



ALCO HOLDINGS LIMITED

股份代號：328 Stock Code: 328

2015
Annual Report | 年報



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Corporate Information

Directors

Mr LEUNG Kai Ching, Kimen (*Chairman*)
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man, Andrew
Mr LEUNG, Jimmy
Mr LIU Lup Man
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
Industrial and Commercial Bank of China (Asia) Limited
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

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Registrars in Hong Kong

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Website

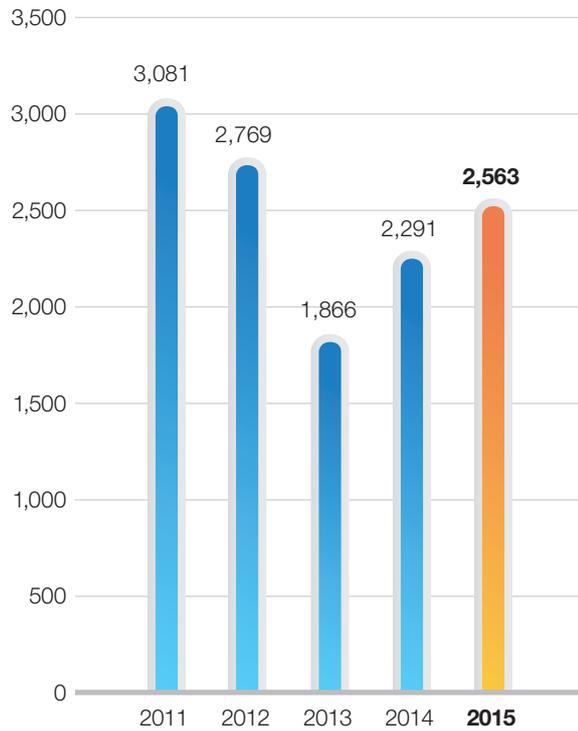
<http://www.alco.com.hk>

Stock Code

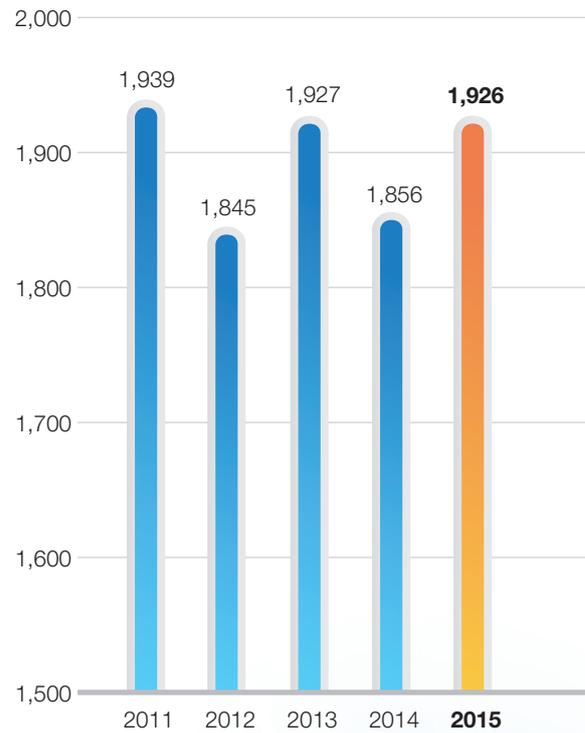
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Financial Highlights

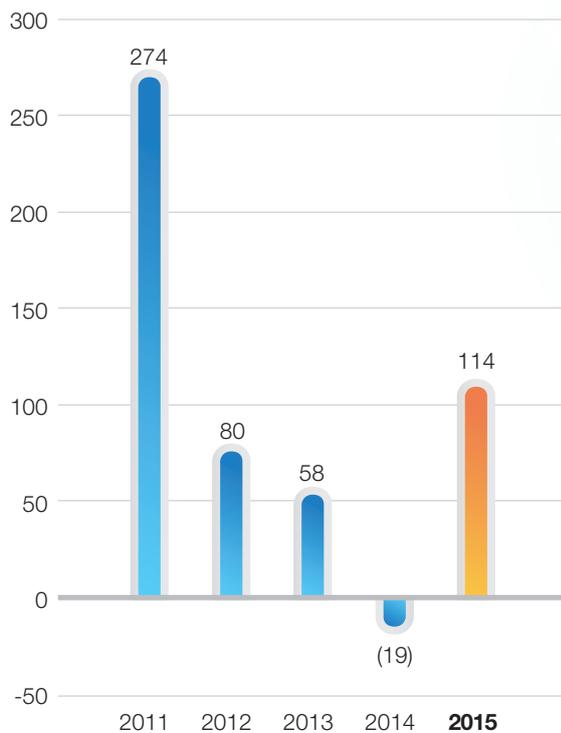
REVENUE (HK\$ MILLION)



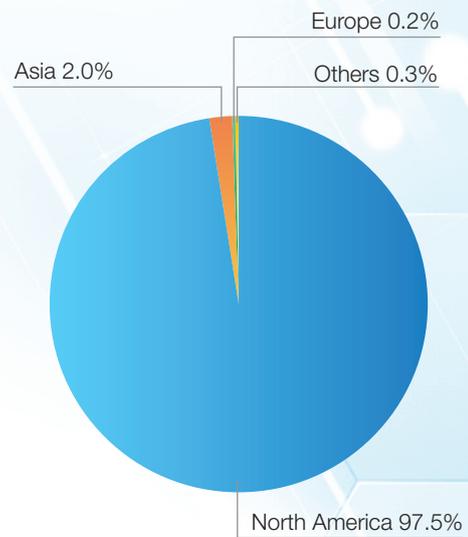
EQUITY (HK\$ MILLION)



PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS (HK\$ MILLION)



REVENUE BY GEOGRAPHICAL SEGMENT IN 2015



Chairman's Statement



Chairman
LEUNG KAI CHING, KIMEN

GROUP RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I am pleased to present the financial results of Alco Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st March 2015.

As at the close of the reporting year, the Group recorded turnover of HK\$2.6 billion, representing a year-on-year increase of 12% (2014: HK\$2.3 billion). Profit attributable to shareholders amounted to HK\$114 million (2014: loss of HK\$19 million), and was mainly due to (i) the increase in turnover; (ii) improvement in gross margin; and (iii) the Group being no longer impacted by a one-time write-off of the plastic operation and investment in Hydys as reported in the 2014 financial year.

In view of the positive performance of the Group and the Board of Directors' commitment to observe a stable dividend payout policy, the directors have

resolved to declare a final dividend of HK10 cents (2014: HK4 cents) per share, which, combined with an interim dividend of HK3 cents per share already paid (2014: HK3 cents), represents a total dividend of HK13 cents per share for the financial year (2014: HK7 cents).

The final dividend will be paid on 11th September 2015 to the Group's shareholders upon approval at the upcoming Annual General Meeting.



REVIEW OF OPERATIONS

Against a backdrop of a recovering US economy, consumption sentiment has modestly improved during the past financial year. Segments of the retail sector have in turn enjoyed a pickup in consumer demand. The Group has experienced higher demand as well; in particular, our new range of tablet products featuring Bluetooth-enabled wireless keyboards has performed encouragingly. Produced since the second half of 2014, these devices have enjoyed strong demand ever since. It is worth noting as well that since these products have a relatively higher entry barrier, they are therefore less susceptible to competitive price pressure. Aside from this star performer, sound bars systems that complement many of today's flat-panel TVs have continued to represent stable revenue sources for the Group as they remain essential products for those who enjoy a completely immersive entertainment experience. Still other products that make up the Group's current portfolio include DVD players, Blu-ray players, and DVD/BD home theatre systems.

Besides a solid product portfolio that is regularly reviewed and refined, development and enhancement extend to the Group's production, which is under constant scrutiny by management. While we have benefited from the consolidation of all manufacturing activities since our relocation to Houjie Town in mid-2013, the Group has further increased efforts to raise productivity, particularly in view of the ongoing rise in cost of labour and persistent shortage of skilled workers. Consequently,



even more automation has been introduced to the Group's various production lines, which helps reduce substantially our reliance on direct labour. Similarly, robots have been brought in to handle warehouse and logistics-related activities, i.e. loading and unloading, palletising and depalletising, thus further lifting efficiency in these areas as well.

Furthermore, a restructuring of the workforce was conducted during the year, which, even though resulted in a one-time severance payment of HK\$20 million, nevertheless led to an immediate saving in staff costs. Such cost saving will in turn benefit the Group over the long run.



