK$'000)	**271,411**	248,293
Weighted average number of ordinary shares in issue	**566,896,906**	556,661,720
Dilutive effect on share options	**2,986,114**	–
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**569,883,020**	556,661,720
Diluted earnings per share (HK cents)	**47.6**	44.6

13 DIVIDENDS

	Company	
	2011	2010
	HK$'000	HK$'000
Interim dividend, paid, of HK10 cents (2010: HK9 cents) per ordinary share	**57,669**	50,100
Final dividend, proposed, of HK14 cents (2010: HK14 cents) per ordinary share	**80,892**	79,216
Special dividend, proposed, of HK8 cents (2010: HK6 cents) per ordinary share	**46,224**	33,949
	184,785	163,265

At a meeting held on 28th June 2011, the directors proposed a final dividend of HK14 cents and a special dividend of HK8 cents per ordinary share. These proposed dividends are not reflected as dividend payables in these consolidated financial statements.

14 PROPERTY, PLANT AND EQUIPMENT

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

	Group						
	Land and 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 2009							
Cost as previously reported	29,786	381,458	98,664	284,066	581,766	19,418	1,395,158
Effect of adoption of HKAS 17 (Amendment)	47,595	–	–	–	–	–	47,595
Cost as restated	77,381	381,458	98,664	284,066	581,766	19,418	1,442,753
Accumulated depreciation and impairment, as previously reported	(8,563)	(321,721)	(86,334)	(222,034)	(410,984)	(13,457)	(1,063,093)
Effect of adoption of HKAS 17 (Amendment)	(1,336)	–	–	–	–	–	(1,336)
Accumulated depreciation and impairment, as restated	(9,899)	(321,721)	(86,334)	(222,034)	(410,984)	(13,457)	(1,064,429)
Net book amount, as restated	67,482	59,737	12,330	62,032	170,782	5,961	378,324
Year ended 31st March 2010							
Opening net book amount, as previously reported	21,223	59,737	12,330	62,032	170,782	5,961	332,065
Effect of adoption of HKAS 17 (Amendment)	46,259	–	–	–	–	–	46,259
Opening net book amount, as restated	67,482	59,737	12,330	62,032	170,782	5,961	378,324
Additions	–	26,250	1,648	3,031	1,007	2,330	34,266
Disposals	–	(64)	(379)	(1,369)	(948)	(210)	(2,970)
Depreciation	(820)	(26,839)	(7,992)	(12,576)	(27,539)	(1,282)	(77,048)
Write-off/impairment	–	(24)	–	(296)	(7,284)	(25)	(7,629)
Closing net book amount, as restated	66,662	59,060	5,607	50,822	136,018	6,774	324,943

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	Group						
	Land and 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 31st March 2010							
Cost as previously reported	29,787	387,265	87,797	258,637	561,628	19,161	1,344,275
Effect of adoption of HKAS 17 (Amendment)	47,595	–	–	–	–	–	47,595
Cost as restated	77,382	387,265	87,797	258,637	561,628	19,161	1,391,870
Accumulated depreciation and impairment, as previously reported	(9,319)	(328,205)	(82,190)	(207,815)	(425,610)	(12,387)	(1,065,526)
Effect of adoption of HKAS 17 (Amendment)	(1,401)	–	–	–	–	–	(1,401)
Accumulated depreciation and impairment, as restated	(10,720)	(328,205)	(82,190)	(207,815)	(425,610)	(12,387)	(1,066,927)
Net book amount, as restated	66,662	59,060	5,607	50,822	136,018	6,774	324,943
Year ended 31st March 2011							
Opening net book amount, as previously reported	**20,468**	**59,060**	**5,607**	**50,822**	**136,018**	**6,774**	**278,749**
Effect of adoption of HKAS 17 (Amendment)	**46,194**	**–**	**–**	**–**	**–**	**–**	**46,194**
Opening net book amount, as restated	**66,662**	**59,060**	**5,607**	**50,822**	**136,018**	**6,774**	**324,943**
Additions	**–**	**22,361**	**263**	**5,124**	**1,204**	**957**	**29,909**
Disposals	**(5,984)**	**–**	**(223)**	**(814)**	**(1,843)**	**(106)**	**(8,970)**
Depreciation	**(603)**	**(27,406)**	**(5,647)**	**(10,596)**	**(21,840)**	**(1,392)**	**(67,484)**
Write-off/impairment	**–**	**(3,001)**	**–**	**(2,186)**	**(20,551)**	**–**	**(25,738)**
Exchange differences	**97**	**–**	**–**	**56**	**–**	**–**	**153**
Closing net book amount	**60,172**	**51,014**	**–**	**42,406**	**92,988**	**6,233**	**252,813**
Cost	**68,838**	**358,482**	**87,439**	**255,272**	**513,232**	**18,575**	**1,301,838**
Accumulated depreciation and impairment	**(8,666)**	**(307,468)**	**(87,439)**	**(212,866)**	**(420,244)**	**(12,342)**	**(1,049,025)**
Net book amount	**60,172**	**51,014**	**–**	**42,406**	**92,988**	**6,233**	**252,813**

