ALCO HOLDINGS LIMITED

股份代號：328　Stock Code: 328

ANNUAL REPORT 2013 年報

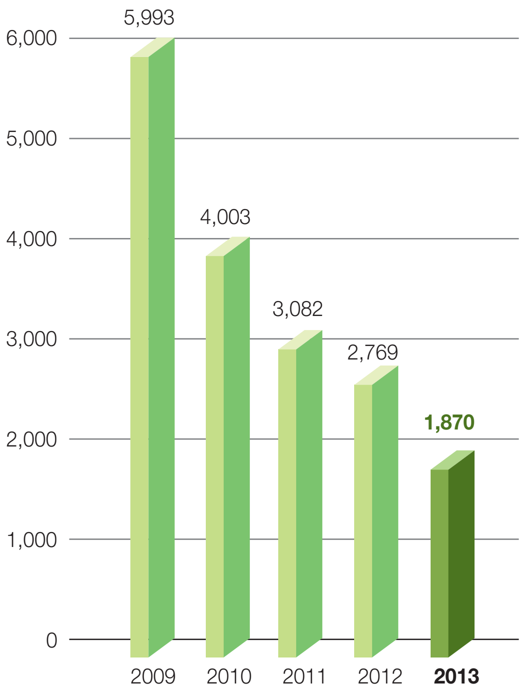
Contents

Corporate Information

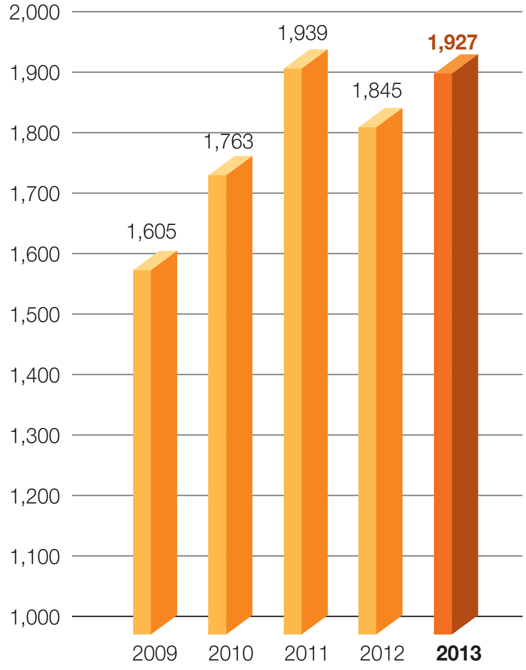
Directors	Mr LEUNG Kai Ching, Kimen *(Chairman)* Mr LEUNG Wai Sing, Wilson Mr KUOK Kun Man, Andrew Mr LI Wah Ming, Fred, *S.B.S., J.P.** Mr LAU Wang Yip, Derrick* Mr LEE Tak Chi* * *Independent non-executive directors*
Company Secretary	Mr KUOK Kun Man, Andrew
Principal Bankers	Hang Seng Bank Limited 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	King & Wood Mallesons
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

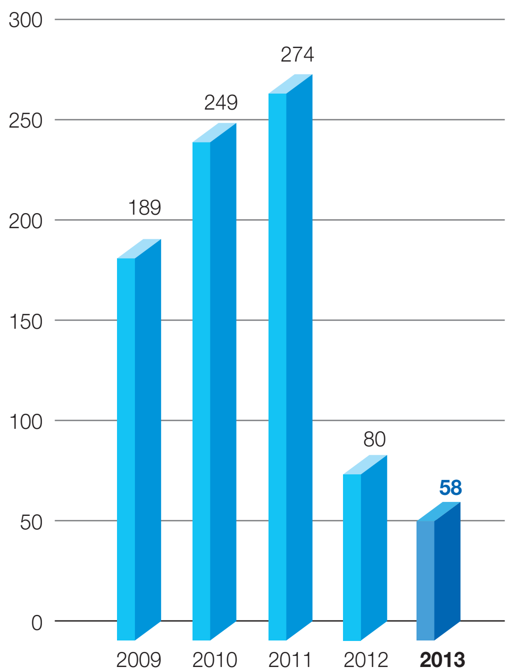
REVENUE
(HK$ MILLION)



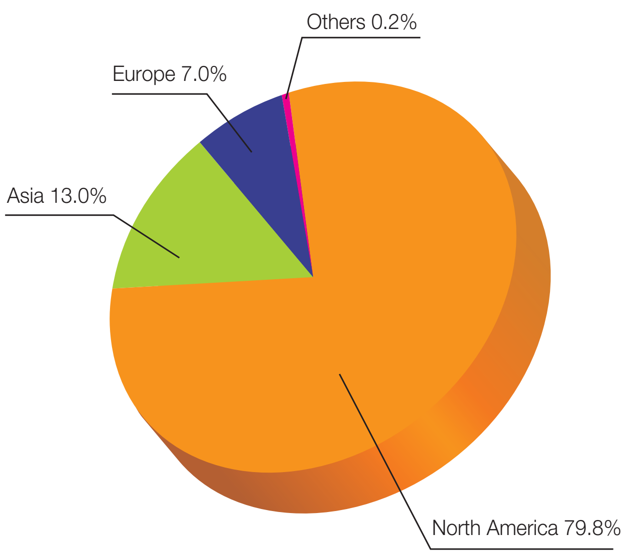
EQUITY
(HK$ MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
(HK$ MILLION)



REVENUE BY GEOGRAPHICAL SEGMENT IN 2013



Chairman's Statement

Chairman
LEUNG KAI CHING, KIMEN

GROUP RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I present the financial results of Alco Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st March 2013.

During the financial year, the Group recorded profit attributable to shareholders of HK$58 million (2012 Restated: HK$80 million) with turnover amounting to HK$1.9 billion (2012: HK$2.8 billion). The Group recorded an impairment of HK$75 million resulting from the decline in value of its investment in Hydis Technologies Co., Ltd., a Korean-based specialist manufacturer of thin-film-transistor liquid crystal displays (TFT-LCD). However, a revaluation gain from the Group's investment properties in Hong Kong was able to offset the impact of the impairment.

The Board of Directors remains committed to a stable dividend payout ratio policy. Reflecting this commitment, a final dividend of HK6 cents (2012: HK3 cents) per share has been recommended, which, combined with an interim dividend of HK3 cents per share already paid, represents a total dividend of HK9 cents per share for the financial year (2012: HK12 cents).

The final dividend will be paid on 12th September 2013 to the Group's shareholders upon approval at the upcoming Annual General Meeting.

REVIEW OF OPERATIONS

Over the past 12 months the global economic picture has yet to realise significant improvement, with Europe continuing to be burdened by serious debt and unemployment problems while the United States' recovery has remained lacklustre. The ongoing erosion of consumer confidence has led to some of our customers taking a highly conservative and piecemeal approach when restocking inventory, adopting a 'wait and see' attitude that has meant the reduction in bulk purchases. The weak economic conditions have also led to intense competition among existing players as they vie for business at the expense of profitability.

Though material costs have stabilised during the financial year, the issue of labour remains a concern. While minimum wage legislation in Mainland China has resulted in the steady escalation of this expense, there is also the problem of limited supply of skilled workers, especially in the Pearl River Delta. This has further pushed up the cost of labour as employers seek to either retain their existing workforce through incentive schemes or to address their shortage by offering higher wages.

In spite of the challenging macro-economic backdrop, we were able to achieve progress in a number of areas. Our DVD players have continued to be our leading revenue source, while our Blu-ray players made for OEM customers also contributed to the revenue. With respect to the Group's wireless video streaming players equipped with WiFi technology, such devices have performed positively since entering the market. Steady inroads have also been made by our high-value sound bar systems, some of which feature wireless video/audio technologies, while all represent the perfect complement to flat-panel TVs. Overall, we have continued to refine and update our product mix to ensure that our products are in step with current market trends.

Having noted the increasingly competitive nature of the industry that has led to rising price pressure, we have sought to alleviate such strain by reorganising production, focusing on adaptability and cost competitiveness. Among the measures taken include the outsourcing of certain operations and streamlining operational processes, thereby reducing the impact of rising labour costs. More significantly, we have wound down operations at our factory in Changan Town, Dongguan, and will transfer all production activities to a new facility in Houjie Town, which is scheduled for completion by the second half of 2013. This new factory will not only enhance efficiency and reduce overhead in the long term, but also allow us to explore new product segments owing to its flexible production capabilities.

