ALCO HOLDINGS LIMITED

2017

ANNUAL REPORT 年報


愛高電業(東莞)有限公司
ALCO Electronics (Dongguan)Limited

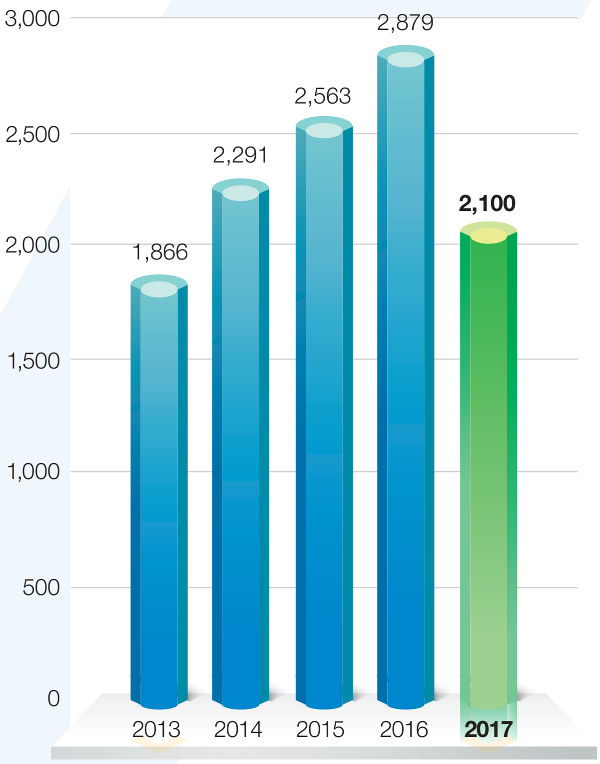
Contents

Corporate Information

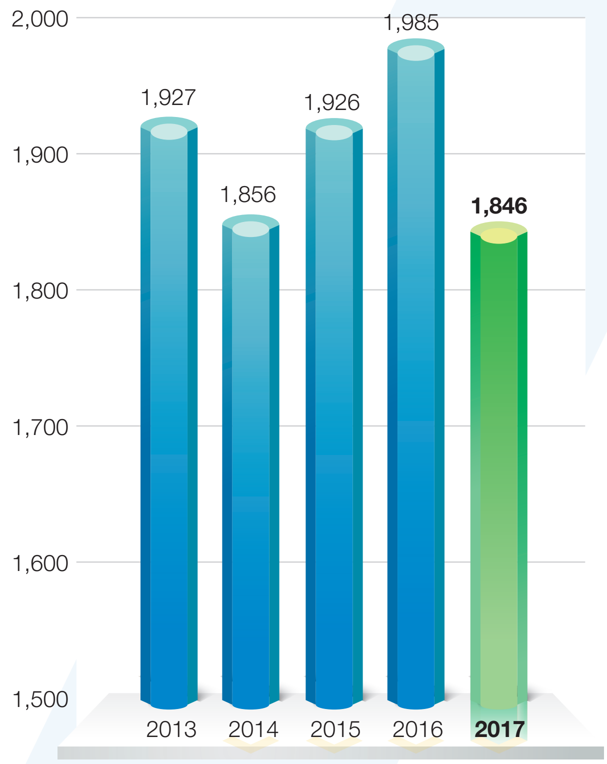
Directors	Mr LEUNG Kai Ching, Kimen *(Chairman)* Mr LEUNG Wai Sing, Wilson Mr KUOK Kun Man Mr LEUNG, Jimmy Mr LIU Lup Man Mr LI Wah Ming, *S.B.S., J.P.** Mr LEE Tak Chi* Mr CHEUNG, Johnson* * *Independent non-executive directors*
Company Secretary	Mr LIU Lup Man
Principal Bankers	Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Auditor	PricewaterhouseCoopers
Legal Advisers	Kwok Yih & Chan
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	Conyers Corporate Services (Bermuda) 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	328

Financial Highlights

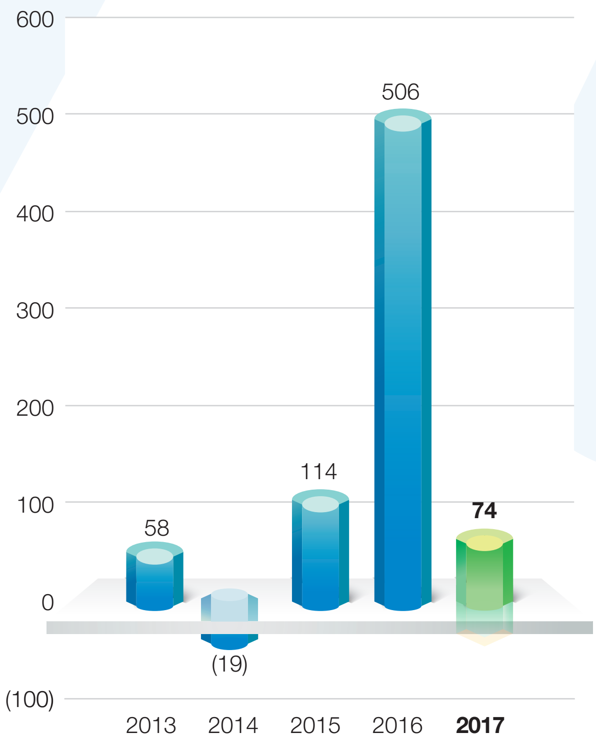
REVENUE
(HK$ MILLION)



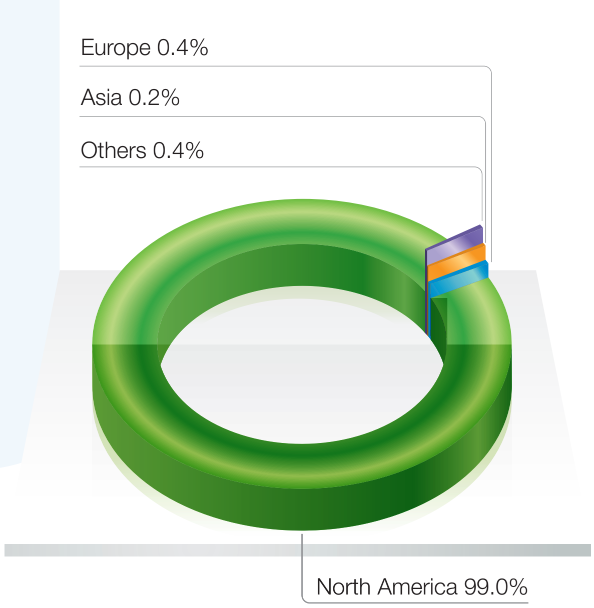
EQUITY
(HK$ MILLION)



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



REVENUE BY GEOGRAPHICAL SEGMENT IN 2017



Chairman's Statement

GROUP RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I hereby present the financial results of Alco Holdings Limited and its subsidiaries for the year ended 31st March 2017.

For the year under review, the Group recorded turnover of HK$2.1 billion (2016: HK$2.9 billion) and profit attributable to shareholders of HK$73.9 million (2016: HK$506 million). The significant declines were principally due to the lacklustre business environment, compounded by dramatic cost increases for critical components including TFT-LCD panels and memory ICs, which are used in certain electronic products of the Group. Such price increases could not be readily shifted to Alco's customers owing to intense competition in the market. Another major reason for the decline in profit was the lack of one-off gain recorded in the year under review (2016: the Group reported a gain of HK$221 million from the disposal of properties).

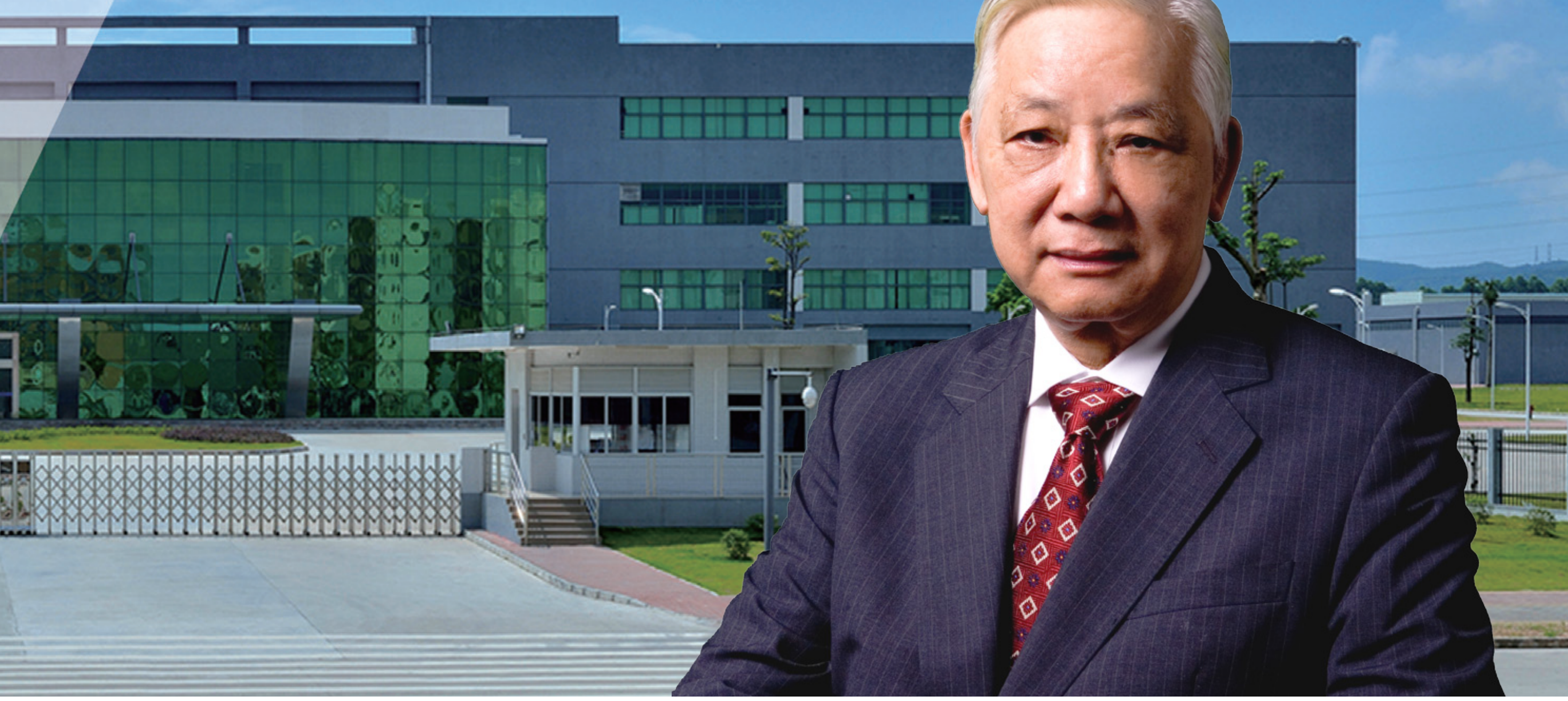
Chairman's Statement

The Board of Directors, in its commitment to observing a stable dividend payout policy, has resolved to declare a final dividend of HK5 cents (2016: HK30 cents) per share. This, combined with an interim dividend of HK5 cents per share already paid (2016: HK6 cents) represents a total dividend of HK10 cents per share for the financial year (2016: HK96 cents which includes a special dividend of HK60 cents).