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Depreciation expenses have been included in:

	Group	
	2011 **HK$'000**	2010 HK$'000 (Restated)
Cost of goods sold	**64,637**	73,672
Administrative expenses	**2,847**	3,376
	67,484	77,048

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

	Group	
	2011 **HK$'000**	2010 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**7,912**	8,244
Leases of between 10 and 50 years	**281**	293
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**5,846**	11,931
	14,039	20,468

(d) At 31st March, leasehold land held under finance leases and their net book values are analysed as follows:

	Group		
	31st March 2011 **HK$'000**	31st March 2010 HK$'000 (Restated)	1st April 2009 HK$'000 (Restated)
In Hong Kong, held on:			
Leases of over 50 years	**45,715**	45,764	45,817
Leases of between 10 and 50 years	**418**	430	442
	46,133	46,194	46,259

(e) As at 31st March 2011 and 31st March 2010, no bank borrowing is secured on a building which is classified under property, plant and equipment (Note 26).

15 INVESTMENT PROPERTIES

	Group 2011 HK$'000	2010 HK$'000
Beginning of the year	**75,020**	65,970
Additions	**128,206**	–
Fair value gain *(Note 6)*	**109,162**	9,050
End of the year	**312,388**	75,020

The investment properties were revalued at 31st March 2011 by independent, professionally qualified valuers, LCH (Asia-Pacific) Surveyors Limited. Valuations were based on current prices in an active market for all properties.

Bank borrowings are secured on an investment property at a carrying amount of HK$206,000,000 (Note 26) (2010: Nil).

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

	Group 2011 HK$'000	2010 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**70,430**	48,140
Leases of between 10 and 50 years	**241,958**	26,880
	312,388	75,020

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group 2011 HK$'000	2010 HK$'000 (Restated)
At 1st April, as previously reported	**58,191**	58,648
Effect of adoption of HKAS 17 (Amendment)	**(46,194)**	(46,259)
At 1st April, as restated	**11,997**	12,389
Amortisation	**(283)**	(392)
Disposals	**(4,023)**	–
Exchange differences	**130**	–
Closing net book amount	**7,821**	11,997

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

16 LEASEHOLD LAND AND LAND USE RIGHTS *(continued)*

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		
	31st March 2011 HK$'000	31st March 2010 HK$'000 (Restated)	1st April 2009 HK$'000 (Restated)
Outside Hong Kong, held on:			
Leases of between 10 and 50 years	**7,821**	11,997	12,389

As at 31st March 2011 and 31st March 2010, no bank borrowing is secured on leasehold land and land use rights (Note 26).