Chairman's Statement

PROSPECTS

Recent signs suggest that the US economy is indeed achieving an upswing, which will help spur the recovery of the global economy. Hence, while there are still many challenges that all members of the consumer electronics industry must face, including high labour and manufacturing related expenses and intense competition, a turnaround appears on the horizon. Consequently, the Group will seek to build on the gains made during the latest financial year, leveraging prudent strategies that strive ultimately for long-term sustainable growth.

The current success of our tablet products highlights the significant opportunities available in this business segment. We will therefore direct still greater energies towards expanding our presence in this market. In particular, building on the momentum of the popularity of the Group's 7-inch, 10-inch, and 11-inch tablets, we will further strengthen our Infotainment/I.T. products portfolio by planning to introduce larger size tablets. The Group is also evaluating the possibility of developing traditional laptop/notebook PCs.

Certainly, the products that have served as the foundation supporting the Group's development in recent years, such as high-value sound bar and sound stand systems will continue to receive our



close attention and timely enhancement. While further bolstering our current portfolio, we will continue to refine our product mix and at the same time constantly examine market trends so as to introduce still more new and exciting products.

Also requiring our close and constant attention will be raising production efficiency and curbing costs. While our consolidated production facility in Houjie Town is fully operational and steps made to increase automation have achieved the desired results, improving manufacturing efficiency remains an ongoing task and one that will continue to be of high priority.

While raising efficiency, controlling expenses and enhancing our product mix have been often emphasised, it is worth noting as well that the Group is constantly exploring new markets to penetrate. Though the North American market has been our traditional stronghold, we have gained footholds, even though not very significant at the moment, in other markets and this has contributed to our rise in turnover. We will therefore continue to find opportunities to enter new borders so as to enhance our performance as well as achieve a more balanced geographical presence.



Chairman's Statement



With the close of one financial year and the beginning of the next, our objective will be to build on the momentum thus far generated. To do so, we will once again be able to rely on an experienced management team to steer the Group forward; a healthy financial position that protects us from unpredictable market conditions; and our long-standing business partners, all of whom have proved time and again to be the Group's staunch allies.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to the entire management team and the entire Alco workforce for their commitment and diligence over the past year. Furthermore, I wish to offer my appreciation to all of our customers, business partners and shareholders for their unequivocal support.

LEUNG Kai Ching, Kimen

Chairman

Hong Kong, 25th June 2015





Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 82, is the founder and Chairman of the Group. He has more than 48 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 55, is a son of the Chairman of the Group and 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 61, 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 38 years of experience in finance and accounting with multinational organisations.

Mr LEUNG Jimmy, aged 46, is a son of the Chairman of the Group. He joined the Group in 1993 and was appointed as executive director in 2013. He has more than 22 years of experience in the field of audio electronic products and oversees the Group's purchasing function.

Mr LIU Lup Man, aged 43, joined the Group in 2005 and was appointed as executive director in 2013. 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 20 years of experience in auditing and accounting.

Independent Non-executive Directors

Mr LI Wah Ming, Fred, *S.B.S., J.P.*, aged 60, 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 54, 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. He is also an independent non-executive director of EcoGreen International Group Limited (a company listed on the Stock Exchange).

Mr LEE Tak Chi, aged 60, joined the Group in 2011 and is the 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 LEUNG Wai Lap, David, aged 54, 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 YIP Wing Shing, David, *B.B.S., M.H., J.P.*, aged 57, joined the Group in 1973. He is the Group's general manager and oversees the whole operation of the Dongguan factory. He has over 31 years of experience in the field of consumer electronic products.

Mr YICK Ka Lei, Danny, aged 48, joined the Group in 2015. He is the Managing Director of Alco International Limited and is responsible for business development for branded business in overseas market. He holds BSc Honours degree in Electrical & Electronics Engineering from University of Manchester and MBA from University of Warwick, and has over 18 years of experience in the field of consumer electronics. Before joining the Group, Mr Yick held senior management positions with Philips, TCL Multimedia Limited and other major corporations.



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 2015. The attendance of each director is set out as follows:

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

RE-ELECTION OF DIRECTORS

Mr KUOK Kun Man, Andrew and Mr LEE Tak Chi will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Corporate Governance Report



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 2015.

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 2015 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	1/1



Corporate Governance Report

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 2015.

Two audit committee meetings were held during the year ended 31st March 2015 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 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. Besides, the nomination committee has adopted a board diversity policy in which the diversity of board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, skills, knowledge and professional experience. The above aspects will be taken into account when the selection of board members is necessary.

One nomination committee meeting was held during the year ended 31st March 2015 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	1/1

Corporate Governance Report



DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

For the year ended 31st March 2015, the remuneration paid to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit-related services	2,090
Non audit-related services	
Tax compliance services	193

DIRECTOR'S 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.



Corporate Governance Report

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 of the Company 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 2015.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 35 to the consolidated financial statements.

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 pages 26 and 27.

The directors have declared an interim dividend of HK3 cents per ordinary share, totalling HK\$17,381,000.

The directors recommended the payment of a final dividend of HK10 cents per ordinary share, totalling HK\$57,937,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity and total equity per share as at 31st March 2015 were HK\$1,926 million (2014: HK\$1,856 million) and HK\$3.32 (2014: HK\$3.20) respectively.

The Group maintains a strong financial position. As at 31st March 2015, we had cash and deposits of HK\$888 million. After deducting bank loans of HK\$52 million, we had net cash of HK\$836 million. The Group has adequate liquidity for future working capital requirements.

As at 31st March 2015, our inventory was HK\$404 million (2014: HK\$353 million). We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables balance as at 31st March 2015 was HK\$533 million (2014: HK\$590 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 2015 was HK\$460 million (2014: HK\$523 million).

As at 31st March 2015, we had banking facilities of HK\$1,150 million (2014: HK\$1,596 million), of which HK\$52 million (2014: HK\$130 million) were utilised. The used facilities of HK\$52 million shall be payable in the first year.



Report of the Directors

Capital expenditure on fixed assets during the year was HK\$34 million (2014: HK\$119 million). As at 31st March 2015, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK\$16,018,000 (2014: HK\$2,377,000).

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 2015, the amount totalled RMB359 million.

EMPLOYEES

As at 31st March 2015, the Group had approximately 2,300 (2014: 2,900) employees in Hong Kong and the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

MAJOR SUPPLIERS AND CUSTOMERS

The purchases and sales attributable to the Group’s major suppliers and customers expressed as a percentage of total purchases and sales of the Group for the year ended 31st March 2015 are as follows:

Purchases	
– the largest supplier	20%
– five largest suppliers combined	52%
Sales	
– the largest customer	83%
– five largest customers combined	97%

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.

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 95.

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 2015 amounted to HK\$761,881,000 (2014: HK\$675,806,000), comprising retained earnings 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 96.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st March 2015, the Company repurchased a total of 670,000 ordinary shares of the Company at a consideration of HK\$977,600 on The Stock Exchange of Hong Kong Limited. All the 670,000 repurchased shares were cancelled during the financial year. Details of the repurchases are as follows:

Month of repurchases	Total number of shares repurchased	Price per share		Aggregate consideration HK\$
		Highest	Lowest	
		HK\$	HK\$	
April 2014	320,000	1.33	1.29	419,600
July 2014	100,000	1.47	1.47	147,000
August 2014	250,000	1.67	1.58	411,000
	<u>670,000</u>			<u>977,600</u>

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the net asset value per share and to improving the earnings per share of the Company.

Save as disclosed above, neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31st March 2015 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 and trust receipt loans at 31st March 2015 and 2014 is set out below:

	Trust receipt loans		Bank borrowings	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within one year	1,654	–	50,000	80,000
In the second year	–	–	–	50,000
	<u>1,654</u>	<u>–</u>	<u>50,000</u>	<u>130,000</u>

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2015 are set out in Note 35 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

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

Directors

The directors during the year were:

Mr LEUNG Kai Ching, Kimen
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man, Andrew
Mr LEUNG, Jimmy
Mr LIU Lup Man
Mr LI Wah Ming, Fred, *S.B.S., J.P.*¹
Mr LAU Wang Yip, Derrick¹
Mr LEE Tak Chi¹

¹ *Independent non-executive directors*

In accordance with clause 87(1) of the Company's Bye-laws, Mr KUOK Kun Man, Andrew and Mr LEE Tak Chi 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 three 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 15th October 2013, each of the remaining 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 2014, 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.