Chairman's Statement

In addition to the many measures that have been taken to raise efficiency and enhance our product portfolio, the importance of the Group's reputation in the industry should not be discounted. With market consolidation having taken its toll – removing some industry players – customers are more cautious than ever at selecting companies that are committed to high quality and punctual delivery. The Group has for many years built its reputation on being a dependable partner and will continue to leverage this attribute to both strengthen ties with existing customers and attract new customers to the fold.

PROSPECTS

The upcoming financial year will unlikely see any major changes in the health of the global economy. Though current market conditions will call for utmost caution, we are buoyed by the knowledge that progress made by the Group both in products and infrastructure can continue to be built upon.

In terms of the Group's products, we have seen continuously healthy uptake of our DVD and Blu-ray players; hence we will leverage our R&D capabilities to further develop these products, which will include the integration of 3D as well as 4K technologies. Likewise, the progress of our wireless video streaming players and sound bar products with wireless video/audio capabilities suggest that they too can be enhanced through the integration of more appealing features. Not to be ignored is the growing line-up of wireless speaker products, some of which feature AirPlay technology, thus opening the way for fresh business prospects.

As an early entrant in the Blu-ray and sound bar segments, we have established a strong track record in identifying market winners. The rise in popularity of smartphones and smart devices, with purchases expected to exceed the 1 billion units in 2013, clearly represents a major opportunity that we will not squander. In addition to strengthening our line-up of docking-related audio and video products, the Group will also introduce various size tablet-PC products for shipment in Q3/Q4 of 2013.

Complementing our product push will be our new production facility in Houjie Town that will start operation in the second half of 2013. As mentioned, its flexible production capacity will allow the Group to address present market conditions while also aid us in determining future product goals.

The new production base in Houjie Town is also symbolic of our commitment to controlling costs. While it will help to alleviate the cost of labour, this represents one measure in a line of measures that we will take. In the face of escalating rent, we have consolidated our offices in Hong Kong from two floors to one and rented the unoccupied premises for additional income. We have also been closely examining the viability of streamlining the present workforce while maintaining optimum efficiency. This overall cost-control drive will be ongoing and meticulous as we seek to rein in all expenditures.

Indicative of our success in controlling costs, as well as exploiting business opportunities and managing our finances is the strong cash position of the Group. Having maintained a close eye on inventories and receivables, we will remain vigilant of any irregularities, given that strong financial health remains the best defence against unpredictable market conditions.

Despite the strong headwinds that have been faced in recent years, the Group has remained unflustered thanks to careful stewardship from our highly experienced management team and dedication from colleagues. Through their in-depth industry knowledge, perseverance and foresight, the Group will be well prepared to chart further growth once the economic downturn subsides.

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, 26th June 2013

Staff Dormitory

Main Building

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 80, is the founder and Chairman of the Group. He has more than 46 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 53, 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 59, 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 36 years of experience in finance and accounting with multinational organisations.

Independent Non-executive Directors

Mr LI Wah Ming, Fred, *S.B.S., J.P.*, aged 58, joined the Group in 1992 and is the director of a consultancy company. 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 52, joined the Group in 2000 and is the CEO of a financial institution. Holding a master degree of management science in accounting, he has extensive experience in investment banking.

Mr LEE Tak Chi, aged 58, joined the Group in November 2011 and is the Associate Dean (External Relations) and Professor of School of Design, The Hong Kong Polytechnic University, he also serves as Board of Director of Automotive Parts and Accessory Systems R&D Centre Limited.

Biographical Details of Directors and Senior Management

Senior Management

Mr Colin Frederick LIVERMORE, aged 58, joined the Group in 1991 and is the managing director of Alco International Limited. He has over 33 years of experience in the marketing of consumer electronic products and is responsible for formulating the marketing strategy primarily to European customers.

Mr LEUNG Wai Lap, David, aged 52, 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 44, 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 20 years of experience in the field of audio electronic products.

Mr LAU Kwok Wai, Francis, aged 62, joined the Group in 1986 and is a director of Alco Plastic Products Limited. He has over 28 years of experience in the plastics industry and is responsible for the operations of the plastics factory.

Mr LIU Lup Man, Stephen, aged 41, 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 18 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 Corporate Governance Code and Corporate Governance Report (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").

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 2013. The attendance of each director is set out as follows:

Members of the Board	Attended/Eligible to attend
Executive Directors	
Mr LEUNG Kai Ching, Kimen	4/4
Mr LEUNG Wai Sing, Wilson	4/4
Mr KUOK Kun Man, Andrew	4/4
Independent Non-executive Directors	
Mr LI Wah Ming, Fred	4/4
Mr LAU Wang Yip, Derrick	4/4
Mr LEE Tak Chi	3/4

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions with the Company for the 12 months ended 31st March 2013.

Corporate Governance Report

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 LAU Wang Yip, Derrick (chairman of the remuneration committee), Mr LI Wah Ming, Fred and Mr LEE Tak Chi, 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 2013 and the attendance of each committee member is set out as follows:

Members of the Remuneration Committee	Attended/Eligible to attend
Mr LAU Wang Yip, Derrick	1/1
Mr LI Wah Ming, Fred	1/1
Mr LEE Tak Chi	0/1

AUDIT COMMITTEE

The audit committee currently comprises Mr LAU Wang Yip, Derrick (chairman of the audit committee), Mr LI Wah Ming, Fred and Mr LEE Tak Chi, 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 2013.

Two audit committee meetings were held during the year ended 31st March 2013 and the attendance of each committee member is set out as follows:

Members of the Audit Committee	Attended/Eligible to attend
Mr LAU Wang Yip, Derrick	2/2
Mr LI Wah Ming, Fred	2/2
Mr LEE Tak Chi	2/2

NOMINATION COMMITTEE

The Company established a nomination committee on 2nd March 2012 with written terms of reference in accordance with the Code provisions.

The nomination committee currently comprises Mr LEUNG Kai Ching, Kimen (chairman of the nomination committee), Mr LEUNG Wai Sing, Wilson, Mr LI Wah Ming, Fred, Mr LAU Wang Yip, Derrick and Mr LEE Tak Chi.

The primary duties of the nomination committee are to review the structure, size and composition of the Board, and to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorship.

One nomination committee meeting was held during the year ended 31st March 2013 and the attendance of each committee member is set out as follows:

Members of the Nomination Committee	Attended/Eligible to attend
Mr LEUNG Kai Ching, Kimen	1/1
Mr LEUNG Wai Sing, Wilson	1/1
Mr LI Wah Ming, Fred	1/1
Mr LAU Wang Yip, Derrick	1/1
Mr LEE Tak Chi	0/1

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 2013, the remuneration paid to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit-related services	2,280
Non audit-related services	
Tax compliance services	445

DIRECTORS' TRAINING

During the year under review, all directors have participated in professional training relevant to business developments and regulatory updates. All directors have provided the Company with their records of training which they received during the financial year.

INTERNAL CONTROL

The Board is responsible for the internal control system of the Group. The Board requires management to establish and maintain sound and effective internal controls, which cover all material controls, including financial, operational and compliance and risk management functions. The Board and the audit committee are of the view that the resources, qualifications and experience of staff of the Group's internal audit and accounting functions are adequate.

COMMUNICATION WITH SHAREHOLDERS

In order to allow shareholders and potential investors to make enquiries and provide comments in an informed manner, the Company has established a Shareholders' Communication Policy which sets out the ways shareholders and potential investors may communicate with the Company.

Shareholders and potential investors may send written enquiries to the Company Secretary by email to investor.enquiry@alco.com.hk, by fax to (852)2597 8700 or by mail to 11/F, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong.

SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Under the Company's Bye-laws, shareholders holding not less than one-tenth of the paid-up capital of the Company can, by deposit a written requisition signed by the shareholders concerned to the Board or the Company Secretary to the principal place of business of the Company at 11/F, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong, require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

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 2013.

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.

Analysis of the Group's performance for the year by product and geographical area is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 24.

The directors have declared an interim dividend of HK3 cents per ordinary share, totalling HK$17,403,000.

The directors recommended the payment of a final dividend of HK6 cents per ordinary share, totalling HK$34,805,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity and total equity per share as at 31st March 2013 were HK$1,927 million (2012 Restated: HK$1,845 million) and HK$3.32 (2012 Restated: HK$3.18) respectively.