17 INTANGIBLE ASSETS

	Group		
	Licence right HK$'000	Deferred development costs HK$'000	Total HK$'000
At 1st April 2009			
Cost	78,000	40,393	118,393
Accumulated amortisation	(9,750)	(26,985)	(36,735)
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	43,247	121,247
Accumulated amortisation	(17,550)	(26,870)	(44,420)
Net book amount	60,450	16,377	76,827

17 INTANGIBLE ASSETS *(continued)*

	Group		
	Licence right HK$'000	Deferred development costs HK$'000	Total HK$'000
For the year ended 31st March 2011			
At 1st April 2010	60,450	16,377	76,827
Additions	–	12,107	12,107
Amortisation	(7,800)	(11,708)	(19,508)
At 31st March 2011	52,650	16,776	69,426
At 31st March 2011			
Cost	78,000	39,524	117,524
Accumulated amortisation	(25,350)	(22,748)	(48,098)
Net book amount	52,650	16,776	69,426

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

18 LOANS AND RECEIVABLES

	Group	
	2011 HK$'000	2010 HK$'000
Corporate bonds *(Note a)*	93,112	78,501
Government bond *(Note b)*	4,772	–
Carrying amount at year end	97,884	78,501

	Group	
	2011 HK$'000	2010 HK$'000
Carrying amount at beginning of the year	78,501	64,104
Additions	16,243	–
Exchange gain	3,140	14,397
Carrying amount at year end	97,884	78,501

(a) The corporate bonds represent the Group's investments in Korean Won ("KRW") denominated corporate bond issued by a Korea incorporated company Hydis Technologies Company Limited ("Hydis") and Renminbi ("RMB") denominated corporate bond issued by China Development Bank Corporation.

(b) The government bond is issued by the Ministry of Finance PRC and is denominated in RMB.

18 LOANS AND RECEIVABLES *(continued)*

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	
	2011	2010
	HK$'000	HK$'000
Fair value of unlisted equity securities outside Hong Kong at beginning of the year	**136,641**	96,156
Fair value gain for the year	**48**	40,485
Fair value of unlisted equity securities outside Hong Kong at year end	**136,689**	136,641

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 2011 by an independent, professionally qualified valuer, CB Richard Ellis.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost *(Note a)*	**67,586**	67,586
Amounts due from subsidiaries *(Note b)*	**414,594**	280,591
	482,180	348,177

(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 fair 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			
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
31st March 2011			
Loans and receivables *(Note 18)*	**97,884**	**–**	**97,884**
Available-for-sale financial assets *(Note 19)*	**–**	**136,689**	**136,689**
Trade and other receivables *(Note 23)*	**714,757**	**–**	**714,757**
Cash and cash equivalents *(Note 24)*	**902,404**	**–**	**902,404**
Total	**1,715,045**	**136,689**	**1,851,734**

Other financial liabilities:

	Group	
	2011	2010
	HK$'000	HK$'000
Liabilities as per consolidated balance sheet		
Trade and other payables *(Note 25)*	**878,433**	819,062
Borrowings *(Note 26)*	**116,007**	122,400
Total	**994,440**	941,462

21 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Loans and receivables:

	Company	
	2011	2010
	HK$'000	HK$'000
Assets as per balance sheet		
Other receivables *(Note 23)*	**105**	105
Cash and cash equivalents *(Note 24)*	**307**	89
Amounts due from subsidiaries *(Note 20)*	**414,594**	280,591
Total	**415,006**	280,785

Other financial liabilities:

	Company	
	2011	2010
	HK$'000	HK$'000
Liabilities as per balance sheet		
Other payables *(Note 25)*	**215**	278

22 INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**245,241**	192,751
Work in progress	**16,710**	17,229
Finished goods	**167,236**	262,708
	429,187	472,688

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$1,984,760,000 (2010: HK$2,632,467,000).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**701,800**	521,120	**–**	–
Prepayments, deposits and other receivables	**12,957**	14,263	**105**	105
	714,757	535,383	**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 2011 and 2010, the ageing analysis of the trade receivables based on shipping terms is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0-30 days	**203,845**	210,335
31-60 days	**147,935**	190,031
61-90 days	**120,316**	83,526
Over 90 days	**229,704**	37,228
	701,800	521,120

As at 31st March 2011, trade receivables of HK$87,151,000 (2010: Nil) are considered past due by less than 30 days if measured strictly against the credit terms offered. The overdue sum is not considered as impaired since all of the overdue sum has been settled by early May 2011.