The final dividend will be paid on 13th September 2017 to the Group's shareholders upon approval at the upcoming Annual General Meeting.

REVIEW OF OPERATIONS

Over the past year, we once again faced intense competition, particularly with regards to our infotainment products. Compounding matters was the dramatic and sudden rise in cost of TFT-LCD panels and memory ICs which are critical components used in our tablets and personal computing products, thus affecting their profitability and the ability of the Group to take on orders because such cost increases could not be easily transferred to prices charged to customers.



Chairman's Statement

Since such cost increases are very often cyclical and are faced by all industry players, we remain undeterred and committed to developing more models and wider range of tablets and personal computing products.

In particular, we have stepped up development of our B2B/Commercial Notebook PCs. This has included the establishment of a dedicated team in Taiwan comprising professionals recruited from top tech companies. Furthermore, a Hong Kong team, again with seasoned professionals all having substantial and years of experience in the marketing and branding of world-renowned electronics products, has been assembled to provide branding and marketing support.

As B2B/Commercial Notebook PCs are targeted towards commercial and professional users rather than the general public, we can therefore generate greater revenue per unit, attract a new range of customers and lower our dependence on sales to mass market.

With respect to our AV products, they continued to provide a stable source of revenue to the Group during the past year. Catering for a diverse range of customers and budgets is a portfolio that includes sound bar systems, amplifiers, Bluetooth wireless speakers, DVD players and home theatre systems. To ensure that they continue to deliver a solid performance to the Group, we have maintained our practice of upgrading relevant products year on year based on industry trends and customers' dictates.

Chairman's Statement

Also constantly being fine-tuned and upgraded is our production capability. While our Houjie Town production facility is operating highly efficiently, our optimisation efforts have continued. This has included making further investments in automation, including greater implementation of robot arms that enable us to further enhance efficiency, continue to raise quality and further reduce human labour.

And even though the total number of worker involved in production is continuing to fall, this should not be construed as eliminating human input altogether. In fact we have sought to raise the quality of our workforce by hiring more skilled workers, with some of them being technical school graduates. One of the competitive strengths of the Group is the fact that we are able to expedite the introduction of ever more advanced technologies to the production environment, which in turn allows us to bring increasingly sophisticated products to the market.

Chairman's Statement

PROSPECTS

The global economy is expected to further improve in the coming years, driven by recoveries in investment, manufacturing and trade, according to an International Monetary Fund report. However, optimism must be tempered by the possibility of changing political landscape that invariably creates uncertainty and downside risk. For anyone involved in the electronics industry, intense competition will remain the norm in the foreseeable future, though that by no means implies that opportunities are absent.

As an industry veteran, the Group has overcome numerous troughs and cyclical patterns in the past 48 years, including the recent and sudden spike in cost of critical components. Though not unscathed, we have nonetheless been resilient due to competitive strengths that have only grown more robust over the years, one of which is our management team that provides the Group with sound guidance and direction. In the coming year, we will continue to focus on our three-pronged strategy of developing high value-added products; further upgrading our manufacturing facilities through automation and robotization; and penetrating new markets with new brands and/or new product categories.

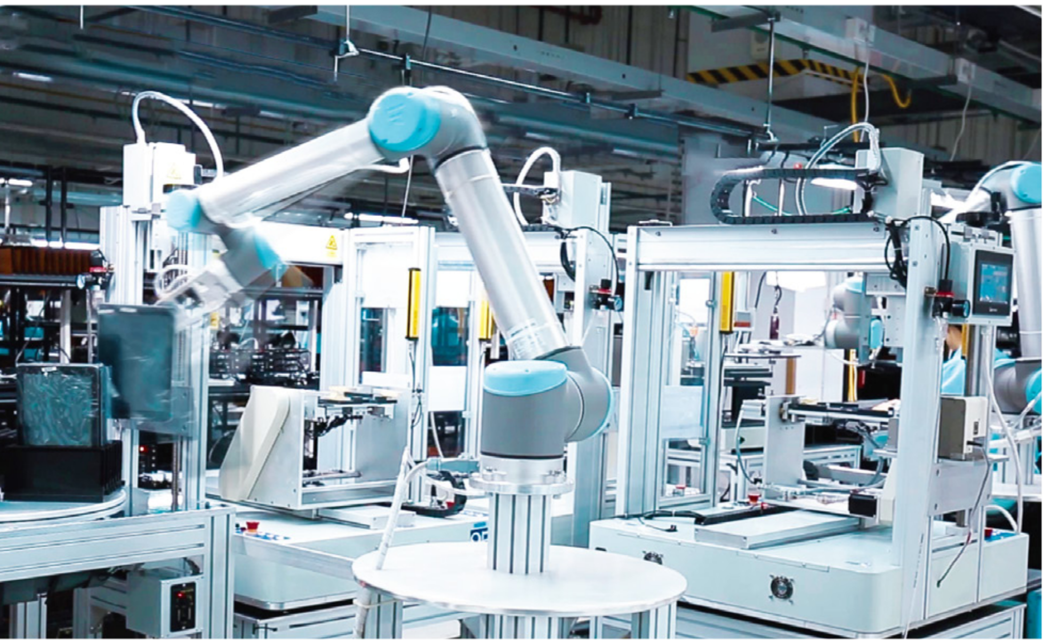
With regard to high value-added products, in addition to developing more models of electric bicycles, we plan to introduce within the second half of the 2017 calendar year Consumer Notebook PCs and B2B/Commercial Notebook PCs in prices range of mid 1,000 US dollars. Furthermore, by the beginning of 2018, All-In-One PC systems in sizes ranging from 24" to 32" will also be introduced.

Chairman's Statement

In order to ensure that the quality, reliability and durability of the Group's high value-added products are in line with those from world-renowned brands, we have been continuously increasing investment in our manufacturing capabilities, not only in terms of automation and robotization, but also in human resources, resulting in rising number of the Group's in-line workforce being graduates of technical institutes. Also, more software development and programming of the Group's automation equipment and robot arms are now done by in-house support team.

With a few of the Group's existing tablets starting to gain traction and popularity in new markets around the world (even though still in relatively small quantities for the time being), the Group expects revenue from new markets to gradually gain in importance. Based on past channel relationships and brand experience of the Group's dedicated marketing professionals in B2B/Commercial Notebook PCs, which are being developed by our Taiwan technical team, our strategy is to first enter the Business and Enterprise Markets of Hong Kong, Taiwan and Singapore; followed by India, Pakistan and the Middle East.

Chairman's Statement



For the North America market, we will continue to enhance our existing line-up of consumer tablets in addition to recent effort to also penetrate Consumer Notebook PC Categories (with screen sizes ranging from 13.3" to 15.6"). Since there is still steady demand for the Group's AV products by North American retailers, we will maintain our efforts in constantly upgrading and rationalizing the Group's portfolio of sound bar systems, amplifiers, Bluetooth wireless speakers, DVD players and home theatre systems.

As we enter a new financial year, we are mindful of the many challenges that lay ahead. While we are not intimidated, neither will we entertain any false expectations. Our focus will be on what we do best, which is leveraging our various strengths to make steady steps forward. We will continue to observe this proven strategy to achieve long-term gains and deliver fair returns to our shareholders.

Chairman's Statement

APPRECIATION

On behalf of the Board of Directors, I would like to extend my appreciation to the management team for their dedication and diligence during the challenging past year. I wish to also offer my gratitude to the entire Alco workforce for all of their contributions to the Group. Certainly worthy of our gratitude are our customers, business partners and shareholders for extending their support.

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 28th June 2017

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 84, is the founder and Chairman of the Group. He has more than 50 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 57, 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, aged 63, joined the Group in 1990 and is the Director of the Group. He holds a master's degree in business administration and has more than 40 years of experience in finance and accounting with multinational organisations.

Mr LEUNG, Jimmy, aged 48, 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 24 years of experience in the field of audio electronic products and oversees the Group's purchasing function.

Mr LIU Lup Man, aged 46, joined the Group in 2005 and was appointed as executive director in 2013. He was also appointed as the Company Secretary of the Group in 2017. He holds a bachelor's degree from the University of Toronto, Canada, and is a Fellow Member of the HKICPA and the ACCA. He has over 22 years of experience in auditing and accounting.

Independent Non-executive Directors

Mr LI Wah Ming, *S.B.S., J.P.*, aged 62, joined the Group in 1992 and is the director of a consultancy company. He holds a bachelor's degree in arts from the University of Waterloo, Canada and a master's degree in social work from the University of Toronto, Canada.

Mr LEE Tak Chi, aged 62, joined the Group in 2011 and was previously Associate Dean and Professor of School of Design, The Hong Kong Polytechnic University. He he also serves as Board of Director of Automotive Parts and Accessory Systems R&D Centre established by the Hong Kong government.

Mr CHEUNG, Johnson, aged 51, joined the Group in 2016 and holds a Bachelor of Science Degree (Hons) in Biology and a Master of Arts Degree in Economics from the University of British Columbia. He has more than 25 years of experience in the equity market and presently is the Director of Research at China Galaxy International Securities (Hong Kong) Co., Ltd.