The Group maintains a strong financial position. As at 31st March 2013, we had cash and deposits of HK$1,232 million (2012: HK$1,015 million). After deducting bank loans of HK$200 million, we had net cash of HK$1,032 million (2012: HK$815 million). The Group has adequate liquidity for future working capital requirements.

As at 31st March 2013, our inventory was HK$318 million (2012: HK$459 million). We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables balance as at 31st March 2013 was HK$491 million (2012: HK$623 million). As it is our policy to deal with creditworthy customers and to adopt a prudent credit policy, credit risk is kept at minimal.

Trade payables balance as at 31st March 2013 was HK$566 million (2012: HK$650 million).

As at 31st March 2013, we had banking facilities of HK$1,609 million (2012: HK$1,674 million), of which HK$200 million (2012: HK$200 million) were utilised. Among the used facilities, HK$70 million shall be payable in the first year and HK$130 million shall be payable in the second to third years.

Capital expenditure on fixed assets during the year was HK$26 million (2012: HK$21 million). As at 31st March 2013, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounting to HK$11,681,000 (2012: HK$1,845,000). In addition, the Group will relocate its production facility to a new factory in Houjie Town in the second half of 2013. We expect to spend approximately HK$110 million for the renovation and relocation costs.

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

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.

To naturally hedge against the cost impact caused by the potential appreciation of Renminbi ("RMB"), the Group has diversified its cash portfolio by investing in RMB denominated deposits and bonds. As at 31st March 2013, the amount totalled RMB405 million.

EMPLOYEES

As at 31st March 2013, the Group had approximately 3,000 (2012: 3,700) 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 2013 are as follows:

Purchases	
– the largest supplier	7%
– five largest suppliers combined	27%
Sales	
– the largest customer	46%
– five largest customers combined	88%

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$30,000.

Report of the Directors

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 91.

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 2013 amounted to approximately HK$594,446,000 (2012: HK$423,959,000), 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 92.

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 2013 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 2013 and 2012 is set out below:

	Bank borrowings	
	2013	2012
	HK$'000	HK$'000
Within one year	**70,000**	–
In the second year	**80,000**	70,000
In the third to fifth year	**50,000**	130,000
	200,000	200,000

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2013 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 LI Wah Ming, Fred, *S.B.S., J.P.* [1]
Mr LAU Wang Yip, Derrick [1]
Mr LEE Tak Chi [1]

[1] *Independent non-executive directors*

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

DIRECTORS' SERVICE CONTRACT

On 1st April 2013, 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 3 months notice in writing.

On 7th November 2011, each of the independent non-executive directors entered into a service contracts with the Company for a term of 3 years and shall continue until terminated by either party giving to the other not less than 2 months notice in writing.

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 2013, 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		Equity derivatives –		Percentage of the issued share capital
	Personal interest	Corporate interest	Share options	Total	of the Company
Mr LEUNG Kai Ching, Kimen	20,150,000	225,911,400 *(Note)*	750,000	246,811,400	42.55%
Mr LEUNG Wai Sing, Wilson	45,390,000	–	750,000	46,140,000	7.95%
Mr KUOK Kun Man, Andrew	752,000	–	750,000	1,502,000	0.26%
Mr LI Wah Ming, Fred	260,000	–	250,000	510,000	0.09%
Mr LAU Wang Yip, Derrick	–	–	500,000	500,000	0.09%
Mr LEE Tak Chi	–	–	–	–	–

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 2013, other than one ordinary share each in certain of 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 2013, 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	38.94%
Webb David Michael	Beneficial owner	40,397,400	–	40,397,400	6.96%
LEUNG Wai Lap, David	Beneficial owner	34,828,190	750,000	35,578,190	6.13%
DJE Investment S.A.	Investment manager	35,092,000 *(Note ii)*	–	35,092,000	6.05%
DJE Kapital AG	Investment manager	35,092,000 *(Note ii)*	–	35,092,000	6.05%
Dr. Jens Alfred Karl Ehrhardt	Investment manager	35,092,000 *(Note ii)*	–	35,092,000	6.05%

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 2013, 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.

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 maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in Corporate Goverance Report on pages 10 to 13.

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 2013.

The audit committee currently comprises three independent non-executive directors of the Company, namely Mr LI Wah Ming, Fred, *S.B.S., J.P.*, Mr LAU Wang Yip, Derrick and Mr LEE Tak Chi.

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 2013 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.

By Order of the Board

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 26th June 2013

Independent Auditor's Report

31st March 2013

羅兵咸永道

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 24 to 90, which comprise the consolidated and company balance sheets as at 31st March 2013, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2013, 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, 26th June 2013

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Consolidated Income Statement

For the year ended 31st March 2013

	Note	2013 HK$'000	2012 HK$'000 (Restated)
Revenue	5	**1,869,541**	2,768,925
Cost of goods sold	7	**(1,695,837)**	(2,466,484)
Gross profit		**173,704**	302,441
Other income	6	**95,404**	21,432
Selling expenses	7	**(86,295)**	(117,037)
Administrative expenses	7	**(69,246)**	(92,776)
Other operating expenses	7	**(12,364)**	(16,927)
Exchange gain/(loss) on loans and receivables	18	**1,694**	(2,117)
Impairment of available-for-sale financial assets	19	**(75,137)**	(23,001)
Operating profit		**27,760**	72,015
Finance income	9	**18,117**	16,029
Finance costs	9	**(3,835)**	(2,395)
Profit before income tax		**42,042**	85,649
Income tax credit/(expense)	10	**16,371**	(5,513)
Profit for the year attributable to equity holders of the Company		**58,413**	80,136
Earnings per share attributable to equity holders of the Company			
– basic	12	**HK10.1 cents**	HK13.8 cents
– diluted	12	**HK10.1 cents**	HK13.8 cents
Dividends	13	**52,208**	69,611

The notes on pages 32 to 90 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2013

	Note	2013 HK$'000	2012 HK$'000 (Restated)
Profit for the year attributable to equity holders of the Company		**58,413**	80,136
Other comprehensive income/(loss), net of tax			
Impairment of available-for-sale financial assets	19	**–**	(1,598)
Fair value gain on transfer of owner-occupied property to investment property	14(f)	**58,074**	–
Currency translation differences		**39**	928
Other comprehensive income/(loss) for the year, net of tax		**58,113**	(670)
Total comprehensive income for the year attributable to equity holders of the Company		**116,526**	79,466

The notes on pages 32 to 90 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2013

	Note	As at 31st March 2013 HK$'000	As at 31st March 2012 HK$'000 (Restated)	As at 1st April 2011 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	14	**148,671**	220,113	252,813
Investment properties	15	**289,050**	123,900	312,388
Leasehold land and land use rights	16	**7,394**	7,658	7,821
Intangible assets	17	**38,133**	51,289	69,426
Deferred income tax assets	29	**31,708**	26,446	26,376
Loans and receivables	18	**1,538**	104,184	97,884
Available-for-sale financial assets	19	**36,953**	112,090	136,689
		553,447	645,680	903,397
Current assets				
Inventories	22	**317,826**	459,295	429,187
Loans and receivables	18	**100,841**	–	–
Trade and other receivables	23	**523,754**	654,336	714,757
Current income tax assets		**7,196**	–	–
Cash and cash equivalents	24	**1,231,776**	1,014,928	902,404
		2,181,393	2,128,559	2,046,348
Current liabilities				
Trade and other payables	25	**607,067**	718,408	878,433
Current income tax liabilities		**–**	9,137	14,551
Borrowings	26	**70,000**	–	49,771
		677,067	727,545	942,755
Net current assets		**1,504,326**	1,401,014	1,103,593
Total assets less current liabilities		**2,057,773**	2,046,694	2,006,990

Consolidated Balance Sheet

As at 31st March 2013

	Note	As at 31st March 2013 HK$'000	As at 31st March 2012 HK$'000 (Restated)	As at 1st April 2011 HK$'000 (Restated)
Capital and reserves attributable to equity holders of the Company				
Share capital	27	**58,009**	58,009	57,780
Reserves	28	**1,868,997**	1,787,277	1,881,219
Total equity		**1,927,006**	1,845,286	1,938,999
Non-current liabilities				
Borrowings	26	**130,000**	200,000	66,236
Deferred income tax liabilities	29	**767**	1,408	1,755
		130,767	201,408	67,991
Total equity and non-current liabilities		**2,057,773**	2,046,694	2,006,990

The consolidated financial statements on pages 24 to 90 were approved by the Board of Directors on 26th June 2013 and were signed on its behalf.