Report of the Directors

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 2015, the interests and short positions of each director and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

	Number of shares held			Percentage of the issued share capital of the Company
	Personal interest	Corporate interest	Total	
Mr LEUNG Kai Ching, Kimen	20,150,000	225,911,400 <i>(Note)</i>	246,061,400	42.47%
Mr LEUNG Wai Sing, Wilson	46,320,000	–	46,320,000	7.99%
Mr LEUNG, Jimmy	1,144,000	–	1,144,000	0.20%
Mr KUOK Kun Man, Andrew	752,000	–	752,000	0.13%
Mr LI Wah Ming, Fred	260,000	–	260,000	0.04%

Note:

These shares were owned by Shunde Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder.

Report of the Directors



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

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 31st March 2015, other than one ordinary share each in certain 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 2015, 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	Percentage of the issued share capital of the Company
Shunde Investments Limited	Beneficial owner	225,911,400 <i>(Note i)</i>	38.99%
Webb David Michael	Beneficial owner	46,419,400	8.01%
DJE Investment S.A.	Investment manager	35,092,000 <i>(Note ii)</i>	6.06%
DJE Kapital AG	Investment manager	35,092,000 <i>(Note ii)</i>	6.06%
Dr. Jens Alfred Karl Ehrhardt	Investment manager	35,092,000 <i>(Note ii)</i>	6.06%
LEUNG Wai Lap, David	Beneficial owner	34,828,190	6.01%



Report of the Directors

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

Notes:

- (i) These shares were owned by Shundeau 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 are 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 2015, 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

There was no share option scheme for the year ended 31st March 2015.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

The Company is maintaining a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 10 to 14.

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 2015.

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 2015 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, 25th June 2015



Independent Auditor's Report



pwc

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 26 to 94, which comprise the consolidated and company balance sheets as at 31st March 2015, 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 predecessor Hong Kong Companies Ordinance (Cap. 32), 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*

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2015, and of the Group's financial performance 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 predecessor Hong Kong Companies Ordinance (Cap. 32).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25th June 2015

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Consolidated Income Statement

For the year ended 31st March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Continuing operation			
Revenue	5	2,562,566	2,291,141
Cost of goods sold	7	(2,275,384)	(2,161,070)
Gross profit		287,182	130,071
Other income	6	18,985	24,817
Selling expenses	7	(98,187)	(77,102)
Administrative expenses	7	(69,034)	(70,707)
Other operating (expenses)/income	7	(21,206)	1,686
Exchange (loss)/gain on loans and receivables	18	(25)	6,186
Loss on disposal of loans and receivables		–	(11,946)
Loss on disposal of available-for-sale financial assets	19	–	(15,225)
Operating profit/(loss)		117,715	(12,220)
Finance income	9	13,693	21,764
Finance costs	9	(6,831)	(3,830)
Profit before income tax		124,577	5,714
Income tax (expense)/credit	10	(10,402)	983
Profit for the year from continuing operation		114,175	6,697
Discontinued operation			
Loss for the year from discontinued operation	30	–	(26,179)
Profit/(loss) for the year		114,175	(19,482)
Profit/(loss) for the year attributable to:			
Equity holders of the Company			
– Continuing operation		114,250	7,080
– Discontinued operation		–	(26,179)
		114,250	(19,099)
Non-controlling interests			
– Continuing operation		(75)	(383)
		114,175	(19,482)

Consolidated Income Statement

For the year ended 31st March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Earnings/(loss) per share attributable to equity holders of the Company			
Basic earnings/(loss) per share			
– Continuing operation	12	HK19.7 cents	HK1.2 cents
– Discontinued operation	12	–	(HK4.5 cents)
		HK19.7 cents	(HK3.3 cents)
Diluted earnings/(loss) per share			
– Continuing operation	12	HK19.7 cents	HK1.2 cents
– Discontinued operation	12	–	(HK4.5 cents)
		HK19.7 cents	(HK3.3 cents)
Dividends	13	75,318	40,578

The notes on pages 34 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2015

	2015 HK\$'000	2014 HK\$'000
Profit/(loss) for the year	114,175	(19,482)
Other comprehensive (loss)/income, net of tax		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(2,156)	575
Total comprehensive income/(loss) for the year	112,019	(18,907)
Total comprehensive income/(loss) for the year attributable to:		
Equity holders of the Company		
– Continuing operation	112,094	7,655
– Discontinued operation	–	(26,179)
	112,094	(18,524)
Non-controlling interests		
– Continuing operation	(75)	(383)
	112,019	(18,907)

The notes on pages 34 to 94 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	14	200,846	212,385
Investment properties	15	315,670	305,210
Leasehold land and land use rights	16	6,815	7,150
Intangible assets	17	21,450	29,250
Deferred income tax assets	29	38,811	36,692
Deposits and other receivables	23	60,692	58,414
		644,284	649,101
Current assets			
Inventories	22	403,540	353,439
Loans and receivables	18	–	1,562
Trade and other receivables	23	560,988	632,824
Current income tax assets		–	692
Cash and cash equivalents	24	888,335	924,146
		1,852,863	1,912,663
Current liabilities			
Trade and other payables	25	512,072	575,843
Trust receipt loan		1,654	–
Current income tax liabilities		7,086	–
Borrowings	26	50,000	80,000
		570,812	655,843
Net current assets		1,282,051	1,256,820
Total assets less current liabilities		1,926,335	1,905,921

Consolidated Balance Sheet

As at 31st March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Capital and reserves attributable to equity holders of the Company			
Share capital	27	57,937	58,009
Reserves	28	1,868,825	1,798,264
		1,926,762	1,856,273
Non-controlling interests			
		(427)	(352)
Total equity			
		1,926,335	1,855,921
Non-current liabilities			
Borrowings	26	–	50,000
Total equity and non-current liabilities			
		1,926,335	1,905,921

The consolidated financial statements on pages 26 to 94 were approved by the Board of Directors on 25th June 2015 and were signed on its behalf.

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 34 to 94 are an integral part of these consolidated financial statements.

Balance sheet

As at 31st March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investments in subsidiaries	20	1,142,145	1,057,205
Current asset			
Other receivables	23	105	105
Cash and cash equivalents	24	242	83
		347	188
Current liabilities			
Other payables	25	198	198
Current income tax liabilities		7	6
		205	204
Net current assets/(liabilities)		142	(16)
Total assets less current liabilities		1,142,287	1,057,189
Capital and reserves attributable to equity holders of the Company			
Share capital	27	57,937	58,009
Reserves	28	1,084,350	999,180
Total equity		1,142,287	1,057,189

The financial statements on pages 26 to 94 were approved by the Board of Directors on 25th June 2015 and were signed on its behalf.

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 34 to 94 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2015

	Attributable to equity holders of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
At 1st April 2013	58,009	380,830	1,488,167	1,927,006	-	1,927,006
Comprehensive loss						
Loss for the year	-	-	(19,099)	(19,099)	(383)	(19,482)
Other comprehensive income						
Currency translation differences	-	575	-	575	-	575
Total comprehensive income/(loss)	-	575	(19,099)	(18,524)	(383)	(18,907)
Transactions with owners						
2014 interim dividend	-	-	(17,403)	(17,403)	-	(17,403)
2013 final dividend	-	-	(34,806)	(34,806)	-	(34,806)
Non-controlling interests arising on business combination	-	-	-	-	31	31
Total transactions with owners	-	-	(52,209)	(52,209)	31	(52,178)
At 31st March 2014	58,009	381,405	1,416,859	1,856,273	(352)	1,855,921
At 1st April 2014	58,009	381,405	1,416,859	1,856,273	(352)	1,855,921
Comprehensive income/(loss)						
Profit/(loss) for the year	-	-	114,250	114,250	(75)	114,175
Other comprehensive loss						
Currency translation differences	-	(2,156)	-	(2,156)	-	(2,156)
Total comprehensive (loss)/income	-	(2,156)	114,250	112,094	(75)	112,019
Transactions with owners						
2015 interim dividend	-	-	(17,381)	(17,381)	-	(17,381)
2014 final dividend	-	-	(23,175)	(23,175)	-	(23,175)
Repurchase of the Company's own shares	(72)	(905)	(72)	(1,049)	-	(1,049)
Total transactions with owners	(72)	(905)	(40,628)	(41,605)	-	(41,605)
At 31st March 2015	57,937	378,344	1,490,481	1,926,762	(427)	1,926,335