23 TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
Counterparties without external credit rating		
– New customers (less than 6 months)	**–**	–
– Customers (more than 6 months) with no defaults in the past	**701,800**	521,120
	701,800	521,120

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

	Group	
	2011	2010
	HK$'000	HK$'000
USD	**700,540**	422,847
HKD	**1,260**	1,034
Canadian dollar ("CAD")	**–**	9,173
GBP	**–**	88,066
	701,800	521,120

As at 31st March 2011 and 2010, 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.

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**396,055**	759,907	**307**	89
Short-term bank deposits	**506,349**	279,923	**–**	–
	902,404	1,039,830	**307**	89
Maximum exposure to credit risk	**901,769**	1,039,191	**307**	89

24 CASH AND CASH EQUIVALENTS *(continued)*

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**80,534**	145,505	**307**	89
USD	**305,681**	884,764	**–**	–
RMB	**391,895**	9,414	**–**	–
GBP	**124,170**	–	**–**	–
Others	**124**	147	**–**	–
	902,404	1,039,830	**307**	89

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**793,542**	729,168	**–**	–
Other payables and accruals	**84,891**	89,894	**215**	278
	878,433	819,062	**215**	278

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

At 31st March 2011 and 2010, the ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0-30 days	**718,290**	670,269
31-60 days	**51,474**	33,872
61-90 days	**20,219**	21,475
Over 90 days	**3,559**	3,552
	793,542	729,168

25 TRADE AND OTHER PAYABLES *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
HKD	**647,587**	576,486
USD	**144,299**	151,582
Others	**1,656**	1,100
	793,542	729,168

26 BORROWINGS

	Group	
	2011	2010
	HK$'000	HK$'000
Non-current		
Bank borrowing, secured *(Note a)*	**59,636**	–
Bank borrowings, unsecured *(Note b)*	**6,600**	46,000
	66,236	46,000
Current		
Bank borrowing, secured *(Note a)*	**10,371**	–
Bank borrowings, unsecured *(Note b)*	**39,400**	76,400
	49,771	76,400
Total borrowings	**116,007**	122,400

(a) As at 31st March 2011, the bank borrowing is secured by an investment property of the Group (Note 15).

(b) The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Notes 31 and 32). As at 31st March 2011 and 2010, 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	
	2011	2010
	HK$'000	HK$'000
Within one year	**49,771**	76,400
In the second year	**12,771**	39,400
In the third to fifth year	**35,315**	6,600
Over five years	**18,150**	–
	116,007	122,400

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

The carrying amounts of the borrowings as at 31st March 2011 and 31st March 2010 are denominated in HKD.

27 SHARE CAPITAL AND SHARE OPTION SCHEME

	Company	
	Number of shares	**Ordinary shares**
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1st April 2009, 31st March 2010 and 2011	800,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1st April 2009 and 31st March 2010	556,661,720	55,666
Exercise of share options	21,141,000	2,114
At 31st March 2011	577,802,720	57,780

27 SHARE CAPITAL AND SHARE OPTION SCHEME *(continued)*

On 21st August 2003, the Company adopted a share option scheme under which it may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares of the Company.