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 32 to 90 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	20	**975,730**	805,330
Current assets			
Other receivables	23	**105**	105
Current income tax assets		**1**	–
Cash and cash equivalents	24	**190**	105
		296	210
Current liabilities			
Other payables	25	**197**	197
Current income tax liabilities		**–**	1
		197	198
Net current assets		**99**	12
Total assets less current liabilities		**975,829**	805,342
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**58,009**	58,009
Reserves	28	**917,820**	747,333
Total equity		**975,829**	805,342

The financial statements on pages 24 to 90 were approved by the Board of Directors on 26th June 2013 and were signed on its behalf.

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 32 to 90 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2013

	Attributable to equity holders of the Company			
(Restated)	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2011, as previously reported	57,780	316,966	1,558,458	1,933,204
Effect of adoption of HKAS 12 (Amendment)	–	–	5,795	5,795
At 1st April 2011, as restated	57,780	316,966	1,564,253	1,938,999
Comprehensive income				
Profit for the year, as restated	–	–	80,136	80,136
Other comprehensive (loss)/income				
Impairment of available-for-sale financial assets	–	(1,598)	–	(1,598)
Currency translation differences	–	928	–	928
Total comprehensive (loss)/income, as restated	–	(670)	80,136	79,466
Transactions with owners				
Proceeds from shares issued from exercise of share options	229	6,421	–	6,650
2012 interim dividend	–	–	(52,208)	(52,208)
2011 final dividend	–	–	(81,213)	(81,213)
2011 special dividend	–	–	(46,408)	(46,408)
Total transactions with owners	229	6,421	(179,829)	(173,179)
At 31st March 2012, as previously reported	58,009	322,717	1,457,415	1,838,141
Effect of adoption of HKAS 12 (Amendment)	–	–	7,145	7,145
At 31st March 2012, as restated	58,009	322,717	1,464,560	1,845,286

The notes on pages 32 to 90 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2013

	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 2012, as previously reported	58,009	322,717	1,457,415	1,838,141
Effect of adoption of HKAS 12 (Amendment)	–	–	7,145	7,145
At 1st April 2012, as restated	58,009	322,717	1,464,560	1,845,286
Comprehensive income				
Profit for the year	–	–	58,413	58,413
Other comprehensive income				
Fair value gain on transfer of owner-occupied property to investment property *(Note 14(f))*	–	58,074	–	58,074
Currency translation differences	–	39	–	39
Total comprehensive income	–	58,113	58,413	116,526
Transactions with owners				
2013 interim dividend	–	–	(17,403)	(17,403)
2012 final dividend	–	–	(17,403)	(17,403)
Total transactions with owners	–	–	(34,806)	(34,806)
At 31st March 2013	58,009	380,830	1,488,167	1,927,006

The notes on pages 32 to 90 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st March 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**250,475**	10,766
Interest received		**18,117**	16,029
Interest paid		**(3,835)**	(2,395)
Profits tax paid		**(5,865)**	(12,859)
Net cash generated from operating activities		**258,892**	11,541
Cash flows from investing activities			
Purchase of property, plant and equipment		**(25,527)**	(20,885)
Proceeds from disposal of property, plant and equipment		**12,064**	704
Purchase of loans and receivables		**(1,513)**	(8,417)
Proceeds from redemption of loans and receivables		**5,012**	–
Proceeds from disposal of an investment property		**–**	206,000
Proceeds from disposal of a subsidiary, net of cash disposed		**–**	1,482
Net cash (used in)/generated from investing activities		**(9,964)**	178,884
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		**–**	6,650
Proceeds from borrowings		**–**	350,000
Repayments of borrowings		**–**	(266,007)
Dividends paid to the Company's shareholders		**(34,806)**	(179,829)
Net cash used in financing activities		**(34,806)**	(89,186)
Net increase in cash and cash equivalents		**214,122**	101,239
Cash and cash equivalents at beginning of the year		**1,014,928**	902,404
Effect of foreign exchange rate change		**2,726**	11,285
Cash and cash equivalents at end of the year	24	**1,231,776**	1,014,928

The notes on pages 32 to 90 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 26th June 2013.

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.

Amendments to standards adopted by the Group

The Group has adopted the following amendments to standards that have been issued and are effective for the Group's financial year commencing on 1st April 2012:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures-Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Amendments to standards adopted by the Group *(continued)*

The adoption of the above amendments to standards did not have significant impact to the Group's consolidated financial statements except for HKAS 12 (Amendment) "Deferred Tax: Recovery of Underlying Assets".

The effect of the adoption of this amendment is as follows:

HKAS 12 (Amendment)-Deferred Tax: Recovery of Underlying Assets

This amendment to HKAS 12 provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when an investment property is measured at fair value. The amendment introduces a presumption that an investment property measured at fair value will be recovered entirely through sale rather than over time through operations. The implication is that deferred tax liabilities are not provided as capital gains upon sale are not taxed in Hong Kong. This represents a change in the accounting policy which is applied retrospectively.

The adoption of amendment to HKAS 12 has the following impact on the consolidated financial statements:

	31st March 2012 HK$'000	1st April 2011 HK$'000
Assets		
Increase in deferred tax assets	7,145	5,795
Equity		
Increase in retained earnings	7,145	5,795

	Year ended 31st March 2012 HK$'000
Decrease in income tax expense	1,350
Increase in basic and diluted earnings per share *(HK cents)*	0.2

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 2013 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	Government Loans	1st January 2013
HKFRS 7 (Amendment)	Disclosures-Offsetting Financial Assets and Financial Liabilities	1st January 2013
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures	1st January 2015
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 10, 11 and 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1st January 2013
HKFRS 10, 12 and HKAS 27 (Amendment)	Investments Entities	1st January 2014
HKFRS 13	Fair Value Measurement	1st January 2013
HKAS 1 (Amendment)	Presentation of Financial Statements	1st July 2012
HKAS 19 (2011)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1st January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1st January 2014
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1st January 2013
Annual improvement	Improvements to HKASs and HKFRSs 2011	1st January 2013

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.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation (continued)

(a) *Business combinations (continued)*

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in consolidated income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement.

Translation differences on non-monetary financial assets such as equities 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. Exchange differences arising are recognised in equity.

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 finance 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 period 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

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by independent valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded 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. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

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 2.13 and 2.14).

(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 2.11.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Impairment of financial assets *(continued)*

(a) *Assets carried at amortised cost (continued)*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) *Assets classified as available-for-sale financial assets*

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. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence 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 profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 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.

2.13 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.

2.14 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.

2.15 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, net of tax, from the proceeds. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary 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 owners of the Company.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

2.18 Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the year comprises current and deferred tax and is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) *Deferred income tax*

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

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.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Pension obligations*

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

The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Share-based payments

The Group operates a number of 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 performance and service 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.

2.22 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 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 collectability 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.

2.24 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 2.23(ii).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Dividend distribution

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

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 HKD, United States dollars ("USD") and Renminbi ("RMB"). The majority of assets and liabilities are denominated in HKD, USD, RMB 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 2013, 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$48,888,000 (2012: HK$23,520,000) higher/lower, mainly as a result of the foreign exchange differences on translation of RMB denominated cash and bank balances and other payables.

At 31st March 2013, if KRW had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax profit for the year would have been approximately HK$7,988,000 (2012: HK$7,841,000) 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 2013, the Group's borrowings at variable rates were denominated in HKD.

At 31st March 2013, 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$2,000,000 (2012: HK$2,000,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st March 2013, 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$12,535,000 (2012: HK$10,403,000) higher/lower due to interest income earned on market interest rate.

The total bank loans held by the Group as at 31st March 2013 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 2013, the Group's total available banking facilities amounted to approximately HK$1,609 million (2012: HK$1,674 million), of which HK$200 million (2012: HK$200 million) has been utilised.

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.