The notes on pages 34 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	31(a)	106,678	(155,774)
Interest received		13,693	21,764
Interest paid		(6,831)	(3,830)
Profits tax (paid)/refunded		(4,743)	2,503
Net cash generated from/(used in) operating activities		108,797	(135,337)
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		–	(326)
Purchase of property, plant and equipment		(34,425)	(118,818)
Proceeds from disposal of property, plant and equipment	31(b)	13,147	14,411
Proceeds from redemption of loans and receivables		1,537	21,302
Proceeds from disposal of available-for-sale financial assets		–	21,728
Proceeds from disposal of a subsidiary, net of cash disposed	30(d)	–	2,928
Net cash used in investing activities		(19,741)	(58,775)
Cash flows from financing activities			
Proceeds from trust receipt loans		822,063	–
Repayments of trust receipt loans		(820,409)	–
Proceeds from borrowings		–	100,000
Repayments of borrowings		(80,000)	(170,000)
Dividends paid to the Company's shareholders		(40,556)	(52,209)
Repurchase of the Company's own shares		(1,049)	–
Net cash used in financing activities		(119,951)	(122,209)
Net decrease in cash and cash equivalents		(30,895)	(316,321)
Cash and cash equivalents at the beginning of the year		924,146	1,231,776
Effect of foreign exchange rate change		(4,916)	8,691
Cash and cash equivalents at the end of the year	24	888,335	924,146

The notes on pages 34 to 94 are an integral part of these consolidated financial statements.



Notes to the Consolidated Financial Statements

31st March 2015

1 GENERAL INFORMATION

Alco Holdings Limited (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.

During the year ended 31st March 2015, the Company and its subsidiaries (together, the “Group”) are engaged in designing, manufacturing and selling of consumer electronic products.

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 25th June 2015.

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 of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

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.

Notes to the Consolidated Financial Statements

31st March 2015



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(i) New/revised standards, amendments to standards and interpretations that are effective for the Group's accounting period beginning on 1st April 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Transitional Guidance
HK(IFRIC) – Int 21	Levies

(ii) New/revised standards and amendments to existing standards that are mandatory for the Group's accounting periods beginning on or after 31st March 2015 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptance Methods of Depreciation and Amortisation	1st January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture for Bearer Plants	1st January 2016
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions	1st July 2014
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1st January 2016

Notes to the Consolidated Financial Statements

31st March 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- (ii) *New/revised standards and amendments to existing standards that are mandatory for the Group's accounting periods beginning on or after 31st March 2015 and have not been early adopted by the Group: (continued)*

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1st January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
HKFRS 14	Regulatory Deferred Accounts	1st January 2016
HKFRS 15	Revenue from Contracts with Customers	1st January 2017
Amendments to HKFRSs	Annual Improvements 2010-2012 Cycle	1st July 2014
Amendments to HKFRSs	Annual Improvements 2011-2013 Cycle	1st July 2014
Amendments to HKFRSs	Annual Improvements 2012-2014 Cycle	1st January 2016

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

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



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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.



Notes to the Consolidated Financial Statements

31st March 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

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

Intra-group transactions, balances and unrealised gains/losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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.

(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.

Notes to the Consolidated Financial Statements

31st March 2015



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

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-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the management that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

Notes to the Consolidated Financial Statements

31st March 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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.

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. Currency translation differences arising are recognised in other comprehensive income.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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.

Notes to the Consolidated Financial Statements

31st March 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

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.

Depreciation on leasehold improvements, buildings and moulds is calculated using the straight-line method to allocate their costs over their estimated useful lives of 15 years, 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:

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 external valuers. The market value of the properties is calculated on the discounted net rental income allowing for reversionary potential. 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) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) 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.



Notes to the Consolidated Financial Statements

31st March 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(c) 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 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 2.14 and 2.15*).



Notes to the Consolidated Financial Statements

31st March 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

2.11.2 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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. Impairment testing of loans and receivables is described in Note 2.12.

2.12 Impairment of financial 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Impairment of financial assets carried at amortised cost *(continued)*

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.

2.13 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.

2.14 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.

2.15 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.



Notes to the Consolidated Financial Statements

31st March 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 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.

2.17 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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Borrowing costs

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

2.20 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.

(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.



Notes to the Consolidated Financial Statements

31st March 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Current and deferred income tax *(continued)*

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from 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. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(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 tax 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.

2.21 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, maternity leave and paternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Employee benefits *(continued)*

(b) Pension obligations

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(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 values.

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.

Notes to the Consolidated Financial Statements

31st March 2015

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 and RMB, 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 2015, if RMB had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax profit (2014: post-tax loss) for the year would have been approximately HK\$43,054,000 higher/lower (2014: HK\$25,994,000 lower/higher), mainly as a result of the foreign exchange differences on translation of RMB denominated cash and bank balances and other payables.

Notes to the Consolidated Financial Statements

31st March 2015

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 2015, the Group's borrowings at variable rates were denominated in HKD.

At 31st March 2015, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit (2014: post-tax loss) for the year would have been HK\$517,000 lower/higher (2014: HK\$1,300,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st March 2015, 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 (2014: post-tax loss) for the year would have been HK\$8,870,000 higher/lower (2014: HK\$9,247,000 lower/higher) due to interest income earned on market interest rate.

The total bank loans held by the Group as at 31st March 2015 and 2014 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.

Notes to the Consolidated Financial Statements

31st March 2015

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 2015, the Group's total available banking facilities amounted to approximately HK\$1,150 million (2014: HK\$1,596 million), of which approximately HK\$52 million (2014: HK\$130 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	Total HK\$'000	Carrying amount HK\$'000
Group				
At 31st March 2014				
Borrowings	81,529	50,984	132,513	130,000
Trade and other payables	575,843	–	575,843	575,843
At 31st March 2015				
Borrowings and trust receipt loan	52,608	–	52,608	51,654
Trade and other payables	512,072	–	512,072	512,072
Company				
At 31st March 2014				
Other payables	198	–	198	198
At 31st March 2015				
Other payables	198	–	198	198

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.

Notes to the Consolidated Financial Statements

31st March 2015

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid 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 2015 and 2014 were as follows:

	2015 HK\$'000	2014 HK\$'000
Borrowings (Note 26)	(50,000)	(130,000)
Trust receipt loan	(1,654)	–
Less: Cash and cash equivalents (Note 24)	888,335	924,146
Net surplus cash	836,681	794,146
Total equity	1,926,335	1,855,921
Gearing ratio	Not applicable	Not applicable

3.3 Fair value estimation

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).

As at 31st March 2015 and 2014, there were no financial assets that were measured at fair value for the Group.

See Note 15 for disclosures of the investment properties that are measured at fair value.

There were no transfers between levels 1, 2 and 3 during the year.



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

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 15.

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

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

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

(c) Impairment of non-financial assets

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

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

Notes to the Consolidated Financial Statements

31st March 2015

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(c) Impairment of non-financial assets *(continued)*

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

(d) Recognition of deferred income tax assets

According to the accounting policy as stated in Note 2.20, 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.

(e) 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.

(f) 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.

Notes to the Consolidated Financial Statements

31st March 2015

5 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Continuing operation:		
Consumer electronic products	2,562,566	2,291,141
Discontinued operation:		
Plastic products	–	13,714

(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. The chief operating decision-makers have been identified as the executive directors and senior management who directly report to the executive directors. The executive director and senior management reviewed the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

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.

During the year ended 31st March 2014, the Group disposed of the plastics products operation and the results of such operation together with the related loss on disposal have been presented as discontinued operation in the consolidated income statement for the year ended 31st March 2014 (*Note 30*).