On 11th May 2010 and 27th August 2010, totally 40,810,000 share options were granted to eligible persons. Details of the movements of the share options granted under the share option scheme during the year ended 31st March 2011 are as follows:

				Number of share options				
Name of participants	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1st April 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st March 2011
Directors								
Mr. LEUNG Kai Ching, Kimen	11th May 2010	11th May 2010 to 20th August 2013	2.90	–	1,500,000	(750,000)	–	**750,000**
Mr. LEUNG Wai Sing, Wilson	11th May 2010	11th May 2010 to 20th August 2013	2.90	–	1,500,000	(750,000)	–	**750,000**
Mr. KUOK Kun Man, Andrew	11th May 2010	11th May 2010 to 20th August 2013	2.90	–	1,500,000	(750,000)	–	**750,000**
Mr. WONG Po Yan	11th May 2010	11th May 2010 to 20th August 2013	2.90	–	500,000	–	–	**500,000**
The Hon LI Wah Ming, Fred	11th May 2010	11th May 2010 to 20th August 2013	2.90	–	500,000	(250,000)	–	**250,000**
Mr. LAU Wang Yip, Derrick	11th May 2010	11th May 2010 to 20th August 2013	2.90	–	500,000	–	–	**500,000**
				–	6,000,000	(2,500,000)	–	**3,500,000**
Substantial shareholder								
Mr. LEUNG Wai Lap, David	11th May 2010	11th May 2010 to 20th August 2013	2.90	–	1,500,000	(750,000)	–	**750,000**
				–	1,500,000	(750,000)	–	**750,000**

27 SHARE CAPITAL AND SHARE OPTION SCHEME *(continued)*

Name of participants	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Outstanding as at 1st April 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st March 2011
Senior management and employees								
Various	11th May 2010	11th May 2010 to 20th August 2013	2.90	–	33,040,000	(17,756,000)	(54,000)	**15,230,000**
Various	27th August 2010	27th August 2010 to 20th August 2013	3.08	–	270,000	(135,000)	–	**135,000**
				–	33,310,000	(17,891,000)	(54,000)	**15,365,000**
				–	40,810,000	(21,141,000)	(54,000)	**19,615,000**

The Company has been using the Binomial Options Pricing Model (the "Model") to value the share options granted. The key parameters used in the Model and the corresponding fair values of the options granted during the year are listed below:

Date of grant	**11th May 2010**	**27th August 2010**
Number of share options granted	40,540,000	270,000
Total option value (HK$)	11,720,656	78,057
Share price at date of grant (HK$)	2.74	2.83
Exercise price (HK$)	2.90	3.08
Time to Maturity	3.3 years	3 years
Annualised volatility	36.28%	36.28%
Risk free interest rate	1.15%	1.15%
Interim dividend yield	4.79%	4.79%
Final dividend yield	6.33%	6.33%

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the Model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

The volatility measured at the standard deviation of continuously compounded share returns is based on historical statistical analysis of daily closing share prices.

28 RESERVES

	Group					
	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Staff compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2009	245,011	940	(37,606)	–	1,337,621	1,545,966
Comprehensive income/(loss)						
Profit for the year	–	–	–	–	248,293	248,293
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)
At 31st March 2010	245,011	940	51	–	1,457,881	1,703,883
At 1st April 2010	**245,011**	**940**	**51**	**–**	**1,457,881**	**1,703,883**
Comprehensive income/(loss)						
Profit for the year	**–**	**–**	**–**	**–**	**271,411**	**271,411**
Fair value gain on available-for-sale financial assets	**–**	**–**	**48**	**–**	**–**	**48**
Currency translation differences	**–**	**–**	**(86)**	**–**	**–**	**(86)**
Total comprehensive (loss)/income	**–**	**–**	**(38)**	**–**	**271,411**	**271,373**
Transactions with owners						
Shares issued from exercise of share options	**59,219**	**–**	**–**	**–**	**–**	**59,219**
Equity compensation	**–**	**–**	**–**	**11,783**	**–**	**11,783**
2011 interim dividend	**–**	**–**	**–**	**–**	**(57,669)**	**(57,669)**
2010 final and special dividends	**–**	**–**	**–**	**–**	**(113,165)**	**(113,165)**
Total transactions with owners	**59,219**	**–**	**–**	**11,783**	**(170,834)**	**(99,832)**
At 31st March 2011	**304,230**	**940**	**13**	**11,783**	**1,558,458**	**1,875,424**