	Within one year HK$'000	In the second year HK$'000	In the third to fifth year HK$'000	Over five years HK$'000	Total HK$'000	Carrying amount HK$'000
Group						
At 31st March 2012						
Borrowings	–	71,285	132,477	–	203,762	200,000
Trade and other payables	718,408	–	–	–	718,408	718,408
At 31st March 2013						
Borrowings	**71,325**	**81,539**	**50,984**	**–**	**203,848**	**200,000**
Trade and other payables	**607,067**	**–**	**–**	**–**	**607,067**	**607,067**
Company						
At 31st March 2012						
Other payables	197	–	–	–	197	197
At 31st March 2013						
Other payables	**197**	**–**	**–**	**–**	**197**	**197**

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 2013 and 2012 were as follows:

	2013 **HK$'000**	2012 HK$'000 (Restated)
Borrowings *(Note 26)*	**200,000**	200,000
Less: Cash and cash equivalents *(Note 24)*	**(1,231,776)**	(1,014,928)
Net surplus cash	**(1,031,776)**	(814,928)
Total equity	**1,927,006**	1,845,286
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 that were measured at fair value at 31st March 2012 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)*	–	–	112,090	112,090

The following table presented the assets that were measured at fair value at 31st March 2013 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)*	**–**	**–**	**36,953**	**36,953**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group engaged Jones Lang LaSalle Hong Kong (2012: 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 17.1% was used in the valuation.

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

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the changes in level 3 instruments for the years ended 31st March 2013 and 2012.

	Available-for-sale financial assets	
	2013	2012
	HK$'000	HK$'000
Opening balance	**112,090**	136,689
Impairment loss recognised as other comprehensive loss	**–**	(1,598)
Impairment loss recognised in consolidated income statement	**(75,137)**	(23,001)
Closing balance	**36,953**	112,090

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 addressed below.

(a) Estimate of fair value of investment properties

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(c) Impairment of non-financial assets

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

– property, plant and equipment
– leasehold land and land use rights
– intangible assets
– investments in subsidiaries

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

(d) Fair value estimation and impairment 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.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(e) Recognition of deferred income tax assets

According to the accounting policy as stated in Note 2.19, 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 obsolescence 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 require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventory and impairment provision in the year in which such estimate has been changed.

(g) Provision for other liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events. Significant judgement is required in determining the provision for liabilities and charges. The Group's management determines the provision for liabilities and charges by estimating the present value of the expenditures expected to be required to settle the obligation. This assessment requires the use of estimation.

5 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Revenues		
Consumer electronic products	**1,865,778**	2,768,538
Plastic products	**3,763**	387
	1,869,541	2,768,925

(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.

Revenues are 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 consolidated 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, current income tax assets and deferred tax assets.

5 REVENUE AND SEGMENT INFORMATION *(continued)*

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

Segment liabilities comprise operating liabilities and exclude items such as current income tax liabilities, deferred income tax liabilities and certain corporate borrowings.

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

	Group							
	2013				2012 (Restated)			
	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 revenues								
External sales	1,865,778	3,763	–	1,869,541	2,768,538	387	–	2,768,925
Inter-segment sales	–	93,788	(93,788)	–	–	111,097	(111,097)	–
	1,865,778	97,551	(93,788)	1,869,541	2,768,538	111,484	(111,097)	2,768,925
Segment results	28,086	(326)		27,760	72,019	(4)		72,015
Finance income				18,117				16,029
Finance costs				(3,835)				(2,395)
Profit before income tax				42,042				85,649
Income tax expense				16,371				(5,513)
Profit for the year attributable to equity holders of the Company				58,413				80,136
Segment assets	2,368,707	38,179		2,406,886	2,581,441	42,452		2,623,893
Unallocated corporate assets				327,954				150,346
Total assets				2,734,840				2,774,239
Segment liabilities	598,774	8,293		607,067	713,357	5,051		718,408
Unallocated corporate liabilities				200,767				210,545
Total liabilities				807,834				928,953
Capital expenditure	20,770	4,757		25,527	20,801	84		20,885

5 REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment analysed by geographical areas

The segment revenues for the years ended 31st March 2013 and 2012 are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
North America	**1,492,025**	2,132,754
Asia	**242,758**	278,497
Europe	**130,248**	343,859
Others	**4,510**	13,815
	1,869,541	2,768,925

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

Primarily all of the assets and capital expenditure for the years ended 31st March 2013 and 2012 were located or utilised in the PRC or Hong Kong.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Customer A	**859,963**	1,098,736
Customer B	**388,486**	730,350
Customer C	**301,148**	292,877
Customer D	Not applicable	281,669

6 OTHER INCOME

	Group	
	2013	2012
	HK$'000	HK$'000
Fair value gain on investment properties *(Note 15)*	**78,458**	17,512
Rental income from investment properties	**4,692**	3,525
Service income	**7,281**	–
Income from dispute settlement	**4,069**	–
Others	**904**	395
	95,404	21,432

7 EXPENSES BY NATURE

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

	Group	
	2013	2012
	HK$'000	HK$'000
Amortisation of intangible assets	**13,156**	18,137
Amortisation of leasehold land and land use rights	**289**	288
Auditor's remuneration	**2,280**	2,481
Cost of inventories	**1,248,140**	1,888,961
Depreciation of property, plant and equipment	**43,056**	52,690
Employee benefit expenses (including directors' emoluments) *(Note 8)*	**242,762**	335,867
(Gain)/loss on disposal of property, plant and equipment	**(3,600)**	271
Operating lease rental in respect of land and buildings	**22,299**	33,601
Research and development costs	**15,983**	26,231
Write-off/impairment of property, plant and equipment	**16,854**	–

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2013	2012
	HK$'000	HK$'000
Wages and salaries	**211,809**	299,145
Pension costs – defined contribution retirement schemes *(Note a)*	**2,877**	3,370
Other staff benefits	**14,398**	18,316
Termination benefits	**13,678**	15,036
	242,762	335,867

Notes:

(a) Defined contribution retirement schemes

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

With effect from 1st December 2000, the Mandatory Provident Fund Scheme (the "MPF Scheme") was set up under the MPF Scheme Ordinance for existing staff who opted for this scheme and eligible staff recruited on or after that date. The ORSO Scheme has remained in place with the introduction of the MPF Scheme. Under the MPF Scheme, eligible employees and the Group are each required to contribute 5% on the employees' monthly net salaries with a maximum of HK$1,250 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$2,877,000 (2012: HK$3,370,000). No forfeited contribution in respect of the defined contribution retirement scheme was utilised during the year (2012: Nil). Forfeiture contributions of approximately HK$13,000 (2012: HK$13,000) was available as at 31st March 2013 to reduce future contributions.

Contributions totaling approximately HK$353,000 (2012: HK$423,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables.

(b) Directors' and senior management's emoluments

The remuneration of every director of the Company for the year ended 31st March 2012 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contributions to pension schemes HK$'000	Total HK$'000
Executive directors:					
Mr LEUNG Kai Ching, Kimen	–	4,564	6,105	196	10,865
Mr LEUNG Wai Sing, Wilson	–	4,564	6,512	196	11,272
Mr KUOK Kun Man, Andrew	–	1,921	3,663	82	5,666
Independent non-executive directors:					
Mr WONG Po Yan *(Note i)*	72	–	–	–	72
Mr LI Wah Ming, Fred	120	–	–	6	126
Mr LAU Wang Yip, Derrick	120	–	–	6	126
Mr LEE Tak Chi *(Note ii)*	48	–	–	–	48

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

Notes (continued):

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

The remuneration of every director of the Company for the year ended 31st March 2013 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contributions to pension schemes HK$'000	Total HK$'000
Executive directors:					
Mr LEUNG Kai Ching, Kimen	–	4,564	1,763	196	6,523
Mr LEUNG Wai Sing, Wilson	–	4,564	1,880	196	6,640
Mr KUOK Kun Man, Andrew	–	1,921	1,057	82	3,060
Independent non-executive directors:					
Mr LI Wah Ming, Fred	120	–	–	6	126
Mr LAU Wang Yip, Derrick	120	–	–	6	126
Mr LEE Tak Chi	120	–	–	–	120

Note:

(i) Mr WONG Po Yan resigned his position as independent non-executive director with effect from 7th November 2011.

(ii) Mr LEE Tak Chi was appointed as independent non-executive director with effect from 7th November 2011.

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 2013 and 2012.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2012: two) individuals during the year are as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,236	3,236
Discretionary bonuses	7,000	11,300
Contributions to pension schemes	96	94
	10,332	14,630

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

Notes (continued):

(c) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	Number of individuals 2013	2012
Emolument bands		
HK$5,000,001-HK$6,000,000	2	1
HK$9,000,001-HK$10,000,000	–	1

(d) Senior management compensation

The emoluments of the senior management include the five highest paid individuals whose emoluments are reflected in the analysis presented above.