Subsequent to the disposal of the plastics products operation, there is only one single reportable segment for the Group set out as below:

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

Notes to the Consolidated Financial Statements

31st March 2015

5 REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment analysed by products (continued)

	2015 Continuing operation	Group		Total HK\$'000
		Continuing operation	2014 Discontinued operation	
	Consumer electronic products HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	
Segment revenue	2,562,566	2,291,141	78,990	2,370,131
Inter-segment sales ⁽¹⁾	–	–	(65,276)	(65,276)
External sales	2,562,566	2,291,141	13,714	2,304,855
Segment results	117,715	(12,220)	(28,232)	(40,452)
Finance income	13,693	21,764	–	21,764
Finance costs	(6,831)	(3,830)	–	(3,830)
Profit/(loss) before income tax	124,577	5,714	(28,232)	(22,518)
Income tax (expense)/credit	(10,402)	983	2,330	3,313
Profit/(loss) after income tax	114,175	6,697	(25,902)	(19,205)
Loss on disposal of a subsidiary	–	–	(277)	(277)
Profit/(loss) for the year	114,175	6,697	(26,179)	(19,482)
Profit/(loss) for the year attributable to ⁽²⁾				
– equity holders of the Company	114,250	7,080	(26,179)	(19,099)
– non-controlling interests	(75)	(383)	–	(383)
	114,175	6,697	(26,179)	(19,482)
Segment assets ⁽³⁾	2,142,666	2,219,170	–	2,219,170
Unallocated corporate assets	354,481			342,594
Total assets	2,497,147			2,561,764
Segment liabilities ⁽⁴⁾	513,726	575,843	–	575,843
Unallocated corporate liabilities	57,086			130,000
Total liabilities	570,812			705,843
Capital expenditure ⁽⁵⁾	34,425	118,818	–	118,818

Notes to the Consolidated Financial Statements

31st March 2015

5 REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment analysed by products (continued)

- (1) During the year ended 31st March 2014, the Group's inter-segment transactions mainly consisted 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.
- (2) 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.
- (3) Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, deposits, loans and receivables, inventories, receivables and operating cash and exclude items such as investment properties, current income tax assets and deferred tax assets.
- (4) Segment liabilities comprise operating liabilities and exclude items such as current income tax liabilities and certain corporate borrowings.
- (5) Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights.

(b) Segment analysed by geographical areas

The segment revenue for the years ended 31st March 2015 and 2014 are as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
North America	2,499,377	2,088,500
Asia	50,238	72,314
Europe	4,761	127,964
Others	8,190	2,363
	2,562,566	2,291,141

Notes to the Consolidated Financial Statements

31st March 2015

5 REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment analysed by geographical areas *(continued)*

The analysis of revenue by geographical segment is based on the destination to which the shipments are made. Primarily all of the Group's assets and capital expenditure for the years ended 31st March 2015 and 2014 were located or utilised in the PRC or Hong Kong.

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

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
Customer A	2,135,859	1,620,978
Customer B	Not applicable	290,981

6 OTHER INCOME

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
Fair value gain on investment properties <i>(Note 15)</i>	10,460	16,160
Rental income from investment properties	8,489	7,862
Others	36	795
	18,985	24,817

Notes to the Consolidated Financial Statements

31st March 2015



7 EXPENSES BY NATURE

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

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
Amortisation of intangible assets	7,800	8,883
Amortisation of leasehold land and land use rights	292	292
Auditor's remuneration	2,090	2,280
Cost of inventories	1,924,405	1,717,570
Depreciation of property, plant and equipment	33,369	32,960
Employee benefit expenses (including directors' emoluments) (Note 8)	212,827	249,472
Severance pay (Note 8)	19,940	772
Gain on disposal of property, plant and equipment	(6,888)	(5,215)
Impairment of property, plant and equipment	4,964	2
Operating lease rental in respect of land and buildings	30,439	33,401
Research and development costs	13,858	16,496

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
Wages and salaries	195,910	231,550
Pension costs – defined contribution retirement schemes (Note a)	2,554	2,609
Other staff benefits	14,363	15,313
	212,827	249,472
Severance pay	19,940	772

Notes to the Consolidated Financial Statements

31st March 2015

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

Notes:

(a) Defined contribution retirement schemes

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

With effect from 1st December 2000, the Mandatory Provident Fund Scheme (the "MPF Scheme") was set up under the MPF Scheme Ordinance for existing staff who opted for this scheme and eligible staff recruited on or after that date. The ORSO Scheme has remained in place with the introduction of the MPF Scheme. Under the MPF Scheme, eligible employees and the Group are each required to contribute 5% on the employees' monthly net salaries with a maximum monthly contribution of HK\$1,250 (from 1st April 2014 to 31st May 2014) to HK\$1,500 (from 1st June 2014 onwards) 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\$2,554,000 (2014: HK\$2,609,000). No forfeited contribution in respect of the defined contribution retirement scheme was utilised during the year (2014: Same). Forfeiture contributions of approximately HK\$13,000 (2014: HK\$13,000) was available as at 31st March 2015 to reduce future contributions.

Contributions totaling approximately HK\$315,000 (2014: HK\$301,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

(b) Directors' and senior management's emoluments

The remuneration of every director of the Company for the year ended 31st March 2014 is set out below:

Name of Director	Fee HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's	Total HK\$'000
				contributions to pension schemes HK\$'000	
Executive directors:					
Mr LEUNG Kai Ching, Kimen	–	4,564	1,313	196	6,073
Mr LEUNG Wai Sing, Wilson	–	4,564	1,400	196	6,160
Mr KUOK Kun Man, Andrew	–	1,921	787	82	2,790
Mr LEUNG, Jimmy	–	478	–	8	486
Mr LIU Lup Man	–	376	–	8	384
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

Notes to the Consolidated Financial Statements

31st March 2015

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 2015 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	-	4,702	-	201	4,903
Mr LEUNG Wai Sing, Wilson	-	4,702	-	201	4,903
Mr KUOK Kun Man, Andrew	-	2,380	-	102	2,482
Mr LEUNG, Jimmy	-	1,154	-	15	1,169
Mr LIU Lup Man	-	908	-	15	923
Independent non-executive directors:					
Mr LI Wah Ming, Fred	130	-	-	6	136
Mr LAU Wang Yip, Derrick	130	-	-	6	136
Mr LEE Tak Chi	130	-	-	-	130

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2014: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2014: two) individual during the year are as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,343	2,405
Discretionary bonuses	4,800	4,750
Contributions to pension schemes	15	59
	6,158	7,214

Notes to the Consolidated Financial Statements

31st March 2015

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	
	2015	2014
Emolument bands		
HK\$1,000,001 – HK\$2,000,000	–	1
HK\$5,000,001 – HK\$6,000,000	–	1
HK\$6,000,001 – HK\$6,500,000	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 two (2014: one) senior management during the year are as follows:

	Number of individuals	
	2015	2014
Emolument band		
HK\$1 – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	1	–

9 FINANCE INCOME AND FINANCE COSTS

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
Finance income:		
– Bank interest income	13,619	20,292
– Interest income from loans and receivables	74	1,472
	13,693	21,764
Finance costs:		
– Interest expense on bank loans and trust receipt loans wholly repayable within five years	6,831	3,830

Notes to the Consolidated Financial Statements

31st March 2015

10 INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
Current income tax		
– Hong Kong profits tax	(8,713)	(3,992)
– PRC corporate income tax	(3,900)	–
– Over/(under) provision in prior years	92	(9)
Deferred income tax credit	2,119	4,984
Income tax (expense)/credit	(10,402)	983

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	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
Profit before income tax	124,577	5,714
Tax calculated at a tax rate of 16.5% (2014: 16.5%)	(20,555)	(942)
Effect of different tax rates in other countries	(3,458)	2,808
Income not subject to tax	16,712	15,462
Expenses not deductible for tax purposes	(3,181)	(17,544)
Over/(under) provision in prior years	92	(9)
Tax losses for which no deferred income tax asset was recognised	(12)	(18)
Recognition of previously unrecognised deferred tax	–	1,207
Utilisation of previously unrecognised tax losses	–	19
Income tax (expense)/credit	(10,402)	983

Notes to the Consolidated Financial Statements

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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\$126,703,000 (2014: HK\$133,569,000).

12 EARNINGS/(LOSS) PER SHARE

Basic

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

	Group	
	2015	2014
Profit/(loss) for the year attributable to equity holders of the Company (<i>HK\$'000</i>)		
– Continuing operation	114,250	7,080
– Discontinuing operation	–	(26,179)
	114,250	(19,099)
Weighted average number of ordinary shares in issue	579,541,999	580,093,720
Basic earnings/(loss) per share (<i>HK cents</i>)		
– Continuing operation	19.7	1.2
– Discontinued operation	–	(4.5)
	19.7	(3.3)

Notes to the Consolidated Financial Statements

31st March 2015

12 EARNINGS/(LOSS) PER SHARE (continued)

Diluted

Diluted earnings/(loss) 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 share: share option. Share options had been fully exercised or lapsed in prior years. There were no dilutive potential ordinary shares during the years ended 31st March 2015 and 2014. Therefore, the diluted earnings per share are the same as basic earnings per share.