28 RESERVES *(continued)*

	Company					
	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Staff compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
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 dividend	–	–	–	–	(77,933)	(77,933)
Total transactions with owners	–	–	–	–	(128,033)	(128,033)
At 31st March 2010	245,011	940	40,586	–	5,889	292,426
At 1st April 2010	**245,011**	**940**	**40,586**	**–**	**5,889**	**292,426**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**232,007**	**232,007**
Total comprehensive income	**–**	**–**	**–**	**–**	**232,007**	**232,007**
Transactions with owners						
Shares issued from exercise of share options	**59,219**	**–**	**–**	**–**	**–**	**59,219**
Equity compensation	**–**	**–**	**–**	**11,783**	**–**	**11,783**
2011 interim dividend	**–**	**–**	**–**	**–**	**(57,669)**	**(57,669)**
2010 final and special dividends	**–**	**–**	**–**	**–**	**(113,165)**	**(113,165)**
Total transactions with owners	**59,219**	**–**	**–**	**11,783**	**(170,834)**	**(99,832)**
At 31st March 2011	**304,230**	**940**	**40,586**	**11,783**	**67,062**	**424,601**

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 6 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% (2010: 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	
	2011	2010
	HK$'000	HK$'000
Deferred income tax liabilities to be settled after more than 12 months	**22,321**	23,834
Deferred income tax assets to be recovered after more than 12 months	**(41,147)**	(30,906)
Deferred income tax assets, net	**(18,826)**	(7,072)

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

	Group	
	2011	2010
	HK$'000	HK$'000
Beginning of the year	**(7,072)**	29,494
Recognised in the consolidated income statement *(Note 10)*	**(11,754)**	(36,566)
End of the year	**(18,826)**	(7,072)

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:

	Group											
Deferred income tax (assets)/liabilities	Tax losses		Accelerated tax depreciation		Deferred development costs		Revaluation of properties		Others		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**(483)**	(306)	**19,208**	25,593	**1,351**	1,106	**3,214**	2,905	**(30,362)**	196	**(7,072)**	29,494
Recognised in the consolidated income statement	**258**	(177)	**(4,165)**	(6,385)	**33**	245	**2,581**	309	**(10,461)**	(30,558)	**(11,754)**	(36,566)
End of the year	**(225)**	(483)	**15,043**	19,208	**1,384**	1,351	**5,795**	3,214	**(40,823)**	(30,362)	**(18,826)**	(7,072)

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$8,703,000 (2010: HK$5,943,000) in respect of tax losses amounting to approximately HK$35,299,000 (2010: HK$23,205,000) that can be carried forward against future taxable profit. Approximately HK$3,185,000 (2010: HK$648,000) of the unrecognised tax losses have no expiry date and the remaining balance will be expired at various dates up to and including 2029 (2010: 2029).

30 CASH GENERATED FROM OPERATIONS

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Profit before income tax	**289,812**	274,018
Interest income	**(8,189)**	(5,989)
Interest expense on bank borrowings	**889**	1,381
Amortisation of intangible assets	**19,508**	16,137
Write-off of intangible assets	**–**	209
(Gain)/loss on disposal of property, plant and equipment	**(570)**	1,083
Depreciation of property, plant and equipment	**67,484**	77,048
Write-off/impairment of property, plant and equipment	**25,738**	7,629
Amortisation of leasehold land and land use rights	**283**	392
Fair value gain on investment properties	**(109,162)**	(9,050)
Exchange gain on loans and receivables	**(3,140)**	(14,397)
Compensation gain on disposal of land and buildings	**(33,508)**	–
Provision for employee compensation	**11,783**	–
Operating profit before working capital changes	**260,928**	348,461
Decrease in inventories	**43,501**	231,158
(Increase)/decrease in trade and other receivables	**(179,374)**	73,314
Increase/(decrease) in trade and other payables	**41,493**	(11,693)
Net cash generated from operations	**166,548**	641,240