The emoluments of the remaining three senior management during the year are as follows:

	Number of individuals 2013	2012
Emolument band		
HK$1-HK$1,000,000	3	3

9 FINANCE INCOME AND FINANCE COSTS

	Group 2013 HK$'000	2012 HK$'000
Finance income:		
– Bank interest income	14,674	12,506
– Interest income from loans and receivables	3,443	3,523
	18,117	16,029
Finance costs:		
– Interest expense on bank borrowings wholly repayable within five years	3,835	2,395

10 INCOME TAX CREDIT/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Current income tax		
– Hong Kong profits tax	**(4,667)**	(4,904)
– Over/(under) provision in prior years	**15,135**	(1,015)
Deferred income tax *(Note 29)*	**5,903**	(944)
Effect of adoption of HKAS 12 (Amendment)	**–**	1,350
Income tax credit/(expense)	**16,371**	(5,513)

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	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Profit before income tax	**42,043**	85,649
Tax calculated at a tax rate of 16.5% (2012: 16.5%)	**(6,937)**	(14,132)
Effect of different tax rates in other countries	**128**	25
Income not subject to tax	**17,566**	21,732
Expenses not deductible for tax purposes	**(9,280)**	(11,735)
Over/(under) provision in prior years	**15,135**	(1,015)
Unrecognised tax losses	**(254)**	(392)
Utilisation of previously unrecognised tax losses	**13**	4
Tax credit/(expense)	**16,371**	(5,513)

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$205,293,000 (2012: HK$496,140,000).

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	
	2013	2012 (Restated)
Profit for the year attributable to equity holders of the Company *(HK$'000)*	**58,413**	80,136
Weighted average number of ordinary shares in issue	**580,093,720**	579,647,436
Basic earnings per share *(HK cents)*	**10.1**	13.8

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For the years ended 31st March 2013 and 2012, the conversion of all dilutive share options outstanding would have an anti-dilutive effect on the earnings per share.

	Group	
	2013	2012 (Restated)
Profit for the year attributable to equity holders of the Company *(HK$'000)*	**58,413**	80,136
Weighted average number of ordinary shares in issue	**580,093,720**	579,647,436
Dilutive effect on share options	**–**	–
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**580,093,720**	579,647,436
Diluted earnings per share *(HK cents)*	**10.1**	13.8

13 DIVIDENDS

	Company	
	2013	2012
	HK$'000	HK$'000
Interim dividend, paid, of HK3 cents (2012: HK9 cents) per ordinary share	**17,403**	52,208
Final dividend, proposed, of HK6 cents (2012: HK3 cents) per ordinary share	**34,805**	17,403
	52,208	69,611

At a meeting held on 26th June 2013, the directors proposed a final dividend of HK6 cents per ordinary share. This proposed dividend is not reflected as a dividend payable 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	Moulds	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 2011							
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
Year ended 31st March 2012							
Opening net book amount	60,172	51,014	–	42,406	92,988	6,233	252,813
Additions	–	11,742	–	6,130	660	2,353	20,885
Disposals	–	–	–	(441)	(203)	(331)	(975)
Depreciation	(607)	(27,328)	–	(8,400)	(14,816)	(1,539)	(52,690)
Disposal of a subsidiary	–	–	–	(66)	–	–	(66)
Exchange differences	92	–	–	50	–	4	146
Closing net book amount	59,657	35,428	–	39,679	78,629	6,720	220,113
At 31st March 2012							
Cost	68,946	370,224	87,424	247,891	509,931	18,339	1,302,755
Accumulated depreciation and impairment	(9,289)	(334,796)	(87,424)	(208,212)	(431,302)	(11,619)	(1,082,642)
Net book amount	59,657	35,428	–	39,679	78,629	6,720	220,113

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
Year ended 31st March 2013							
Opening net book amount	59,657	35,428	–	39,679	78,629	6,720	220,113
Additions	–	14,439	1,496	4,765	4,671	156	25,527
Disposals	–	–	–	(1,873)	(5,932)	(659)	(8,464)
Depreciation	(483)	(21,602)	(71)	(7,937)	(11,685)	(1,278)	(43,056)
Write-off/impairment	–	–	–	(633)	(16,048)	(173)	(16,854)
Transfer to investment properties *(Note 14(f))*	(28,618)	–	–	–	–	–	(28,618)
Exchange differences	15	–	–	8	–	–	23
Closing net book amount	30,571	28,265	1,425	34,009	49,635	4,766	148,671
At 31st March 2013							
Cost	36,961	384,663	63,504	222,761	457,046	15,353	1,180,288
Accumulated depreciation and impairment	(6,390)	(356,398)	(62,079)	(188,752)	(407,411)	(10,587)	(1,031,617)
Net book amount	30,571	28,265	1,425	34,009	49,635	4,766	148,671

(b) Depreciation expenses have been included in:

	Group	
	2013 HK$'000	2012 HK$'000
Cost of goods sold	**39,404**	49,572
Administrative expenses	**3,652**	3,118
	43,056	52,690

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**3,868**	7,580
Leases of between 10 and 50 years	**257**	269
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**5,552**	5,738
	9,677	13,587

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

	Group	
	2013	2012
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**20,499**	45,663
Leases of between 10 and 50 years	**395**	407
	20,894	46,070

(e) As at 31st March 2013 and 2012, no bank borrowing was secured on any building which was classified under property, plant and equipment (Note 26).

(f) During the year ended 31st March 2013, the Group transferred an owner-occupied property located in Hong Kong to an investment property and rented it out (Note 15).

The carrying amount and the fair value of the property were HK$28,618,000 and HK$86,692,000 on the date of transfer, respectively. The excess HK$58,074,000 of the fair value over the carrying amount was recorded in other comprehensive income as fair value gain.

15 INVESTMENT PROPERTIES

	Group	
	2013	2012
	HK$'000	HK$'000
Beginning of the year	**123,900**	312,388
Transfer from an owner-occupied property *(Note 14(f))*	**86,692**	–
Disposals	**–**	(206,000)
Fair value gain *(Note 6)*	**78,458**	17,512
End of the year	**289,050**	123,900

The investment properties were revalued at 31st March 2013 by an independent, professionally qualified valuer, LCH (Asia-Pacific) Surveyors Limited. Valuations were based on current prices in an active market for all properties.

As at 31st March 2013 and 2012, no bank borrowing was secured on investment properties (Note 26).

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

	Group	
	2013	2012
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**215,920**	78,500
Leases of between 10 and 50 years	**73,130**	45,400
	289,050	123,900

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2013	2012
	HK$'000	HK$'000
Beginning of the year	**7,658**	7,821
Amortisation	**(289)**	(288)
Exchange differences	**25**	125
End of the year	**7,394**	7,658

Amortisation expenses of leasehold land and land use right have been included in administrative expenses.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**7,394**	7,658

As at 31st March 2013 and 2012, no bank borrowing was secured on leasehold land and land use rights (Note 26).

17 INTANGIBLE ASSETS

	Group		
	Licence right	Deferred development costs	Total
	HK$'000	HK$'000	HK$'000
At 1st April 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
For the year ended 31st March 2012			
At 1st April 2011	52,650	16,776	69,426
Amortisation	(7,800)	(10,337)	(18,137)
Net book amount	44,850	6,439	51,289
At 31st March 2012			
Cost	78,000	13,390	91,390
Accumulated amortisation	(33,150)	(6,951)	(40,101)
Net book amount	44,850	6,439	51,289
For the year ended 31st March 2013			
At 1st April 2012	**44,850**	**6,439**	**51,289**
Amortisation	**(7,800)**	**(5,356)**	**(13,156)**
Net book amount	**37,050**	**1,083**	**38,133**
At 31st March 2013			
Cost	**78,000**	**2,708**	**80,708**
Accumulated amortisation	**(40,950)**	**(1,625)**	**(42,575)**
Net book amount	**37,050**	**1,083**	**38,133**

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

18 LOANS AND RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Non-current		
Corporate bonds *(Note a)*	**–**	90,656
Government bonds *(Note b)*	**1,538**	13,528
	1,538	104,184
Current		
Corporate bonds *(Note a)*	**92,216**	–
Government bonds *(Note b)*	**8,625**	–
	100,841	–
Carrying amount as at the end of the year	**102,379**	104,184
Carrying amount as at the beginning of the year	**104,184**	97,884
Additions	**1,513**	8,417
Redemption	**(5,012)**	–
Exchange gain/(loss)	**1,694**	(2,117)
Carrying amount as at the end of the year	**102,379**	104,184

Notes:

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

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

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 amount of the loans and receivables.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
Fair value of unlisted equity securities outside Hong Kong as at the beginning of the year	**112,090**	136,689
Impairment loss recognised as other comprehensive loss	**–**	(1,598)
Impairment loss recognised in consolidated income statement	**(75,137)**	(23,001)
Fair value of unlisted equity securities outside Hong Kong as at the end of the year	**36,953**	112,090

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

The available-for-sale financial assets were revalued at 31st March 2013 by an independent, professionally qualified valuer, Jones Lang LaSalle Hong Kong (2012: CB Richard Ellis).