Biographical Details of Directors and Senior Management

Senior Management

Mr LEUNG Wai Lap, David, aged 56, 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 59, joined the Group in 1973. He is the Group's general manager and oversees the whole operation of the Dongguan factory. He has over 33 years of experience in the field of consumer electronic products.

Mr YICK Ka Lei, Danny, aged 50, 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 a BSc Honours degree in Electrical & Electronics Engineering from University of Manchester and MBA from University of Warwick, and has over 20 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. He also serves as a member of HKTDC Electronics/Electrical Appliances Industries Advisory Committee 2017-19.

Mr CHUNG Hau Yeung, Alex, aged 47, joined the Group in 2016 as CEO of NEXSTGO and set up Nexstgo Company Limited and Taiwan Nexstgo Limited. He has over 20 years of experience in technology, IT, mobile and consumer electronics sectors. Prior to joining NEXSTGO, Mr Chung served as Country General Manager in Lenovo HK. He also held various senior management positions at the Shun Hing Group, Samsung Electronics and Sony Corporation. He holds an Executive Master of Business Administration from The University of Western Ontario, Canada. He is currently a Councilor of the Hong Kong Information Technology Federation, a fellow member of the Chartered Institute of Marketing (UK) and a Chartered Marketer. He also serves as an Advisory committee member of the School of Business in Hong Kong Baptist University.

Mr SUN Kuo Ting, aged 44, joined the Group in 2016. He is the General Manager of Taiwan Nexstgo Limited, and is responsible for research and development of the notebook business. He has over 16 years of experience in technology, consumer electronic and IT sectors, with solid experience in research & development, operation, product management and product marketing. Before joining NEXSTGO, Mr Sun served as Vice President in CVTE in charge of its hardware research & development. Mr Sun held various senior management positions at Acer, Dell and HP. He holds a master of science degree in environment engineering from National Chiao Tung University, Taiwan.

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") for the 12 months ended 31st March 2017, except with deviation from code provisions A.5.1 and E.1.2.

Following the resignation of an independent non-executive director on 17th March 2016, the nomination committee did not comprise a majority of independent non-executive directors, which deviated from the code provision A.5.1. On 6th April 2016, a new independent non-executive director was appointed. The deviation was rectified accordingly.

In addition, the chairman of the board had not attended the annual general meeting of the Company on 25th August 2016, which deviated from code provision E.1.2. The chairman will endeavour to attend all future annual general meetings of the Company.

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.

The Board currently comprises five executive directors, namely Mr LEUNG Kai Ching, Kimen, Mr LEUNG Wai Sing, Wilson, Mr KUOK Kun Man, Mr LEUNG, Jimmy and Mr LIU Lup Man and three independent non-executive directors, namely Mr LI Wah Ming, Mr LEE Tak Chi and Mr CHEUNG, Johnson (appointed on 6th April 2016).

Four Board meetings were held during the year ended 31st March 2017. The attendance of each director is set out as follows:

Members of the Board	Attended/Eligible to attend
Executive Directors	
Mr LEUNG Kai Ching, Kimen	3/4
Mr LEUNG Wai Sing, Wilson	4/4
Mr KUOK Kun Man	4/4
Mr LEUNG, Jimmy	4/4
Mr LIU Lup Man	4/4
Independent Non-executive Directors	
Mr LI Wah Ming	4/4
Mr LEE Tak Chi	3/4
Mr CHEUNG, Johnson	4/4

The Company has received an annual confirmation of independence from each of the 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 LEUNG Wai Sing, Wilson, Mr LEUNG, Jimmy and Mr LIU Lup Man will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions with the Company for the 12 months ended 31st March 2017.

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 CHEUNG, Johnson (appointed on 6th April 2016) (chairman of the remuneration committee), Mr LI Wah Ming 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 2017 and the attendance of each committee member is set out as follows:

Members of the Remuneration Committee	Attended/Eligible to attend
Mr CHEUNG, Johnson	1/1
Mr LI Wah Ming	1/1
Mr LEE Tak Chi	1/1

AUDIT COMMITTEE

The audit committee currently comprises Mr CHEUNG, Johnson (appointed on 6th April 2016) (chairman of the audit committee), Mr LI Wah Ming 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 2017.

Two audit committee meetings were held during the year ended 31st March 2017 and the attendance of each committee member is set out as follows:

Members of the Audit Committee	Attended/Eligible to attend
Mr CHEUNG, Johnson	2/2
Mr LI Wah Ming	2/2
Mr LEE Tak Chi	1/2

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, Mr LEE Tak Chi and Mr CHEUNG, Johnson (appointed on 6th April 2016).

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 2017 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	1/1
Mr LEE Tak Chi	1/1
Mr CHEUNG, Johnson	1/1

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

For the year ended 31st March 2017, the remuneration paid to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit-related services	2,200
Non audit-related services	
Tax compliance services	174

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the ultimate responsibility for the risk management and internal control systems of the Company, and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The audit committee is responsible for overseeing the Company's risk management and internal control systems and procedures, and to report to the Board on any material issues and make recommendations to the Board.

The audit committee and management are responsible for identifying the risks of the Group and discussing those risks with management board. Management board shall evaluate whether the risks are significant and shall manage them according to a level that is acceptable to the Group when achieving its strategic objective.

The internal audit department is responsible for assisting the Board in evaluating the various components of the internal control system under the framework of control environment, risk assessment, control activities, information and communication, and monitoring, co-ordinating the implementation of the Group's risk management and internal control systems and reviewing the effectiveness of the systems regularly.

During the year, the internal audit department conducted reviews of the effectiveness and adequacy of the internal controls over sale and purchase cycles, inventory, payroll and fixed assets management of the Group. Recommendations for internal control were communicated with management and proper improvement plans had been implemented after due consideration.

The Company holds at least two audit committee meetings in a financial year, with the participation of external auditors. External auditors prepare audit committee reports and discuss the issues with the audit committee. Deficiencies or weaknesses in internal control (if any) are identified and appropriate corrective actions are to be taken.

The Board evaluates whether the information is inside information and requires disclosure according to the requirements of Securities and Futures Ordinance and the Listing Rules. Inside information shall be handled strictly confidential on a need-to-know basis and shall be disclosed to the public as soon as reasonably practicable.

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.

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.

Environmental, Social and Governance Report

REPORTING PRINCIPLES AND SCOPE

This Environmental, Social and Governance report ("ESG Report") discloses information on our approaches, strategies, objectives and performance on ESG management during the financial year ended 31st March 2017 (the "Reporting Period"). This ESG Report has been prepared in reference to the "Environmental, Social and Governance Reporting Guide" ("ESG Reporting Guidelines") in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of Stock Exchange ("Listing Rules"), and mainly covers our core business operations, namely, manufacturing and sale of computer and AV products.

For information about our corporate governance, please refer to pages 16 to 20 of Corporate Governance Report section in this annual report.

We welcome stakeholders' feedback on the ESG Report. Please share your views with us via email at investor.enquiry@alco.com.hk.

GENERAL APPROACHES AND POLICIES

As a manufacturer, we uphold a high moral standard and are committed to operating in a socially and environmentally responsible manner while remaining economically sustainable. We have made corporate social responsibility ("CSR") as an integral part of our business practices as we seek various ways in communicating with stakeholders, with a view to balancing their interests. We review our initiatives of enhancing environmental protection, employee relationships, community involvement, corporate governance and other aspects from time to time, to maintain the best practices that contribute to a more sustainable world.

In order to meet this commitment, both individual and collective efforts of our staff and the Group are needed. Therefore, we ensure that all employees follow relevant guidelines. The Group's CSR policies are applicable to all directors, senior executives and other employees.

Environmental, Social and Governance Report

REPORTING ON ENVIRONMENTAL ASPECTS

Emissions

We have a manufacturing facility based in Houjie Town, Dongguan City, Guangdong Province in People's Republic of China ("PRC") ("Houjie Factory"). Upon an acceptance inspection of the facility's construction and a thorough environmental assessment, Houjie Factory has received the Approval of Pollutant Emission in Guangdong Province from the Environmental Protection Bureau of Dongguan City, which is a prerequisite for commencement of manufacturing activities. Houjie Factory has also obtained the certification of ISO 14001:2015 for meeting the required standards for environmental management system.

The Group is devoted to protect the eco-system. We have formulated a set of comprehensive internal environmental guidelines in *Regulations of Wastewater, Waste Gas and Noise Control* for the Houjie Factory. The Group adopts different measures to mitigate the negative impact on the environment from its operations. We carry maintenance and repair on equipment and environmental check to monitor emission levels on a regular basis. We also hire professional, licensed companies to perform yearly environmental check to ensure that our emission levels are in compliance with applicable standards. We have installed ventilation system; whilst inspection of indoor air quality of workplace is conducted regularly.

Our other initiatives of reinforcing environmental control include establishing an energy-saving and emission-reduction system, streamlining production procedures, enhancing employees' awareness, replacing machines with low-efficiency and installing energy-saving equipment.

During the Period, all of our emissions, including nitrogen oxides (NOx), sulfur oxide (SOx), suspended substances and wastewater, are within the levels regulated under national environmental laws and regulations. There was also no incident of non-compliance with local relevant environmental laws and regulations that have a significant impact on the Group relating to air and greenhouse gas, emissions, discharge into water and land, and generation of hazardous and non-hazardous waste.

Use of Resources

We strive to reduce carbon emissions through a more efficient use of resources. Electricity was used as the main energy sources for production and heat. In light of this, we focus our efforts on improving operating efficiency and strengthening conservation of energy, water and other raw materials.

REPORTING ON ENVIRONMENTAL ASPECTS (CONTINUED)

Use of Resources (Continued)

The Group has prepared the *Resources and Energy Saving Management Guidelines*. We constantly check whether our equipment and machines function properly, and replace them when necessary. Machines, lights and air-conditioners must be switched off after working hours to save electrical power. Detailed assessment on environmental impact are made prior to using new materials, equipment or production technique. To avoid overstocking, production volume is set according to client orders.

Waste of electronic devices, electronic parts and printed circuit boards will be collected and handled by certified recycling service providers to reduce solid waste. We have a dedicated department for the repair and maintenance of electronic devices to extend their life spans. We categorize different types of waste and designate storage areas for them as part of our measures to ensure a better waste treatment.