13 DIVIDENDS

	Company	
	2015 HK\$'000	2014 HK\$'000
Interim dividend, paid, of HK3 cents (2014: HK3 cents) per ordinary share	17,381	17,403
Final dividend, proposed, of HK10 cents (2014: HK4 cents) per ordinary share	57,937	23,175
	75,318	40,578

At a meeting held on 25th June 2015, the directors proposed a final dividend of HK10 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

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14 PROPERTY, PLANT AND EQUIPMENT

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

	Group						
	Land and buildings HK\$'000	Moulds HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1st April 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
Year ended 31st March 2014							
Opening net book amount	30,571	28,265	1,425	34,009	49,635	4,766	148,671
Additions	–	13,579	93,496	7,137	4,278	328	118,818
Disposals	–	(426)	–	(1,119)	(6,479)	(379)	(8,403)
Depreciation	(424)	(17,067)	(2,782)	(7,069)	(7,173)	(953)	(35,468)
Write-off/impairment	–	(25)	–	(130)	(3,595)	–	(3,750)
Disposal of a subsidiary (<i>Note 30</i>)	–	–	–	(16)	(7,473)	(61)	(7,550)
Exchange differences	38	–	–	29	–	–	67
Closing net book amount	30,185	24,326	92,139	32,841	29,193	3,701	212,385
At 31st March 2014							
Cost	37,003	276,987	97,607	180,513	300,973	12,274	905,357
Accumulated depreciation and impairment	(6,818)	(252,661)	(5,468)	(147,672)	(271,780)	(8,573)	(692,972)
Net book amount	30,185	24,326	92,139	32,841	29,193	3,701	212,385

Notes to the Consolidated Financial Statements

31st March 2015

14 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Group						Total HK\$'000
	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	
Year ended 31st March 2015							
Opening net book amount	30,185	24,326	92,139	32,841	29,193	3,701	212,385
Additions	-	14,269	12,105	6,763	198	1,090	34,425
Disposals	-	-	-	(3,161)	(2,533)	(565)	(6,259)
Depreciation	(423)	(14,384)	(7,032)	(6,566)	(4,156)	(808)	(33,369)
Write-off/impairment	-	-	-	-	(4,964)	-	(4,964)
Exchange differences	(33)	-	(1,235)	(52)	(52)	-	(1,372)
Closing net book amount	29,729	24,211	95,977	29,825	17,686	3,418	200,846
At 31st March 2015							
Cost	36,959	262,326	108,423	168,936	167,367	10,582	754,593
Accumulated depreciation and impairment	(7,230)	(238,115)	(12,446)	(139,111)	(149,681)	(7,164)	(553,747)
Net book amount	29,729	24,211	95,977	29,825	17,686	3,418	200,846

(b) Depreciation expenses have been included in:

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing operation</i>		
Cost of goods sold	30,152	29,559
Administrative expenses	3,217	3,401
	33,369	32,960

Notes to the Consolidated Financial Statements

31st March 2015

14 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Group	
	2015 HK\$'000	2014 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	3,520	3,694
Leases of between 10 and 50 years	234	245
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	5,151	5,387
	8,905	9,326

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

	Group	
	2015 HK\$'000	2014 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	20,452	20,475
Leases of between 10 and 50 years	372	384
	20,824	20,859

(e) As at 31st March 2015 and 2014, no bank borrowing was secured on any building which was classified under property, plant and equipment (*Note 26*).

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15 INVESTMENT PROPERTIES

	Group	
	2015 HK\$'000	2014 HK\$'000
At fair value		
Beginning of the year	305,210	289,050
Fair value gain (<i>Note 6</i>)	10,460	16,160
End of the year	315,670	305,210

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

	Group	
	2015 HK\$'000	2014 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	236,310	229,290
Leases of between 10 and 50 years	79,360	75,920
	315,670	305,210

Rental income derived from the investment properties amounted to approximately HK\$8,489,000 (2014: HK\$7,862,000) during the year.

As at 31st March 2015 and 2014, no bank borrowing was secured on investment properties (*Note 26*).

Valuation basis

The Group measures its investment properties at fair value. The fair value of the Group's investment properties at 31st March 2015 has been determined on the basis of valuation carried out by an independent qualified valuer, LCH (Asia-Pacific) Surveyors Limited (the "Valuer") (2014: Same). The valuation, which conforms to the valuation standards issued by Hong Kong Institute of Surveyors ("HKIS"), was arrived at by reference to the current rental income and estimate market price, allowing for reversionary potential of the investment properties.

The Group reviews the valuation performed by the Valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the Valuer at least once every year, which is in line with the Group's annual reporting date.



Notes to the Consolidated Financial Statements

31st March 2015

15 INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs

Fair value of the Group's investment properties is mainly derived using the investment method of the income approach, by taking into account the current rental income from the existing tenancy agreement and reversionary income potential by adopting appropriate term/reversionary yields, which are derived from analysis of sales transaction and Valuer's interpretation of prevailing investor requirements or expectations. For the reversionary potential of the property, the Valuer refers market price of similar comparable properties. There was no change to the valuation technique with that of prior year.

Term and reversionary yields are estimated by the Valuer based on the risk profile of the type of investment properties being valued. The higher the yields, the lower is the fair value. At 31st March 2015, yield ranged from 2.4% to 3.9% (2014: 2.3% to 3.8%) were adopted in the term yields analysis for the Group's investment properties.

Prevailing market price are estimated based on recent sales transactions within the subject properties and other comparable properties. The lower the prices, the lower is the fair value. At 31st March 2015, prevailing market prices ranged from HK\$2,880 to HK\$7,870 (2014: HK\$2,808 to HK\$7,717) per square foot were adopted in the term and reversionary analysis for the Group's investment properties.

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16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2015 HK\$'000	2014 HK\$'000
Beginning of the year	7,150	7,394
Amortisation	(292)	(292)
Exchange differences	(43)	48
End of the year	6,815	7,150

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	
	2015 HK\$'000	2014 HK\$'000
Outside Hong Kong, held on: Leases of between 10 and 50 years	6,815	7,150

As at 31st March 2015 and 2014, no bank borrowing was secured by leasehold land and land use rights (*Note 26*).

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17 INTANGIBLE ASSETS

	Group		
	Licence right HK\$'000	Deferred development costs HK\$'000	Total HK\$'000
At 1st April 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
For the year ended 31st March 2014			
At 1st April 2013	37,050	1,083	38,133
Amortisation	(7,800)	(1,083)	(8,883)
Net book amount	29,250	–	29,250
At 31st March 2014			
Cost	78,000	–	78,000
Accumulated amortisation	(48,750)	–	(48,750)
Net book amount	29,250	–	29,250
For the year ended 31st March 2015			
At 1st April 2014	29,250	–	29,250
Amortisation	(7,800)	–	(7,800)
Net book amount	21,450	–	21,450
At 31st March 2015			
Cost	78,000	–	78,000
Accumulated amortisation	(56,550)	–	(56,550)
Net book amount	21,450	–	21,450

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

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18 LOANS AND RECEIVABLES

	Group	
	2015 HK\$'000	2014 HK\$'000
Government bonds (<i>Note</i>)	–	1,562
Carrying amount as at the beginning of the year	1,562	102,379
Redemption	(1,537)	(21,302)
Disposal	–	(85,701)
Exchange (loss)/gain	(25)	6,186
Carrying amount as at the end of the year	–	1,562

Note:

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	
	2015 HK\$'000	2014 HK\$'000
Fair value of unlisted equity securities outside Hong Kong as at the beginning of the year	–	36,953
Disposal	–	(36,953)
Fair value of unlisted equity securities outside Hong Kong as at the end of the year	–	–

The available-for-sale financial assets as at 1st April 2013 represented the Group's long term investment in shares of Hydys Technologies Company Limited ("Hydis"), a Korean incorporated company.

On 31st December 2013, the Group completed the disposal of its equity interest in Hydys to an independent third party, Dream Pacific International Corp, a subsidiary of E Ink Holdings Inc. ("E Ink"), at a consideration of US\$2,800,000 (equivalent to HK\$21,728,000) and a loss on disposal of HK\$15,225,000 was recognised in continuing operation in the consolidated income statement during the year ended 31st March 2014.

Notes to the Consolidated Financial Statements

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20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 HK\$'000	2014 HK\$'000
Unlisted shares, at cost (<i>Note a</i>)	67,586	67,586
Amounts due from subsidiaries (<i>Note b</i>)	1,074,559	989,619
	1,142,145	1,057,205

Notes:

- (a) Details of principal subsidiaries are set out in Note 35 to the consolidated financial statements.
- (b) The amounts due from subsidiaries are unsecured and interest-free. The Company has confirmed it has no intention to request repayment within 12 months from the balance sheet date. The maximum exposure to credit risk at the reporting date is the fair value of the amounts due from subsidiaries mentioned above.