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost *(Note a)*	**67,586**	67,586
Amounts due from subsidiaries *(Note b)*	**908,144**	737,744
	975,730	805,330

Notes:

(a) Details of principal subsidiaries are set out in Note 34 to the consolidated financial statements.

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

21 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		
	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Assets as per consolidated balance sheet			
31st March 2012			
Loans and receivables *(Note 18)*	104,184	–	104,184
Available-for-sale financial assets *(Note 19)*	–	112,090	112,090
Trade and other receivables *(Note 23)*	654,336	–	654,336
Cash and cash equivalents *(Note 24)*	1,014,928	–	1,014,928
Total	1,773,448	112,090	1,885,538
31st March 2013			
Loans and receivables *(Note 18)*	**102,379**	**–**	**102,379**
Available-for-sale financial assets *(Note 19)*	**–**	**36,953**	**36,953**
Trade and other receivables *(Note 23)*	**523,754**	**–**	**523,754**
Cash and cash equivalents *(Note 24)*	**1,231,776**	**–**	**1,231,776**
Total	**1,857,909**	**36,953**	**1,894,862**

Other financial liabilities:

	Group	
	2013 HK$'000	2012 HK$'000
Liabilities as per consolidated balance sheet		
Trade and other payables *(Note 25)*	**607,067**	718,408
Borrowings *(Note 26)*	**200,000**	200,000
Total	**807,067**	918,408

21 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Loans and receivables:

	Company	
	2013	2012
	HK$'000	HK$'000
Assets as per balance sheet		
Other receivables *(Note 23)*	**105**	105
Cash and cash equivalents *(Note 24)*	**190**	105
Amounts due from subsidiaries *(Note 20)*	**908,144**	737,744
Total	**908,439**	737,954

Other financial liabilities:

	Company	
	2013	2012
	HK$'000	HK$'000
Liabilities as per balance sheet		
Other payables *(Note 25)*	**197**	197

22 INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**196,373**	290,354
Work in progress	**12,336**	16,435
Finished goods	**109,117**	152,506
	317,826	459,295

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$1,248,140,000 (2012: HK$1,888,961,000).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**490,787**	623,240	**–**	–
Prepayments, deposits and other receivables	**32,967**	31,096	**105**	105
	523,754	654,336	**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 amounts.

At 31st March 2013 and 2012, the ageing analysis of the trade receivables based on shipping terms is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0-30 days	**99,483**	131,331
31-60 days	**89,240**	113,936
61-90 days	**100,115**	142,816
Over 90 days	**201,949**	235,157
	490,787	623,240

As at 31st March 2013, trade receivables of HK$34,693,000 (2012: HK$33,121,000) were considered past due 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 in April 2013.

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	
	2013	2012
	HK$'000	HK$'000
Counterparties without external credit rating		
– New customers (less than 6 months)	**4**	–
– Customers (more than 6 months) with no defaults in the past	**490,783**	623,240
	490,787	623,240

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

	Group	
	2013	2012
	HK$'000	HK$'000
USD	**489,793**	623,240
Canadian dollar	**979**	–
HKD	**15**	–
	490,787	623,240

As at 31st March 2013 and 2012, 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 amount of each class of receivable mentioned above.

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**428,208**	205,623	**190**	105
Short-term bank deposits	**803,568**	809,305	**–**	–
	1,231,776	1,014,928	**190**	105
Maximum exposure to credit risk	**1,230,970**	1,014,491	**190**	105

24 CASH AND CASH EQUIVALENTS *(continued)*

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**72,543**	80,735	**190**	105
USD	**672,506**	696,090	**–**	–
RMB	**483,727**	232,549	**–**	–
British pound	**2,937**	5,501	**–**	–
Others	**63**	53	**–**	–
	1,231,776	1,014,928	**190**	105

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**565,827**	650,227	**–**	–
Other payables and accruals	**41,240**	68,181	**197**	197
	607,067	718,408	**197**	197

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

At 31st March 2013 and 2012, the ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0-30 days	**524,085**	589,686
31-60 days	**24,477**	53,194
61-90 days	**13,924**	3,954
Over 90 days	**3,341**	3,393
	565,827	650,227

25 TRADE AND OTHER PAYABLES *(continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
HKD	**532,286**	538,606
USD	**29,660**	110,795
Others	**3,881**	826
	565,827	650,227

26 BORROWINGS

	Group	
	2013	2012
	HK$'000	HK$'000
Non-current		
Bank borrowings, unsecured *(Note)*	**130,000**	200,000
Current		
Bank borrowings, unsecured *(Note)*	**70,000**	–
Total borrowings	**200,000**	200,000

Note:

The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Notes 31 and 32). As at 31st March 2013 and 2012, the borrowings were denominated in HKD and interest bearing at a margin over HIBOR.

The maturity of bank borrowings is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**70,000**	–
In the second year	**80,000**	70,000
In the third to fifth year	**50,000**	130,000
	200,000	200,000

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

The carrying amounts of the borrowings as at 31st March 2013 and 2012 are denominated in HKD.

27 SHARE CAPITAL AND SHARE OPTION SCHEME

	Company			
	2013		2012	
	Number of shares	HK$'000	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**800,000,000**	**80,000**	800,000,000	80,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1st April	**580,093,720**	**58,009**	577,802,720	57,780
Exercise of share options	**–**	**–**	2,291,000	229
At 31st March	**580,093,720**	**58,009**	580,093,720	58,009

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 2013 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 2012	Exercised during the year	Lapsed during the year	Outstanding as at 31st March 2013
Executive directors							
Mr. LEUNG Kai Ching, Kimen	11th May 2010	11th May 2010 to 20th August 2013	2.90	750,000	–	–	**750,000**
Mr. LEUNG Wai Sing, Wilson	11th May 2010	11th May 2010 to 20th August 2013	2.90	750,000	–	–	**750,000**
Mr. KUOK Kun Man, Andrew	11th May 2010	11th May 2010 to 20th August 2013	2.90	750,000	–	–	**750,000**

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

				Number of share options			
Name of participants	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1st April 2012	Exercised during the year	Lapsed during the year	Outstanding as at 31st March 2013
Independent non-executive directors							
Mr. LI Wah Ming, Fred	11th May 2010	11th May 2010 to 20th August 2013	2.90	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**
				3,000,000	–	–	**3,000,000**
Substantial shareholder							
Mr. LEUNG Wai Lap, David	11th May 2010	11th May 2010 to 20th August 2013	2.90	750,000	–	–	**750,000**
				750,000	–	–	**750,000**
Senior management and employees							
Various	11th May 2010	11th May 2010 to 20th August 2013	2.90	12,908,000	–	(2,840,000)	**10,068,000**
Various	27th August 2010	27th August 2010 to 20th August 2013	3.08	100,000	–	–	**100,000**
				13,008,000	-	(2,840,000)	**10,168,000**
				16,758,000	-	(2,840,000)	**13,918,000**