We will continue to identify and address any potential environmental risks, and we will promptly take measures to improve our consumption level of resources.

Environment and Natural Resources

We stress the importance of protecting biodiversity and ecosystems and learn from our decades of experience in the manufacturing sector to promote green practices. We are devoted to minimize negative impact from our business operations as we step up our efforts in raising employees' awareness and enhancing our environmental control.

We have built, followed and maintained an effective environmental management system in accordance with the ISO 14001:2015 standards. We begin with our product design as environmental considerations are incorporated. Where applicable, our products meet the environmental and safety requirements of Restriction of Hazardous Substances Directive (RoHS), Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), Federal Communications Commission (FCC) and Edison Testing Laboratories (ETL); whilst materials used in products are inspected against harmful substances and durability at design stage. We also evaluate the environmental impact for each process of the product cycle. Houjie Factory enjoys a geographical advantage which allows us to shorten the transportation distance and thereby reducing fuel consumption. We choose better technologies and materials to enhance product durability and improve product lifespans.

We forbid any discharge of wastewater, oil, chemicals, sludge and other wastes to the public sewer. A certified company is hired to handle wastewater containing chemicals and we have kept the production facilities and sewage treatment facilities in good condition.

REPORTING ON SOCIAL ASPECTS

Employment and Labour Practices

1. Employment

The Group had 1,600 employees as at 31st March 2017. We undertake to provide a workplace where our staff is respected. Our employment and labour practices were made in compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other applicable laws, as well as industry practices. All employees, upon joining the Group, are given briefing sessions, which cover terms of employment, remuneration packages, working hours, rest periods and holidays, termination, confidentiality and other areas.

References to the market condition and industry benchmark are made when determining the reasonable remuneration packages of our staff. Employees' job nature and experience, results of work appraisal, financial results of the Group are also considered. Annual discretionary bonuses are given to employees to acknowledge their hard work and reward those with outstanding performance. In accordance with relevant laws, we provide other benefits to employees, such as mandatory provident fund, medical insurance and social insurance. Factory employees are provided with dormitory and meals.

While we tend to employ local citizens living near Houjie Factory to support local employment, we embrace diversity and inclusion. Employees of all backgrounds are entitled to fair and adequate promotion opportunities. Our recruitment and development programs are supervised under our human resources management system to ensure no discrimination in any forms within the Group. We have been maintaining a balanced gender ratio, the overall gender ratio is approximately 1:1.

For termination of employment contract, our human resources department will follow all procedures under the human resources management system and applicable labour laws. Termination clauses are set out in all employees' contracts. In case of complex situation, human resources department will consult our legal advisors and/or management to ensure such employment termination is in compliance with applicable laws.

During the Reporting Period, the Group had not been involved in any incident of non-compliance with laws and regulations relating to employment that had a significant impact on the Group.

REPORTING ON SOCIAL ASPECTS (CONTINUED)

Employment and Labour Practices (Continued)

2. *Health and Safety*

The Group is dedicated to offering a healthy and safe workplace for our staff and strives to eliminate potential health and safety hazards. Our employees at Houjie Factory might be exposed to certain occupational safety risks as operating of machines and equipment is involved. Therefore, we have a strict safety protocols for daily operations and handling of emergency in reference to Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and other international standards. Supervisors will oversee every stage of the production processes to ensure that the protocols have been followed.

Houjie Factory is equipped with adequate protective gear and equipment, including first-aid equipment, protective helmets, gloves and goggles, fire extinguishers, ear mugs and plugs, and particulate respirators. We also have regular fire prevention training and qualified fire aiders as well as an onsite company doctor, who will also be responsible for personal hygiene education. We perform regular check on production machines and equipment to make sure they function safely. Provision of annual body check is in place for workers in designated positions and provide insurance to cover possible injuries and death from work-related accidents. For certain job positions, we require our employees to obtain professional qualifications or licenses, such as drivers, forklift drivers, lifts operators, electrician, and chemical substance handlers.

Meanwhile, we promote the importance of mental health. Frequent welfare activities are provided to all employees, such as yoga exercise, Karaoke, dancing, movie sessions, gardening, company-sponsored outdoor activities, basketballs, ping pong and cycling.

In case of significant safety risks and accidents, employees and supervisors shall report to management and make necessary improvement measures. During the Reporting Period, there was no significant incident of safety and work-related injury. There was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

REPORTING ON SOCIAL ASPECTS (CONTINUED)

Employment and Labour Practices (Continued)

3. *Development and Training*

The Group introduces talents who suit our operating condition and development needs. Through a series of target-oriented and systematic development and training programs, we are devoted to nurture their growth. The Group organizes and subsidizes various internal and external staff training to enhance their skills and knowledge, including machine operating, work safety and production environment management, industry and market knowledge, business administration and so on. In Houjie Factory, employees have to go through the required annual training hours according to business needs. Meanwhile, the Group also updates the latest information of the industry and laws and regulations which are essential to the Group's operations and their job responsibilities from time to time.

To retain talent and reward employee with good performance and high potential, we offer internal promotion prospects within the Group. We also encourage open communication and discussion between management and other employees about working condition, promotion and career goal, with a view to supporting their development and growth with the Company.

4. *Labour Standards*

The Group strictly complies with Hong Kong Employment Ordinance, the Regulations on Labor Security Supervision and Provisions on the Prohibition of Using Child Labour of the PRC, and other national or local laws.

All recruitment process and staff promotion activities of the Group are governed by the above-mentioned labour system, and are under the watchful eye of human resources department to prevent any child labour and forced labour, discrimination by gender, race, religion, age or disability, as well as harassment or bullying in workplace. We also prohibit all management of the Company and its subsidiaries from squeezing our labour for their interest or forcing them to work by any form of threat or extortion.

Information about employee's code of conduct and employment guidelines are provided to employees. We require stringent supervision over behaviour of our directors, senior management and other employees. Our staff is encouraged to report any misconduct to the supervisors, management and human resources department. We will promptly conduct investigation into the report and submit the results to management to seek appropriate actions. In more serious cases, for instance, that bring substantial losses in reputation or money, we will obtain legal advices and take legal actions, where appropriate.

REPORTING ON SOCIAL ASPECTS (CONTINUED)

Employment and Labour Practices (Continued)

*4. **Labour Standards** (Continued)*

During the Reporting Period, the Group had no child labour or forced labour, nor had any case of discrimination relating to ethnic group, religion, age, disability, etc.

Operating Practices

5. Supply Chain Management

The Group endeavours to maintain an appropriate and legitimate supply chain management to promote sound practices in our supply chain. We have a set of supplier management procedures and supplier evaluation standards which are from time to time perform site inspection at suppliers' premises in order to evaluate and maintain the quality of the suppliers.

We maintain a long-term business relationship with our suppliers. China-based suppliers are preferred due to cost advantage in transportation. However, we make strict assessment of our suppliers on cost, quality, and delivery performance as required to fulfill their responsibilities under the procurement contracts. Our goal is to maintain a healthy balance of suppliers on a comparable platform so that they can compete each other and ultimately providing benefits to our company.

We also stress the importance of integrity of our suppliers and business partners. Procurement processes are done in accordance with internal guidelines to prevent suppliers or business partners from securing contracts through any form of transfer of interest.

We also maintain close communications with our suppliers to align them with the Group's standards on legal compliance, labour standards, work safety and health, environmental protection and other aspects. We will evaluate internally any suppliers who do not meet our requirements or fail to fulfill contract liability. These suppliers will be replaced immediately and compensate any losses arising from their failure to fulfill contract liability.

REPORTING ON SOCIAL ASPECTS (CONTINUED)

Operating Practices (Continued)

6. Product Liabilities

Through strict implementation of the guidelines and policies, we undertake to provide quality products to consumers. While we make products that satisfy consumer needs, we also carry out quality and safety assurance works during manufacturing processes to ensure the products are able to pass the safety and environmental standards of respective sale regions. We will promptly handle and investigate all client complaints to facilitate improvement of our service and product quality.

During the Reporting Period, no request for product recalls due to safety and health issues has been received by us.

7. Anti-corruption

The Group complies with relevant laws and regulations that are related to corruption, bribery, extortion, money-laundering and other frauds.

To reinforce corporate governance, we have formed an audit committee, while hiring external lawyers and auditors to offer opinions on our financial reporting and other compliance issues. While we have complied with Stock Exchange's corporate governance requirements on listing companies, we will continue to review and improve our internal control and corporate governance.

We have abstracted relevant sections of the Prevention of Bribery Ordinance in Hong Kong into the code of conduct. Our employees are required to be aware of and declare if they have personal interests which may conflict with the company's interests.

The Group has defined clear allegation procedures in the code of conduct, to provide a transparent channel for employees to report on any suspected misconduct or malpractice within its operations. During the reporting period, there were no such allegations reported.

Community

8. Community Investment

The Group strives to fulfill our responsibilities as a corporate citizen and undertake to make positive contribution to society. The Group will continue to look into ways of promoting the spirit of corporate social responsibility within the company by organizing or participating in appropriate community activities, donations or scholarship programs. We, through this kind of events, aspire to create the idea of giving back from our employees, foster closer relationships among the Group, our employees and the communities by caring for and helping those in need.

During the Reporting Period, we cooperated with local universities for work placement programs and work with the Hong Kong Labour Department to fill certain job positions.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st March 2017.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 18 to the consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 44.

The directors have declared an interim dividend of HK5 cents per ordinary share, totalling HK$28,969,000.

The directors recommended the payment of a final dividend of HK5 cents per ordinary share, totalling HK$28,968,000.

BUSINESS REVIEW

A review of the business of the Group during the year as required by Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is included in the Report of the Directors and covered by different sections in this annual report. Those sections form part of this Report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to managing and, where possible, minimizing environmental impacts attributable to its operation. The Group actively controls and endeavors to reduce emissions and waste, and uses energy and resources in an efficient manner. It also uses environmental-friendly production parts in its manufacturing operation. In addition, the Group's management team constantly reviews the effectiveness of the environmental protection measures and makes improvement where necessary.

Report of the Directors

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the importance of good relationships with its employees, customers and suppliers to meet long-term business goals.