21 FINANCIAL INSTRUMENTS BY CATEGORY

	Group	
	2015 HK\$'000	2014 HK\$'000
Assets as per consolidated balance sheet		
Loans and receivables (<i>Note 18</i>)	–	1,562
Trade and other receivables (<i>Note 23</i>)	621,680	691,238
Cash and cash equivalents (<i>Note 24</i>)	888,335	924,146
Total	1,510,015	1,616,946

Notes to the Consolidated Financial Statements

31st March 2015



21 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Group	
	2015 HK\$'000	2014 HK\$'000
Liabilities as per consolidated balance sheet		
Trade and other payables (Note 25)	512,072	575,843
Borrowings (Note 26)	50,000	130,000
Trust receipt loans	1,654	–
Total	563,726	705,843

	Company	
	2015 HK\$'000	2014 HK\$'000
Assets as per balance sheet		
Other receivables (Note 23)	105	105
Cash and cash equivalents (Note 24)	242	83
Amounts due from subsidiaries (Note 20)	1,074,559	989,619
Total	1,074,906	989,807

	Company	
	2015 HK\$'000	2014 HK\$'000
Liabilities as per balance sheet		
Other payables (Note 25)	198	198

Notes to the Consolidated Financial Statements

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22 INVENTORIES

	Group	
	2015 HK\$'000	2014 HK\$'000
Raw materials	169,850	187,784
Work in progress	18,470	5,868
Finished goods	215,220	159,787
	403,540	353,439

The cost of inventories recognised as expenses and included in cost of goods sold amounted to HK\$1,924,405,000 (2014: HK\$1,717,570,000).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Non-current				
Deposits and other receivables (<i>Note</i>)	60,692	58,414	–	–
Current				
Trade receivables	533,406	590,215	–	–
Prepayment, deposits and other receivables (<i>Note</i>)	27,582	42,609	105	105
	560,988	632,824	105	105
	621,680	691,238	105	105

Note:

As at 31st March 2015, other receivables included HK\$58,414,000 (2014: HK\$73,755,000) consideration receivable from PVI Global Corporation for the disposal of the corporate bond of Hydis. A guarantee was granted by E Ink to cover the entire receivable amount.

During the year, the Group entered into loan agreements with a company incorporated in Denmark under which loans amounted to HK\$5,587,000 were granted by the Group to the company for the purposes of promoting the bicycle business in Europe. The loans are interest bearing and will be repayable within one year from the grant date. Such loans were fully provided taking into account the measurable decrease in estimated future cash flows.

Notes to the Consolidated Financial Statements

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23 TRADE AND OTHER RECEIVABLES (continued)

The credit terms given to customers vary and are generally based on the financial strength of individual customers. In order to 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 2015 and 2014, the ageing analysis of the trade receivables based on shipping terms is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
0 – 30 days	143,255	242,495
31 – 60 days	110,115	68,062
61 – 90 days	54,240	130,335
Over 91 days	225,796	149,323
	533,406	590,215

As at 31st March 2015, no trade receivables (2014: HK\$50,755,000) were past due with reference to the credit terms offered.

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	
	2015 HK\$'000	2014 HK\$'000
Counterparties without external credit rating		
– Customers (more than 6 months) with no defaults in the past	533,406	590,215

Notes to the Consolidated Financial Statements

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23 TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2015 HK\$'000	2014 HK\$'000
USD	531,979	589,036
Canadian dollar	990	1,179
EURO	428	–
HKD	9	–
	533,406	590,215

As at 31st March 2015 and 2014, there was no provision for impairment of trade receivables.

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Cash at bank and on hand	292,861	208,702	242	83
Short-term bank deposits	595,474	715,444	–	–
	888,335	924,146	242	83
Maximum exposure to credit risk	886,974	923,119	242	83

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

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
HKD	50,170	38,056	242	83
USD	388,351	598,748	–	–
RMB	449,157	285,619	–	–
British pound	602	1,721	–	–
Others	55	2	–	–
	888,335	924,146	242	83

Notes to the Consolidated Financial Statements

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25 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade payables	460,239	522,787	–	–
Other payables and accruals	51,833	53,056	198	198
	512,072	575,843	198	198

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

At 31st March 2015 and 2014, the ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
0 – 30 days	434,652	486,240
31 – 60 days	16,773	23,517
61 – 90 days	3,247	10,087
Over 91 days	5,567	2,943
	460,239	522,787

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

	Group	
	2015 HK\$'000	2014 HK\$'000
HKD	430,557	471,369
USD	29,682	51,186
Others	–	232
	460,239	522,787

Notes to the Consolidated Financial Statements

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26 BORROWINGS

	Group	
	2015 HK\$'000	2014 HK\$'000
Non-current		
Bank borrowings, unsecured (<i>Note</i>)	–	50,000
Current		
Bank borrowings, unsecured (<i>Note</i>)	50,000	80,000
Total borrowings	50,000	130,000

Note:

The bank borrowings are unsecured and supported by corporate guarantees given by the Company (*Notes 32 and 33*). As at 31st March 2015 and 2014, the borrowings were denominated in HKD and interest bearing at a margin over Hong Kong Inter-bank Offer Rate.

The maturity of bank borrowings is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Within one year	50,000	80,000
In the second year	–	50,000
	50,000	130,000

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

As at 31st March 2015 and 2014, the carrying amounts of borrowings were denominated in HKD.

Notes to the Consolidated Financial Statements

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27 SHARE CAPITAL AND SHARE OPTION SCHEME

	Company			
	2015		2014	
	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 the beginning of the year	580,093,720	58,009	580,093,720	58,009
Repurchase of the Company's own shares	(726,000)	(72)	–	–
At the end of the year	579,367,720	57,937	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. Such scheme expired on 21st August 2013 and there was no share option scheme subsequent to the expiration.

On 11th May 2010 and 27th August 2010, totally 40,810,000 share options were granted to eligible persons and such share options had been fully exercised/lapsed in prior years.

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28 RESERVES

	Group						Total HK\$'000
	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	
At 1st April 2013	310,651	940	(618)	11,783	58,074	1,488,167	1,868,997
Comprehensive income/(loss)							
Loss for the year	-	-	-	-	-	(19,099)	(19,099)
Currency translation differences	-	-	575	-	-	-	575
Total comprehensive income/(loss)	-	-	575	-	-	(19,099)	(18,524)
Transactions with owners							
2014 interim dividend	-	-	-	-	-	(17,403)	(17,403)
2013 final dividend	-	-	-	-	-	(34,806)	(34,806)
Total transactions with owners	-	-	-	-	-	(52,209)	(52,209)
At 31st March 2014	310,651	940	(43)	11,783	58,074	1,416,859	1,798,264
At 1st April 2014	310,651	940	(43)	11,783	58,074	1,416,859	1,798,264
Comprehensive income/(loss)							
Profit for the year	-	-	-	-	-	114,250	114,250
Currency translation differences	-	-	(2,156)	-	-	-	(2,156)
Total comprehensive (loss)/income	-	-	(2,156)	-	-	114,250	112,094
Transactions with owners							
2015 interim dividend	-	-	-	-	-	(17,381)	(17,381)
2014 final dividend	-	-	-	-	-	(23,175)	(23,175)
Repurchase of the Company's own shares	(977)	72	-	-	-	(72)	(977)
Total transactions with owners	(977)	72	-	-	-	(40,628)	(41,533)
At 31st March 2015	309,674	1,012	(2,199)	11,783	58,074	1,490,481	1,868,825

Notes to the Consolidated Financial Statements

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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 2013	310,651	940	40,586	11,783	553,860	917,820
Comprehensive income						
Profit for the year	-	-	-	-	133,569	133,569
Transactions with owners						
2014 interim dividend	-	-	-	-	(17,403)	(17,403)
2013 final dividend	-	-	-	-	(34,806)	(34,806)
Total transactions with owners	-	-	-	-	(52,209)	(52,209)
At 31st March 2014	310,651	940	40,586	11,783	635,220	999,180
At 1st April 2014	310,651	940	40,586	11,783	635,220	999,180
Comprehensive income						
Profit for the year	-	-	-	-	126,703	126,703
Transactions with owners						
2015 interim dividend	-	-	-	-	(17,381)	(17,381)
2014 final dividend	-	-	-	-	(23,175)	(23,175)
Repurchase of the Company's own shares	(977)	72	-	-	(72)	(977)
Total transactions with owners	(977)	72	-	-	(40,628)	(41,533)
At 31st March 2015	309,674	1,012	40,586	11,783	721,295	1,084,350

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.