28 RESERVES

	Group						
	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange and other reserves HK$'000	Staff compensation reserve HK$'000	Revaluation surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2011, as previously reported	304,230	940	13	11,783	–	1,558,458	1,875,424
Effect of adoption of HKAS 12 (Amendment)	–	–	–	–	–	5,795	5,795
At 1st April 2011, as restated	304,230	940	13	11,783	–	1,564,253	1,881,219
Comprehensive income							
Profit for the year, as restated	–	–	–	–	–	80,136	80,136
Impairment of available-for-sale financial assets	–	–	(1,598)	–	–	–	(1,598)
Currency translation differences	–	–	928	–	–	–	928
Total comprehensive (loss)/income, as restated	–	–	(670)	–	–	80,136	79,466
Transactions with owners							
Shares issued from exercise of share options	6,421	–	–	–	–	–	6,421
2012 interim dividend	–	–	–	–	–	(52,208)	(52,208)
2011 final dividend	–	–	–	–	–	(81,213)	(81,213)
2011 special dividend	–	–	–	–	–	(46,408)	(46,408)
Total transactions with owners	6,421	–	–	–	–	(179,829)	(173,408)
At 31st March 2012, as restated	310,651	940	(657)	11,783	–	1,464,560	1,787,277
At 1st April 2012	**310,651**	**940**	**(657)**	**11,783**	**–**	**1,464,560**	**1,787,277**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**58,413**	**58,413**
Fair value gain on transfer of owner-occupied property to investment property	**–**	**–**	**–**	**–**	**58,074**	**–**	**58,074**
Currency translation differences	**–**	**–**	**39**	**–**	**–**	**–**	**39**
Total comprehensive income	**–**	**–**	**39**	**–**	**58,074**	**58,413**	**116,526**
Transactions with owners							
2013 interim dividend	**–**	**–**	**–**	**–**	**–**	**(17,403)**	**(17,403)**
2012 final dividend	**–**	**–**	**–**	**–**	**–**	**(17,403)**	**(17,403)**
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**(34,806)**	**(34,806)**
At 31st March 2013	**310,651**	**940**	**(618)**	**11,783**	**58,074**	**1,488,167**	**1,868,997**

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 2011	304,230	940	40,586	11,783	67,062	424,601
Comprehensive income						
Profit for the year	–	–	–	–	496,140	496,140
Transactions with owners						
Shares issued from exercise of share options	6,421	–	–	–	–	6,421
2012 interim dividend	–	–	–	–	(52,208)	(52,208)
2011 final dividend	–	–	–	–	(81,213)	(81,213)
2011 special dividend	–	–	–	–	(46,408)	(46,408)
Total transactions with owners	6,421	–	–	–	(179,829)	(173,408)
At 31st March 2012	310,651	940	40,586	11,783	383,373	747,333
At 1st April 2012	**310,651**	**940**	**40,586**	**11,783**	**383,373**	**747,333**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**205,293**	**205,293**
Transactions with owners						
2013 interim dividend	**–**	**–**	**–**	**–**	**(17,403)**	**(17,403)**
2012 final dividend	**–**	**–**	**–**	**–**	**(17,403)**	**(17,403)**
Total transactions with owners	**–**	**–**	**–**	**–**	**(34,806)**	**(34,806)**
At 31st March 2013	**310,651**	**940**	**40,586**	**11,783**	**553,860**	**917,820**

Note:

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

29 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2012: 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	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Deferred income tax liabilities to be settled after more than 12 months	**9,297**	14,184
Deferred income tax assets to be recovered after more than 12 months	**(40,238)**	(39,222)
Deferred income tax assets, net	**(30,941)**	(25,038)

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

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Beginning of the year, as previously reported	**(17,893)**	(18,826)
Effect of adoption of HKAS 12 (Amendment) *(Note 2.1)*	**(7,145)**	(5,795)
Beginning of the year, as restated	**(25,038)**	(24,621)
Disposal of a subsidiary	**–**	(11)
Recognised in the consolidated income statement *(Note 10)*	**(5,903)**	944
Effect of adoption of HKAS 12 (Amendment) *(Note 2.1)*	**–**	(1,350)
End of the year	**(30,941)**	(25,038)

29 DEFERRED INCOME TAX *(continued)*

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 tax (assets)/liabilities	Tax losses		Accelerated tax depreciation		Deferred development costs		Revaluation of properties		Others		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Beginning of the year, as previously reported	**(972)**	(225)	**13,627**	15,043	**531**	1,384	**7,145**	5,795	**(38,224)**	(40,823)	**(17,893)**	(18,826)
Effect of adoption of HKAS 12 (Amendment)	**-**	–	**-**	–	**-**	–	**(7,145)**	(5,795)	**-**	–	**(7,145)**	(5,795)
Beginning of the year, as restated	**(972)**	(225)	**13,627**	15,043	**531**	1,384	**-**	–	**(38,224)**	(40,823)	**(25,038)**	(24,621)
Disposal of a subsidiary	**-**	–	**-**	(11)	**-**	–	**-**	–	**-**	–	**-**	(11)
Recognised in the consolidated income statement	**(3,228)**	(747)	**(4,719)**	(1,405)	**(442)**	(853)	**-**	1,350	**2,486**	2,599	**(5,903)**	944
Effect of adoption of HKAS 12 (Amendment)	**-**	–	**-**	–	**-**	–	**-**	(1,350)	**-**	–	**-**	(1,350)
End of the year	**(4,200)**	(972)	**8,908**	13,627	**89**	531	**-**	–	**(35,738)**	(38,224)	**(30,941)**	(25,038)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$7,035,000 (2012: HK$7,257,000) in respect of tax losses amounting to approximately HK$24,844,000 (2012: HK$25,672,000) that can be carried forward against future taxable profit. Approximately HK$1,408,000 (2012: HK$1,467,000) of the unrecognised tax losses have no expiry date and the remaining balance of HK$5,627,000 (2012: HK$5,790,000) will be expired at various dates up to and including 2032 (2012: 2032).

30 CASH GENERATED FROM OPERATIONS

	Group	
	2013	2012
	HK$'000	HK$'000
Profit before income tax	42,042	85,649
Interest income	(18,117)	(16,029)
Interest expense on bank borrowings	3,835	2,395
Amortisation of intangible assets	13,156	18,137
(Gain)/loss on disposal of property, plant and equipment	(3,600)	271
Depreciation of property, plant and equipment	43,056	52,690
Write-off/impairment of property, plant and equipment	16,854	–
Amortisation of leasehold land and land use rights	289	288
Fair value gain on investment properties	(78,458)	(17,512)
Exchange (gain)/loss on loans and receivables	(1,694)	2,117
Impairment of available-for-sale financial assets	75,137	23,001
Gain on disposal of a subsidiary	–	(57)
Operating profit before working capital changes	92,500	150,950
Decrease/(increase) in inventories	141,469	(30,108)
Decrease in trade and other receivables	130,582	59,763
Decrease in trade and other payables	(114,076)	(169,839)
Net cash generated from operations	250,475	10,766

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

	Group	
	2013	2012
	HK$'000	HK$'000
Net book amount *(Note 14)*	8,464	975
Gain/(loss) on disposal of property, plant and equipment	3,600	(271)
Proceeds from disposal of property, plant and equipment	12,064	704

31 BANKING FACILITIES

As at 31st March 2013, banking facilities of approximately HK$1,609 million (2012: HK$1,674 million) were granted by banks to the Group, of which HK$200 million (2012: HK$200 million) have been utilised by the Group (Note 26). All banking facilities were supported by corporate guarantees given by the Company and no facility is secured by charges over the use of certain assets of the Group (2012: Same).

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	
	2013	2012
	HK$'000	HK$'000
Moulds, plant and machinery contracted but not provided for	**11,681**	1,845

(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	
	2013	2012
	HK$'000	HK$'000
Not later than one year	**22,066**	25,475
Later than one year and not later than five years	**139,721**	2,880
Later than five years	**352,380**	–
	514,167	28,355

(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	
	2013	2012
	HK$'000	HK$'000
Not later than one year	**5,560**	2,145
Later than one year and not later than five years	**5,863**	229
	11,423	2,374

The lease terms are from one to three years.

34 PRINCIPAL SUBSIDIARIES

As at 31st March 2013, 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	Property investment
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$25,000,000	–	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
Vdiobox Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Trading of consumer electronic products

Note:

1 Represents a wholly foreign owned enterprise.

The above table lists out the principal subsidiaries of the Company as at 31st March 2013 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

35 EVENTS AFTER REPORTING PERIOD

On 6th May 2013, the Group entered into a corporate bond extension agreement with Hydis. Under this agreement, the corporate bonds (Note 18) which was originally due in May 2013 was extended for additional six months.

Principal Properties

31st March 2013

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
5th 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
9th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong	Sub-section 2 of Section E of Quarry Bay Marine Lot No. 2 and the Extension thereto	Industrial rental	Long term

Five-year Financial Summary

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

	2013 **HK$'000**	2012 HK$'000 (Restated)	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)
Revenue	**1,869,541**	2,768,925	3,082,330	4,003,213	5,993,075
Profit attributable to equity holders of the Company	**58,413**	80,136	273,992	248,602	188,874
Total assets	**2,734,840**	2,774,239	2,949,745	2,762,116	2,883,451
Total liabilities	**(807,834)**	(928,953)	(1,010,746)	(999,353)	(1,278,914)
Total equity	**1,927,006**	1,845,286	1,938,999	1,762,763	1,604,537