Employees are considered valuable assets of the Group and are reasonably remunerated according to performance, qualification and market trend. Remuneration packages, including medical insurance and education subsidies, will be reviewed regularly.

The Group has been building long-term relationships with customers and suppliers. A good relationship with suppliers helps develop practices of punctual delivery of raw materials with good condition. With reliable production parts, we are able to produce products with high quality and reliability for our customers. These all in turn benefit the Company and its shareholders as a whole.

IMPORTANT EVENTS AFTER YEAR END

As far as the Company is aware, no important events affecting the Company that have occurred since the end of the financial year.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with relevant laws and regulations that have a significant impact on the business and operation of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity and total equity per share as at 31st March 2017 were HK$1,846 million (2016: HK$1,985 million) and HK$3.19 (2016: HK$3.43) respectively.

The Group maintains a strong financial position. As at 31st March 2017, we had cash and deposits of HK$787 million. After deducting bank loans of HK$175 million, we had net cash of HK$612 million. The Group has adequate liquidity for future working capital requirements.

As at 31st March 2017, our inventory was HK$474 million (2016: HK$316 million). The increase of inventory level was mainly caused by the finished goods inventory readily shipped and recognised as sales in April 2017. We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables balance as at 31st March 2017 was HK$697 million (2016: HK$662 million). It is our policy to deal with creditworthy customers and to adopt a prudent credit policy, and we have been closely monitoring credit risk.

Trade payables balance as at 31st March 2017 was HK$250 million (2016: HK$290 million).

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

Capital expenditure on fixed assets during the year was HK$48 million (2016: HK$70 million). As at 31st March 2017, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK$5,189,000 (2016: HK$11,878,000).

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 potential cost impact caused by RMB, the Group has diversified its cash portfolio by investing in RMB denominated deposits. As at 31st March 2017, the amount totalled RMB75 million.

EMPLOYEES

As at 31st March 2017, the Group had approximately 1,600 (2016: 1,700) employees in Hong Kong and the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

MAJOR SUPPLIERS AND CUSTOMERS

The purchases and sales attributable to the Group's major suppliers and customers expressed as a percentage of total purchases and sales of the Group for the year ended 31st March 2017 are as follows:

Purchases	
– the largest supplier	17%
– five largest suppliers combined	55%
Sales	
– the largest customer	93%
– five largest customers combined	98%

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.

Report of the Directors

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 26 and Note 32 to the consolidated financial statements respectively.

DONATIONS

Charitable and other donation made by the Group during the year amounted to HK$23,000.

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 105.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2017 amounted to HK$720,601,000 (2016: HK$749,247,000), 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 106.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31st March 2017 and the Company has not redeemed any of its shares during the same financial year.

BANK LOANS AND OTHER BORROWINGS

An analysis of the Group's bank borrowings at 31st March 2017 and 2016 is set out below:

	Bank borrowings	
	2017	2016
	HK$'000	HK$'000
Within one year	**116,400**	9,700
In the second to fifth year	**58,200**	223,100
	174,600	232,800

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2017 are set out in Note 18 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 and up to the date of this report were:

Mr LEUNG Kai Ching, Kimen
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man
Mr LEUNG, Jimmy
Mr LIU Lup Man
Mr LI Wah Ming, *S.B.S., J.P.* [1]
Mr LEE Tak Chi [1]
Mr CHEUNG, Johnson (appointed on 6th April 2016) [1]

[1] *Independent non-executive directors*

In accordance with clause 87(1) of the Company's Bye-laws, Mr LEUNG Wai Sing, Wilson, Mr LEUNG, Jimmy and Mr LIU Lup Man will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Report of the Directors

DIRECTORS' SERVICE CONTRACT

Each of the executive directors has entered into a service contract with the Company for a term of 3 years and such contract shall continue until terminated by either party giving to the other not less than 3 months notice in writing.

Each of the independent non-executive directors has entered into a service contracts with the Company for a term of 3 years and such contract 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 14 and 15.

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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

The Company has arranged Directors' liability insurance, which provides appropriate insurance cover for the Directors.

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 2017, the interests and short positions of each director and chief executives of the Company 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 (Note)	246,061,400	42.47%
Mr LEUNG Wai Sing, Wilson	47,072,000	–	47,072,000	8.12%
Mr LEUNG, Jimmy	1,144,000	–	1,144,000	0.20%
Mr LI Wah Ming	260,000	–	260,000	0.04%

Note:

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

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 2017, 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 2017, 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	Number of shares – Long position	Percentage of the issued share capital of the Company
Shundean Investments Limited	Beneficial owner	225,911,400 (Note i)	38.99%
Mr Webb David Michael	Beneficial owner	58,085,400 (Note ii)	10.03%
Preferable Situation Assets Limited	Beneficial owner	38,435,000 (Note ii)	6.63%
Mr LEUNG Wai Lap, David	Beneficial owner	34,828,190	6.01%

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

Notes:

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

(ii) Mr Webb David Michael beneficially owned 19,650,400 shares, and in addition he held 38,435,000 shares through Preferable Situation Assets Limited, which was 100% directly owned by him.

Save as disclosed above, as at 31st March 2017, 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 2017.

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.

Report of the Directors

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 16 to 20.

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 2017.

The audit committee currently comprises three independent non-executive directors of the Company, namely Mr CHEUNG, Johnson (appointed on 6th April 2016), Mr LI Wah Ming 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 2017 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, 28th June 2017

羅兵咸永道

TO THE SHAREHOLDERS OF ALCO HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Alco Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 104, which comprise:

- the consolidated balance sheet as at 31st March 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Independent Auditor's Report

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. We considered "Provision for obsolete or slow moving inventories" as key audit matter that was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for obsolete or slow moving inventories	
Refer to note 20 "Inventories" and note 4 "Critical accounting estimates and judgements" to the consolidated financial statements.	
At 31st March 2017, the Group held net inventories of HK$473,819,000 and the provision for obsolete or slow moving inventories was HK$114,563,000. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements.	We understood and tested the controls by which management identified obsolescence and determined the net realisable value of inventories based on a consistent process in prior years where historically there were no material adjustments required as a result of the estimation process.

KEY AUDIT MATTER (CONTINUED)

Key Audit Matter (Continued)	**How our audit addressed the Key Audit Matter** (Continued)
Provision for obsolete or slow moving inventories (Continued)	
Management assessed the provision at each period end 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 determination of estimated selling price less cost to sell require the use of significant judgement and estimates, including their nature, ageing, latest selling price, and expectation of future sales orders. The estimates are also subject to uncertainty of market trends, customer demands and technology development. We focused on this area due to the significance of the balance, significant management judgement and estimates involved in determining the provision for impairment of obsolete or slow moving inventories.	We tested, on a sample basis, by comparing the estimated selling price with post year-end sales data of the selected items and tested the inventory aging by comparing the inventory records with the underlying documents. In addition, we discussed with management and inspected the latest sales pattern for both price and quantity for potential orders, and other factors, including the product change and the market trend. On a sample basis, we have further corroborated management's explanations with underlying documents and analysis of inventory ageing and sales pattern. Based on the procedures performed above, we considered the estimates made by management in assessing the provision for obsolete or slow-moving inventories to be supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Johnny Ka Keung Wong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28th June 2017

Consolidated Income Statement

For the year ended 31st March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**2,100,142**	2,879,104
Cost of goods sold	7	**(1,862,266)**	(2,380,634)
Gross profit		**237,876**	498,470
Other income	6	**33,022**	10,129
Selling expenses	7	**(84,351)**	(104,200)
Administrative expenses	7	**(96,192)**	(87,424)
Other operating expenses	7	**(12,083)**	(17,473)
Gain on disposal of properties	29	**–**	221,318
Operating profit		**78,272**	520,820
Finance income	10	**9,875**	13,276
Finance costs	10	**(10,268)**	(8,695)
Profit before income tax		**77,879**	525,401
Income tax expense	11	**(3,987)**	(19,382)
Profit for the year		**73,892**	506,019
Profit/(loss) for the year attributable to:			
– Equity holders of the Company		**73,897**	506,028
– Non-controlling interests		**(5)**	(9)
		73,892	506,019
Earnings per share attributable to equity holders of the Company			
– Basic	12	**HK12.8 cents**	HK87.3 cents
– Diluted	12	**HK12.8 cents**	HK87.3 cents
Dividends	13	**57,937**	556,193

The notes on pages 50 to 104 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**73,892**	506,019
Other comprehensive loss, net of tax:		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	**(9,620)**	(7,036)
Total comprehensive income for the year	**64,272**	498,983
Total comprehensive income/(loss) for the year attributable to:		
– Equity holders of the Company	**64,277**	498,992
– Non-controlling interests	**(5)**	(9)
	64,272	498,983

The notes on pages 50 to 104 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**202,798**	198,312
Investment properties	15	**90,488**	79,420
Leasehold land and land use rights	16	**6,001**	6,423
Intangible assets	17	**10,776**	13,650
Deferred income tax assets	27	**28,225**	32,371
Prepayments, deposits, and other receivables	21	**23,070**	41,068
		361,358	371,244
Current assets			
Inventories	20	**473,819**	315,639
Trade and other receivables	21	**742,693**	692,934
Current income tax recoverables		**13,086**	–
Cash and cash equivalents	22	**787,201**	1,591,643
		2,016,799	2,600,216
Current liabilities			
Trade and other payables	23	**320,739**	348,390
Dividend payable	13	**–**	347,621
Current income tax liabilities		**2,881**	6,755
Deferred gain	29	**17,450**	17,450
Borrowings	24	**116,400**	9,700
		457,470	729,916
Net current assets		**1,559,329**	1,870,300
Total assets less current liabilities		**1,920,687**	2,241,544

Consolidated Balance Sheet

As at 31st March 2017

	Note	2017 HK$'000	2016 HK$'000
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**57,937**	57,937
Reserves	26	**1,788,995**	1,927,497
		1,846,932	1,985,434
Non-controlling interests		**(441)**	(436)
Total equity		**1,846,491**	1,984,998
Non-current liabilities			
Deferred gain	29	**15,996**	33,446
Borrowings	24	**58,200**	223,100
		74,196	256,546
Total equity and non-current liabilities		**1,920,687**	2,241,544

The consolidated financial statements on pages 44 to 104 were approved by the Board of Directors on 28th June 2017 and were signed on its behalf.