30 CASH GENERATED FROM OPERATIONS *(continued)*

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment (excluding land and buildings) comprise:

	Group	
	2011	2010
	HK$'000	HK$'000
Net book amount (excluding land and buildings) *(Note 14)*	**2,986**	2,970
Gain/(loss) on disposal of property, plant and equipment	**570**	(1,083)
Proceeds from sale of property, plant and equipment (excluding land and buildings)	**3,556**	1,887

In the consolidated statement of cash flows, proceeds from disposal of land and buildings comprise:

	Group	
	2011	2010
	HK$'000	HK$'000
Buildings at net book amount *(Note 14)*	**5,984**	–
Leasehold land and land use rights at net book amount *(Note 16)*	**4,023**	–
Compensation gain on disposal of land and buildings *(Note 6)*	**33,508**	–
Proceeds from disposal of land and buildings	**43,515**	–

31 BANKING FACILITIES

As at 31st March 2011, banking facilities of approximately HK$1,748 million (2010: HK$1,716 million) were granted by banks to the Group, of which approximately HK$116 million (2010: HK$122 million) have been utilised by the Group (Note 26). Of the banking facilities, approximately HK$1,678 million (2010: HK$1,716 million) is supported by corporate guarantees given by the Company and HK$70 million (2010: Nil) is secured by charges over the use of certain assets of the Group.

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	
	2011	2010
	HK$'000	HK$'000
Moulds, plant and machinery contracted but not provided for	**1,521**	914

(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	
	2011	2010
	HK$'000	HK$'000
Not later than one year	**19,603**	10,801
Later than one year and not later than five years	**285**	16,061
Later than five years	**–**	4,012
	19,888	30,874

(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	
	2011	2010
	HK$'000	HK$'000
Not later than one year	**2,202**	1,723
Later than one year and not later than five years	**1,320**	207
	3,522	1,930

The lease terms are from one to two years.

34 PRINCIPAL SUBSIDIARIES

As at 31st March 2011, 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	–	100	Design, manufacture and sale of consumer electronic products
		Non-voting deferred HK$5,000,000			
Alco Electronics (Shenzhen) Limited [1]	The PRC	Registered capital HK$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
Communsonic Industries Limited	Hong Kong	Ordinary HK$400,000	–	100	Manufacture and sale 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.

34 PRINCIPAL SUBSIDIARIES *(continued)*

The above table lists out the principal subsidiaries of the Company as at 31st March 2011 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 THE REPORTING PERIOD

Disposal of an investment property

On 12th April 2011, Euroform Enterprise Limited, a wholly-owned subsidiary of the Company, entered into a provisional agreement for sale and purchase with an independent third party, for the disposal of an industrial building in Fanling Hong Kong at a consideration of HK$206 million. Prior to the disposal, the industrial building was wholly owned by Euroform Enterprise Limited as an investment property and the deal will be completed on or before 15th July 2011.

Principal Properties

31st March 2011

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
No. 9 Lok Yip Road, Fanling, New Territories, Hong Kong	Fanling Sheung Shui Town Lot No. 23	Vacant	Medium 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:

	2011 **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Revenue	**3,082,330**	4,003,213	5,993,075	4,363,889	5,095,894
Profit attributable to equity holders of the Company	**271,411**	248,293	190,185	213,352	305,784
Total assets	**2,942,195**	2,758,902	2,883,451	2,891,081	2,136,318
Total liabilities	**(1,008,991)**	(999,353)	(1,281,819)	(1,314,029)	(580,555)
Total equity	**1,933,204**	1,759,549	1,601,632	1,577,052	1,555,763