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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% (2014: 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.

	Group	
	2015 HK\$'000	2014 HK\$'000
Deferred income tax assets to be recovered after more than 12 months	45,751	44,241
Deferred income tax liabilities to be settled after more than 12 months	(6,940)	(7,549)
Deferred income tax assets, net	38,811	36,692

The movement in deferred tax assets during the year is as follows:

Deferred income tax assets/(liabilities)	Group				
	Tax losses HK\$'000	Accelerated tax depreciation HK\$'000	Deferred development costs HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April 2013	4,200	(8,908)	(89)	35,738	30,941
Credited/(charged) to consolidated income statement	4,018	6,891	89	(3,684)	7,314
Disposal of a subsidiary (<i>Note 30</i>)	(2,113)	550	-	-	(1,563)
At 31st March 2014	6,105	(1,467)	-	32,054	36,692
At 1st April 2014	6,105	(1,467)	-	32,054	36,692
Credited/(charged) to consolidated income statement	3,925	191	-	(1,997)	2,119
At 31st March 2015	10,030	(1,276)	-	30,057	38,811

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\$2,293,000 (2014: HK\$2,673,000) in respect of tax losses amounting to approximately HK\$6,033,000 (2014: HK\$7,246,000) that can be carried forward against future taxable profit. Approximately HK\$377,000 (2014: HK\$377,000) of the unrecognised tax losses have no expiry date and the remaining balance of HK\$5,656,000 (2014: HK\$6,869,000) will be expired at various dates up to and including 2035 (2014: 2034).

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30 DISCONTINUED OPERATION

During the year ended 31st March 2014, the Group sold the entire interest in Alco Plastic Products Limited (“APPL”), a wholly owned subsidiary of the Company, to one of the APPL’s directors at a cash consideration of HK\$3,000,000. Full consideration was received in February 2014. The principal activity of APPL was the manufacturing and selling of plastic products. Accordingly, the results of plastic products business together with the related loss on disposal have been presented as a discontinued operation in the consolidated financial statements for the year ended 31st March 2014.

(a) Analysis of the results of discontinued operation is as follows:

	Note	2014 HK\$'000
Revenue	5	78,990
Cost of goods sold		(95,099)
Gross loss		(16,109)
Selling expenses		(38)
Administrative expenses		(2,112)
Other operating expenses		(9,973)
Loss before income tax		(28,232)
Income tax credit		2,330
Loss after income tax		(25,902)
Loss on disposal of a subsidiary		(277)
Loss from discontinued operation attributable to equity holders of the Company		(26,179)

(b) Analysis of the expenses of discontinued operation is as follows:

	2014 HK\$'000
Cost of inventories	64,508
Depreciation of property, plant and equipment	2,508
Employee benefit expenses (including APPL’s directors’ emoluments)	22,116
Gain on disposal of property, plant and equipment	(793)
Operating lease rental in respect of land and buildings	1,367
Write-off/impairment of property, plant and equipment	3,748
Deferred income tax credit	(2,330)

Notes to the Consolidated Financial Statements

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30 DISCONTINUED OPERATION (continued)

(c) Analysis of the cash flows of discontinued operation is as follows:

	2014 HK\$'000
Net cash inflow from operating activities	43,496
Net cash inflow from investing activities	5,437
Net cash outflow from financing activities	(50,100)
Net cash outflow from discontinued operation	<u>(1,167)</u>

(d) Disposal of a subsidiary

	28th February 2014 HK\$'000
Net assets disposed of	
Property, plant and equipment	7,550
Deferred income tax assets	1,563
Trade and other current assets	4,148
Inventories	1,331
Cash and cash equivalents	72
Trade and other payables	(11,387)
	<u>3,277</u>
Consideration	<u>3,000</u>
Loss on disposal	<u>(277)</u>

Analysis of net cash flow in respect of the disposal of a subsidiary is as follows:

Cash consideration received	3,000
Cash and cash balances disposed of	(72)
Total cash inflow from disposal	<u>2,928</u>

Notes to the Consolidated Financial Statements

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31 NOTE TO CONSOLIDATION STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before income tax to cash generated from/(used in) operations:

	Group	
	2015 HK\$'000	2014 HK\$'000
Profit/(loss) before income tax including discontinued operation	124,577	(22,518)
Interest income	(13,693)	(21,764)
Interest expense on bank loans and trust receipt loans	6,831	3,830
Amortisation of intangible assets	7,800	8,883
Gain on disposal of property, plant and equipment	(6,888)	(6,008)
Depreciation of property, plant and equipment	33,369	35,468
Write-off/impairment of property, plant and equipment	4,964	3,750
Amortisation of leasehold land and land use rights	292	292
Fair value gain on investment properties	(10,460)	(16,160)
Exchange loss/(gain) on loans and receivables	25	(6,186)
Impairment of goodwill	-	320
Loss on disposal of loans and receivables	-	11,946
Loss on disposal of available-for-sale financial assets	-	15,225
Operating profit before working capital changes	146,817	7,078
Increase in inventories	(50,101)	(36,425)
Decrease/(increase) in trade and other receivables	69,558	(98,444)
Decrease in trade and other payables	(59,596)	(27,983)
Cash generated from/(used in) operations	106,678	(155,774)

Notes to the Consolidated Financial Statements

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31 NOTE TO CONSOLIDATION STATEMENT OF CASH FLOWS (continued)

- (b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Group	
	2015 HK\$'000	2014 HK\$'000
<i>Continuing and discontinued operations</i>		
Net book amount (Note 14)	6,259	8,403
Gain on disposal of property, plant and equipment	6,888	6,008
Proceeds from disposal of property, plant and equipment	13,147	14,411

32 BANKING FACILITIES

As at 31st March 2015, banking facilities of approximately HK\$1,150 million (2014: HK\$1,596 million) were granted by banks to the Group, of which approximately HK\$52 million (2014: HK\$130 million) have been utilised by the Group. 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 (2014: Same).

33 FINANCIAL GUARANTEE

The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain of its subsidiaries (Note 26).

34 COMMITMENTS

- (a) Capital commitments

	Group	
	2015 HK\$'000	2014 HK\$'000
Moulds, plant and machinery and renovation contracted but not provided for	16,018	2,377

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34 COMMITMENTS (continued)

(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	
	2015 HK\$'000	2014 HK\$'000
Not later than one year	35,165	35,613
Later than one year and not later than five years	139,017	139,574
Later than five years	326,267	366,381
	500,449	541,568

(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	
	2015 HK\$'000	2014 HK\$'000
Not later than one year	4,370	7,680
Later than one year and not later than five years	336	5,264
	4,706	12,944

The lease terms are from one to three years.

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35 PRINCIPAL SUBSIDIARIES

As at 31st March 2015, 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		Principal activities
			Direct	Indirect	
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
Alco Electronics Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$5,000,000	–	100	Design, manufacture and sale of consumer electronic products
Alco Electronics (Dongguan) Limited ¹	The PRC	Registered capital HK\$120,000,000	–	100	Manufacture of consumer electronic products
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
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 2015 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



Principal properties held for investment purposes

Location	Lot number	Existing use	Lease term
Workshops A to J, on 7th Floor of Block 1, Kwai Tak Industrial Centre, Nos. 15-33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong	Kwai Chung Town Lot Nos. 322, 323 and 324	Industrial rental	Medium term
Lot Nos. 593 and 595 in Demarcation District No. 106, Off Kam Sheung Road, Ng Ka Tsuen, Kam Tin, Yuen Long, New Territories, Hong Kong	Lot Nos. 593 and 595 in Demarcation District No. 106	Industrial rental	Medium term
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:

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	2,562,566	2,291,141	1,865,778	2,768,538	3,081,106
Profit/(loss) attributable to equity holders of the Company	114,250	(19,099)	58,413	80,136	273,992
Total assets	2,497,147	2,561,764	2,734,840	2,774,239	2,949,745
Total liabilities	(570,812)	(705,843)	(807,834)	(928,953)	(1,010,746)
Total equity	1,926,335	1,855,921	1,927,006	1,845,286	1,938,999