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

The notes on pages 50 to 104 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2017

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 1st April 2015	57,937	378,344	1,490,481	1,926,762	(427)	1,926,335
Comprehensive income/(loss)						
Profit/(loss) for the year	–	–	506,028	506,028	(9)	506,019
Other comprehensive income/(loss)						
Realisation of revaluation surplus	–	(58,074)	58,074	–	–	–
Currency translation differences	–	(7,036)	–	(7,036)	–	(7,036)
Total comprehensive (loss)/income	–	(65,110)	564,102	498,992	(9)	498,983
Transactions with owners						
2016 special dividend	–	–	(347,621)	(347,621)	–	(347,621)
2016 interim dividend	–	–	(34,762)	(34,762)	–	(34,762)
2015 final dividend	–	–	(57,937)	(57,937)	–	(57,937)
Total transactions with owners	–	–	(440,320)	(440,320)	–	(440,320)
At 31st March 2016	57,937	313,234	1,614,263	1,985,434	(436)	1,984,998
At 1st April 2016	**57,937**	**313,234**	**1,614,263**	**1,985,434**	**(436)**	**1,984,998**
Comprehensive income/(loss)						
Profit/(loss) for the year	**–**	**–**	**73,897**	**73,897**	**(5)**	**73,892**
Other comprehensive loss						
Currency translation differences	**–**	**(9,620)**	**–**	**(9,620)**	**–**	**(9,620)**
Total comprehensive (loss)/income	**–**	**(9,620)**	**73,897**	**64,277**	**(5)**	**64,272**
Transactions with owners						
2017 interim dividend	**–**	**–**	**(28,969)**	**(28,969)**	**–**	**(28,969)**
2016 final dividend	**–**	**–**	**(173,810)**	**(173,810)**	**–**	**(173,810)**
Total transactions with owners	**–**	**–**	**(202,779)**	**(202,779)**	**–**	**(202,779)**
At 31st March 2017	**57,937**	**303,614**	**1,485,381**	**1,846,932**	**(441)**	**1,846,491**

The notes on pages 50 to 104 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st March 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	28(a)	**(118,258)**	152,021
Interest received		**9,875**	13,276
Interest paid		**(10,268)**	(8,695)
Income tax paid		**(17,550)**	(13,273)
Net cash (used in)/generated from operating activities		**(136,201)**	143,329
Cash flows from investing activities			
Purchase of property, plant and equipment		**(48,316)**	(70,133)
Proceeds from disposal of properties	28(b)	**–**	533,769
Proceeds from disposal of plant and equipment	28(b)	**1,028**	11,065
Payments for intangible assets		**(4,926)**	–
Net cash (used in)/generated from investing activities		**(52,214)**	474,701
Cash flows from financing activities			
Proceeds from trust receipt loans		**643,491**	727,155
Repayments of trust receipt loans		**(643,491)**	(728,809)
Proceeds from borrowings		**–**	535,600
Repayments of borrowings		**(58,200)**	(352,800)
Dividends paid to the Company's shareholders		**(550,400)**	(92,699)
Net cash (used in)/generated from financing activities		**(608,600)**	88,447
Net (decrease)/increase in cash and cash equivalents		**(797,015)**	706,477
Cash and cash equivalents at beginning of the year		**1,591,643**	888,335
Effect of foreign exchange rate change		**(7,427)**	(3,169)
Cash and cash equivalents at end of the year	22	**787,201**	1,591,643

The notes on pages 50 to 104 are an integral part of these consolidated financial statements.

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 2017, 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 28th June 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) The following new and amended standards are mandatory for the financial year beginning 1st April 2016:

HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendment)	Annual Improvements 2012-2014 Cycle
HKAS 1 (Amendment)	Financial Statements Presentation Regarding Materiality, Aggregation and Subtotals
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of these new and amended standards did not result in a significant impact on the results and financial position of the Group.

(b) The new standards, amendments to standards and interpretations relevant to the Group which have been issued, but not effective for the financial year beginning 1st April 2016 and have not been early adopted:

		Effective for accounting period beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1st January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) *(Continued)*

None of the above new standards and amendments is expected to have a significant effect on the consolidated financial statements of the Group, except for the followings:

HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1st January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1st February 2015. After that date, the new rules must be adopted in their entirety. The group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) *(Continued)*

HKFRS 15, "Revenue from contracts with customers" (Continued)

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's consolidated financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1st January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$395,563,000, see note 31. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) *(Continued)*

HKFRS 16, "Leases" (Continued)

The new standard is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

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 carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in 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.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the senior 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(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.

(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 consolidated income statement.

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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leasehold land and land use rights

Leasehold land and land use rights classified as operating leases are stated at cost less accumulated amortisation and accumulated impairment losses. Cost mainly represents consideration paid for the rights to use the land from the date the respective rights were granted. Amortisation of leasehold land and land use rights is calculated on a straight-line basis over the period of the rights.

2.6 Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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

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 in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 rent income allowing for reversionary potential. Changes in fair values are recorded in the consolidated income statement as part of "other income". Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.8 Intangible assets

(a) Acquired licence right

An acquired licence right is carried at cost less accumulated amortisation. The economic useful life of an acquired licence right is estimated at the time of purchase (Note 4(c)).

Amortisation is calculated using the straight-line method to allocate the cost of the acquired licence right over its estimated useful life of 10 years.

Licence right is tested for impairment annually, in accordance with HKAS 36.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

(b) Deferred development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (directly attributable to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the developing/developed product so that it will be available for use or sale;

(ii) management intends to complete the developing/developed product and use or sell it;

(iii) there is an ability to use or sell the developing/developed product;

(iv) it can be demonstrated how the developing/developed product will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the developing/developed product are available; and

(vi) the expenditure attributable to the developing/developed product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised over a period of 36 months to reflect the pattern in which the relevant economic benefits are recognised. Development assets are tested for impairment annually, in accordance with HKAS 36.

2.9 Impairment of 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

2.10.1 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 "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.14 and 2.15).

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. 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 2.11.

2.11 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets carried at amortised cost (Continued)

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

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

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

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax 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 in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)

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).

2.25 Sales and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

2.26 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 2017, if RMB had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax profit for the year would have been approximately HK$6,397,000 (2016: HK$13,551,000) higher/lower, mainly as a result of the net foreign exchange differences on translation of RMB denominated cash and bank balances and other payables.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

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

As at 31st March 2017 and 2016, the Group's borrowings at variable rates were denominated in USD.

At 31st March 2017, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$1,746,000 (2016: HK$2,328,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st March 2017, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$7,864,000 (2016: HK$15,910,000) higher/lower due to interest income earned on market interest rate.

The total bank loans held by the Group as at 31st March 2017 and 2016 were all with floating rates.

(b) Credit risk

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

The Group's cash and short-term deposits are placed with reputable banks and financial institutions. For credit exposures from customers, management assesses the credit quality of each individual major customer, taking into account its financial position, past experience and other factors.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

Banking facilities have been put in place for contingency purposes. As at 31st March 2017, the Group's total available banking facilities amounted to approximately HK$1,177 million (2016: HK$1,314 million), of which approximately HK$175 million (2016: HK$233 million) has been utilised.

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

	Within one year HK$'000	In the second year HK$'000	In the third to fifth year HK$'000	Total HK$'000	Carrying amount HK$'000
At 31st March 2016					
Borrowings	9,913	118,950	109,038	237,901	232,800
Trade and other payables	348,390	–	–	348,390	348,390
Dividend payable	347,621	–	–	347,621	347,621
At 31st March 2017					
Borrowings	**119,967**	**59,983**	**–**	**179,950**	**174,600**
Trade and other payables	**320,739**	**–**	**–**	**320,739**	**320,739**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, raise or repay bank borrowings, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

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 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents (Note 22)	787,201	1,591,643
Borrowings (Note 24)	(174,600)	(232,800)
Net surplus cash	612,601	1,358,843
Total equity	1,846,491	1,984,998
Gearing ratio	Not applicable	Not applicable

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) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) 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.

(c) 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.

(d) Impairment of non-financial assets

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(e) 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.

(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.

5 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2017 **HK$'000**	2016 HK$'000
Consumer electronic products	**2,100,142**	2,879,104

(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. The management's approach has been used for the operating segment reporting.

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment analysed by products (Continued)

As substantial business operations of the Group relate to design, manufacture and sale of consumer electronic products, the senior management makes decisions about resources allocation and performance assessment based on the entity-wide financial information. Accordingly, there is only one single reportable segment for the Group.

	Consumer electronic products	
	2017	2016
	HK$'000	HK$'000
Segment result		
For the years ended 31st March 2017 and 2016		
Segment revenue	**2,100,142**	2,879,104
Segment results	**78,272**	520,820
Finance income	**9,875**	13,276
Finance costs	**(10,268)**	(8,695)
Profit before income tax	**77,879**	525,401
Income tax expense	**(3,987)**	(19,382)
Profit for the year	**73,892**	506,019
Profit/(loss) for the year attributable to [1]		
– Equity holders of Company	**73,897**	506,028
– Non-controlling interests	**(5)**	(9)
	73,892	506,019
Segment assets and liabilities		
As at 31 March 2017 and 2016		
Segment assets [2]	**2,246,358**	2,859,669
Unallocated corporate assets	**131,799**	111,791
Total assets	**2,378,157**	2,971,460
Segment liabilities [3]	**320,739**	348,390
Unallocated corporate liabilities	**210,927**	638,072
Total liabilities	**531,666**	986,462
Other segment information		
For the years ended 31 March 2017 and 2016		
Capital expenditure [4]	**53,242**	70,133

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment analysed by products (Continued)

(1) 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.

(2) Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, trade receivable, prepayments, deposits, other receivables, inventories and operating cash and exclude items such as investment properties, current income tax recoverables and deferred tax assets.

(3) Segment liabilities comprise operating liabilities and exclude items such as certain corporate borrowings, current income tax liabilities, dividend payable and deferred gain.

(4) Capital expenditure comprises additions to property, plant and equipment and intangible assets.

(b) Segment analysed by geographical areas

The segment revenue for the years ended 31st March 2017 and 2016 are as follows:

	2017 HK$'000	2016 HK$'000
North America	**2,079,543**	2,849,657
Europe	**8,740**	2,528
Asia	**4,643**	24,282
Others	**7,216**	2,637
	2,100,142	2,879,104

The analysis of revenue by geographical segment is based on the destination to which the shipments are made. Primarily all of the assets and capital expenditure for the year ended 31st March 2017 and 2016 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:

	2017 HK$'000	2016 HK$'000
Customer A	**1,951,321**	2,644,764

6 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Fair value gain on investment properties (Note 15)	**11,068**	60
Rental income from investment properties	**2,979**	8,373
Amortisation of deferred gain (Note 29)	**17,450**	1,454
Others	**1,525**	242
	33,022	10,129

7 EXPENSES BY NATURE

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

	2017 HK$'000	2016 HK$'000
Amortisation of intangible assets (Note 17)	**7,800**	7,800
Amortisation of leasehold land and land use rights (Note 16)	**281**	289
Auditor's remuneration	**2,200**	2,100
Cost of inventories	**1,628,633**	2,149,880
(Write-back of)/provision for impairment of inventories	**(17,440)**	1,924
Depreciation of property, plant and equipment (Note 14)	**37,326**	34,645
Employee benefit expenses (including directors' emoluments) (Note 8)	**233,353**	232,058
Severance pay (Note 8)	**6,550**	13,279
Loss/(gain) on disposal of plant and equipment	**662**	(40)
Operating lease rental in respect of land and buildings	**33,174**	29,902
Research and development costs	**26,443**	17,420

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 HK$'000	2016 HK$'000
Wages and salaries	214,240	213,248
Pension costs – defined contribution retirement schemes (Note (a))	2,864	2,639
Other staff benefits	16,249	16,171
	233,353	232,058
Severance pay	6,550	13,279

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$1,500 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$2,864,000 (2016: HK$2,639,000). No forfeited contribution in respect of the defined contribution retirement scheme was utilised during the year (2016: same). No forfeiture contribution was available as at 31st March 2017 and 2016 to reduce future contributions.

Contributions totaling approximately HK$625,000 (2016: HK$418,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

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

Notes: (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2016: four) directors whose emoluments are reflected in the analysis presented in Note 9. The emoluments payable to the remaining one (2016: one) highest paid individual during the year are as follows:

	2017	2016
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,384**	1,380
Discretionary bonuses	**2,000**	7,000
Contributions to pension schemes	**18**	18
	3,402	8,398

The emoluments fell within the following bands:

	Number of individual	
	2017	2016
Emolument bands		
HK$3,000,001 – HK$4,000,000	**1**	–
HK$8,000,001 – HK$9,000,000	**–**	1

(c) Senior management compensation

The emoluments of the senior management include the one (2016: one) individual whose emoluments are reflected in the analysis presented in Note 8(b).

The emoluments of the remaining four (2016: two) senior management during the year are as follows:

	Number of individual	
	2017	2016
Emolument bands		
HK$1 – HK$1,000,000	**1**	–
HK$1,000,001 – HK$2,000,000	**3**	2

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

Directors' remuneration, including remuneration of chief executive officer (Mr LEUNG Wai Sing, Wilson), for the year, disclosed pursuant to Appendix 14 to the Listing Rules and section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

For the year ended 31st March 2016:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr LEUNG Kai Ching, Kimen	–	4,843	2,397	207	7,447
Mr LEUNG Wai Sing, Wilson	–	4,843	2,397	207	7,447
Mr KUOK Kun Man	–	2,512	1,598	107	4,217
Mr LEUNG, Jimmy	–	1,208	959	18	2,185
Mr LIU Lup Man	–	962	639	18	1,619
Independent non-executive directors:					
Mr LI Wah Ming	160	–	–	8	168
Mr LAU Wang Yip, Derrick *	153	–	–	8	161
Mr LEE Tak Chi	160	–	–	–	160
	473	14,368	7,990	573	23,404

* Mr LAU Wang Yip, Derrick has resigned as the independent non-executive director of the Group with effective from 17th March 2016.

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executives emoluments (Continued)

For the year ended 31st March 2017:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors:					
Mr LEUNG Kai Ching, Kimen	–	4,843	6,300	207	11,350
Mr LEUNG Wai Sing, Wilson	–	4,843	6,300	207	11,350
Mr KUOK Kun Man	–	2,662	4,200	114	6,976
Mr LEUNG, Jimmy	–	1,279	2,520	21	3,820
Mr LIU Lup Man	–	1,019	1,680	21	2,720
Independent non-executive directors:					
Mr LI Wah Ming	201	–	–	10	211
Mr LEE Tak Chi	201	–	–	–	201
Mr CHEUNG, Johnson #	198	–	–	8	206
	600	14,646	21,000	588	36,834

Mr CHEUNG, Johnson has been appointed as independent non-executive director with effective from 6th April 2016.

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2016: Nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2016: Nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to the third parties for making available directors' services (2016: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2016: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company 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 (2016: Nil).

10 FINANCE INCOME AND FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Finance income:		
– Bank interest income	**9,875**	13,276
Finance costs:		
– Interest expense on bank borrowings and trust receipt loan	**10,268**	8,695

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017 HK$'000	2016 HK$'000
Current income tax		
– Hong Kong profits tax	16	13,057
– PRC corporate income tax	530	–
– Overseas corporate income tax	60	–
– Over provision in prior years	(16)	(115)
Deferred income tax expense	3,397	6,440
Income tax expense	3,987	19,382

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:

	2017 HK$'000	2016 HK$'000
Profit before income tax	77,879	525,401
Tax calculated at a tax rate of 16.5% (2016: 16.5%)	12,850	86,691
Effect of different tax rates in other countries	(12)	(427)
Income not subject to tax	(14,726)	(77,376)
Expenses not deductible for tax purposes	5,881	10,601
Over provision in prior years	(16)	(115)
Tax losses for which no deferred income tax asset was recognised	10	8
Income tax expense	3,987	19,382

12 EARNINGS PER SHARE

Basic

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

	2017	2016
Profit for the year attributable to equity holders of the Company *(HK$'000)*	**73,897**	506,028
Weighted average number of ordinary shares in issue	**579,367,720**	579,367,720
Basic earnings per share *(HK cents)*	**12.8**	87.3

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares during the years ended 31st March 2017 and 2016. Therefore, the diluted earnings per share are the same as basic earnings per share.

13 DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim dividend, paid, of HK5 cents (2016: HK6 cents) per ordinary share	**28,969**	34,762
No special dividend paid (2016: HK60 cents per ordinary share)	**–**	347,621
Final dividend, proposed, of HK5 cents (2016: HK30 cents) per ordinary share	**28,968**	173,810
	57,937	556,193

At a meeting held on 28th June 2017, the directors proposed a final dividend of HK5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

14 PROPERTY, PLANT AND EQUIPMENT

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

	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 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
Year ended 31st March 2016							
Opening net book amount	29,729	24,211	95,977	29,825	17,686	3,418	200,846
Additions	–	9,908	8,326	23,898	26,595	1,406	70,133
Disposals	(23,791)	–	–	(948)	(9,947)	(130)	(34,816)
Depreciation	(403)	(13,337)	(7,614)	(8,223)	(4,336)	(732)	(34,645)
Exchange differences	(80)	–	(2,899)	(101)	(101)	(25)	(3,206)
Closing net book amount	5,455	20,782	93,790	44,451	29,897	3,937	198,312
At 31st March 2016							
Cost	8,492	272,234	113,412	182,038	111,584	11,430	699,190
Accumulated depreciation and impairment	(3,037)	(251,452)	(19,622)	(137,587)	(81,687)	(7,493)	(500,878)
Net book amount	5,455	20,782	93,790	44,451	29,897	3,937	198,312

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Land and buildings HK$'000	Moulds HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31st March 2017							
Opening net book amount	5,455	20,782	93,790	44,451	29,897	3,937	198,312
Additions	–	16,806	6,140	21,069	2,024	2,277	48,316
Disposals	–	–	–	(697)	(473)	(520)	(1,690)
Depreciation	(220)	(12,441)	(7,882)	(10,883)	(4,849)	(1,051)	(37,326)
Exchange differences	(106)	–	(4,143)	(364)	(148)	(53)	(4,814)
Closing net book amount	5,129	25,147	87,905	53,576	26,451	4,590	202,798
At 31st March 2017							
Cost	8,342	289,040	114,468	196,592	101,575	11,075	721,092
Accumulated depreciation and impairment	(3,213)	(263,893)	(26,563)	(143,016)	(75,124)	(6,485)	(518,294)
Net book amount	5,129	25,147	87,905	53,576	26,451	4,590	202,798

(b) Depreciation expenses have been included in:

	2017 HK$'000	2016 HK$'000
Cost of goods sold	33,966	31,612
Administrative expenses	3,360	3,033
	37,326	34,645

(c) As at 31st March 2017 and 2016, no bank borrowing was secured on any building which was classified under property, plant and equipment (Note 24).

15 INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
Beginning of the year	**79,420**	315,670
Fair value gain (Note 6)	**11,068**	60
Disposal (Note 29)	**–**	(236,310)
End of the year	**90,488**	79,420

Rental income derived from the investment properties amounted to approximately HK$2,979,000 (2016: HK$8,373,000) during the year.

Valuation process of the Group

The Group measures its investment property at fair value. The fair value of the Group's investment property at 31st March 2017 and 2016 has been determined on the basis of valuation carried out by an independent qualified valuer, LCH (Asia-Pacific) Surveyors Limited (the "Valuer"). The valuation, which conforms to the valuation standards issued by Hong Kong Institute of Surveyors ("HKIS") was arrived at by reference to the current and forecast rental income, allowing for reversionary potential of the investment property.

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.

15 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs

The table below analyses investment property carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's investment property is categorised as level 3 and there was no transfers among levels 1, 2 and 3 during the year.

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 transactions 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 2017, yields ranged from 4.0% to 7.0% (2016: 3.1% to 6.1%) were adopted in the term yields analysis for the Group's investment properties.

For the investment property located in Yuen Long, prevailing market price are estimated based on recent land sales transactions nearby. The lower the prices, the lower is the fair value. At 31st March 2017, prevailing market prices ranged from HK$121 to HK$714 per square foot on site area basis were adopted in the term and reversionary analysis for the Group's investment properties.

For the remaining investment properties, prevailing market price are estimated based on recent sales transactions within the subject buildings/developments or other comparable properties. The lower the prices, the lower is the fair value. At 31st March 2017, prevailing market prices ranged from HK$2,901 to HK$3,587 (2016: HK$2,680 to HK$3,075) per square foot on saleable area basis were adopted in the term and reversionary analysis for the Group's investment properties.

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2017 HK$'000	2016 HK$'000
Beginning of the year	**6,423**	6,815
Amortisation	**(281)**	(289)
Exchange differences	**(141)**	(103)
End of the year	**6,001**	6,423

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

17 INTANGIBLE ASSETS

	Licence right HK$'000	Deferred development costs HK$'000	Total HK$'000
At 1st April 2015			
Cost	78,000	–	78,000
Accumulated amortisation	(56,550)	–	(56,550)
Net book amount	21,450	–	21,450
Year ended 31st March 2016			
Opening net book amount	21,450	–	21,450
Amortisation	(7,800)	–	(7,800)
Closing net book amount	13,650	–	13,650
At 31st March 2016			
Cost	78,000	–	78,000
Accumulated amortisation	(64,350)	–	(64,350)
Net book amount	13,650	–	13,650
Year ended 31st March 2017			
Opening net book amount	**13,650**	**–**	**13,650**
Addition	**–**	**4,926**	**4,926**
Amortisation	**(7,800)**	**–**	**(7,800)**
Closing net book amount	**5,850**	**4,926**	**10,776**
At 31st March 2017			
Cost	**78,000**	**4,926**	**82,926**
Accumulated amortisation	**(72,150)**	**–**	**(72,150)**
Net book amount	**5,850**	**4,926**	**10,776**

Amortisation expenses of licence right has been included in cost of goods sold.

18 SUBSIDIARIES

As at 31st March 2017 and 2016, 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
			2017		2016		
			Direct	Indirect	Direct	Indirect	
Alco Investments (B.V.I.) Limited	The British Virgin Islands	Ordinary US$50,000	100	–	100	–	Investment holding and provision of management services to its subsidiaries
Advance Packaging Limited	Hong Kong	Ordinary HK$500,000	–	100	–	100	Property investment
Alco Digital Devices Limited	Hong Kong	Ordinary HK$1,000,000	–	100	–	100	Software development
Alco Electronics Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$5,000,000	–	100	–	100	Design, manufacture and sale of consumer electronic products
Alco Electronics (Dongguan) Limited[1]	The PRC	Registered capital HK$120,000,000	–	100	–	100	Manufacture of consumer electronic products
Alco Electronics (Shenzhen) Limited[1]	The PRC	Registered capital HK$25,000,000	–	100	–	100	Provision of design and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK$500,000	–	100	–	100	Trading of consumer electronic products
Vdiobox Limited	Hong Kong	Ordinary HK$1,000,000	–	100	–	100	Trading of consumer electronic products
Nexstgo Company Limited	Hong Kong	Ordinary HK$1,000,000	–	100	N/A	N/A	Trading of electronic products
Taiwan Nexstgo Limited	Taiwan	Ordinary NTD2,000,000	–	100	N/A	N/A	Research and development of 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 2017 and 2016 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.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 HK$'000	2016 HK$'000
Assets		
Trade and other receivables (Note 21)	**765,763**	734,002
Cash and cash equivalents (Note 22)	**787,201**	1,591,643
Total	**1,552,964**	2,325,645

	2017 HK$'000	2016 HK$'000
Liabilities		
Trade and other payables (Note 23)	**320,739**	348,390
Dividend payable (Note 13)	**–**	347,621
Borrowings (Note 24)	**174,600**	232,800
Total	**495,339**	928,811

20 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**240,717**	217,914
Work in progress	**7,790**	10,091
Finished goods	**339,875**	219,637
	588,382	447,642
Less: Provision for impairment	**(114,563)**	(132,003)
	473,819	315,639

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$1,628,633,000 (2016: HK$2,149,880,000).

21 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Non-current		
Prepayments, deposits and other receivables (Note)	**23,070**	41,068
Current		
Trade receivables	**697,222**	662,059
Prepayments, deposits and other receivables (Note)	**45,471**	30,875
	742,693	692,934
	765,763	734,002

Note: As at 31st March 2017, other receivables included HK$28,629,000 (2016:HK$43,374,000), being the consideration receivable from PVI Global Corporation (a subsidiary of E Ink Holdings Inc. ("E Ink")) for the disposal of the corporate bond of Hydis Technologies Company Limited. A guarantee was granted by E Ink to cover the entire receivable amount. HK$14,456,000 shall be receivable in the first year and HK$14,173,000 shall be receivable in the second year.

The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

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

At 31st March 2017 and 2016, the ageing analysis of the trade receivables based on shipping terms is as follows:

	2017 HK$'000	2016 HK$'000
0 – 30 days	**102,368**	58,780
31 – 60 days	**95,899**	110,303
61 – 90 days	**132,720**	51,483
Over 90 days	**366,235**	441,493
	697,222	662,059

As at 31st March 2017, trade receivables of HK$163,543,000 (2016: HK$359,587,000) were past due with reference to the credit terms offered. The overdue sum is not considered as impaired since the overdue sum has been settled in early May 2017.

21 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Counterparties without external credit rating		
– New customers (less than 6 months)	1,719	–
– Customers (more than 6 months) with no defaults in the past	695,503	662,059
	697,222	662,059

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

	2017 HK$'000	2016 HK$'000
USD	666,445	638,392
Canadian dollar	27,115	21,607
RMB	1,719	–
Euro	1,470	1,566
Great British Pound	368	111
HKD	105	383
	697,222	662,059

As at 31st March 2017 and 2016, 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.

22 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at bank and on hand	**196,481**	811,691
Short-term bank deposits	**590,720**	779,952
	787,201	1,591,643
Maximum exposure to credit risk	**786,397**	1,591,029

As at 31st March 2017, the Group's cash and cash equivalents of approximately HK$20,109,000 (2016: HK$41,976,000) denominated in RMB were deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China Government.

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

	2017 HK$'000	2016 HK$'000
USD	**667,398**	773,858
RMB	**84,773**	151,576
HKD	**30,781**	666,100
Euro	**1,291**	6
New Taiwan dollar	**1,058**	–
Great British Pound	**984**	99
Danish Krone	**912**	–
Others	**4**	4
	787,201	1,591,643

23 TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**250,407**	290,455
Other payables and accruals	**70,332**	57,935
	320,739	348,390

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

23 TRADE AND OTHER PAYABLES (CONTINUED)

At 31st March 2017 and 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 – 30 days	215,469	267,298
31 – 60 days	28,703	15,193
61 – 90 days	1,650	3,317
Over 90 days	4,585	4,647
	250,407	290,455

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

	2017 HK$'000	2016 HK$'000
HKD	154,665	225,577
USD	95,229	64,820
Euro	421	–
Others	92	58
	250,407	290,455

24 BORROWINGS

	2017 HK$'000	2016 HK$'000
Non-current		
Bank borrowings, unsecured (Note)	58,200	223,100
Current		
Bank borrowings, unsecured (Note)	116,400	9,700
Total borrowings	174,600	232,800

Note:

The bank borrowings are unsecured and supported by corporate guarantees given by the Company (Note 30).

24 BORROWINGS (CONTINUED)

The maturity of bank borrowings is as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**116,400**	9,700
In the second year	**58,200**	116,400
In the third to fifth year	**–**	106,700
	174,600	232,800

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

As at 31st March 2017 and 2016, the borrowings were denominated in USD and interest-bearing at a margin over London Inter-bank Offered Rate.

25 SHARE CAPITAL

The Company's authorised and issued share capital during the year is as follows:

	2017		2016	
	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	**579,367,720**	**57,937**	579,367,720	57,937

26 RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange and other reserves HK$'000	Staff compensation reserve HK$'000	Revaluation surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2015	309,674	1,012	(2,199)	11,783	58,074	1,490,481	1,868,825
Comprehensive income/(loss)							
Profit for the year	–	–	–	–	–	506,028	506,028
Realisation of revaluation surplus	–	–	–	–	(58,074)	58,074	–
Currency translation differences	–	–	(7,036)	–	–	–	(7,036)
Total comprehensive (loss)/income	–	–	(7,036)	–	(58,074)	564,102	498,992
Transactions with owners							
2016 special dividend	–	–	–	–	–	(347,621)	(347,621)
2016 interim dividend	–	–	–	–	–	(34,762)	(34,762)
2015 final dividend	–	–	–	–	–	(57,937)	(57,937)
Total transactions with owners	–	–	–	–	–	(440,320)	(440,320)
At 31st March 2016	309,674	1,012	(9,235)	11,783	–	1,614,263	1,927,497
At 1st April 2016	309,674	1,012	(9,235)	11,783	–	1,614,263	1,927,497
Comprehensive income/(loss)							
Profit for the year	–	–	–	–	–	73,897	73,897
Currency translation differences	–	–	(9,620)	–	–	–	(9,620)
Total comprehensive (loss)/income	–	–	(9,620)	–	–	73,897	64,277
Transactions with owners							
2017 interim dividend	–	–	–	–	–	(28,969)	(28,969)
2016 final dividend	–	–	–	–	–	(173,810)	(173,810)
Total transactions with owners	–	–	–	–	–	(202,779)	(202,779)
At 31st March 2017	309,674	1,012	(18,855)	11,783	–	1,485,381	1,788,995

27 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% (2016: 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.

	2017 HK$'000	2016 HK$'000
Deferred income tax assets to be recovered after more than 12 months	**35,460**	38,511
Deferred income tax liabilities to be settled after more than 12 months	**(7,235)**	(6,140)
Deferred income tax assets, net	**28,225**	32,371

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

Deferred income tax assets/(liabilities)	**Tax losses** HK$'000	**Accelerated tax depreciation** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1st April 2015	10,030	(1,276)	30,057	38,811
Credited/(charged) to consolidated income statement	5,114	136	(11,690)	(6,440)
At 31st March 2016	15,144	(1,140)	18,367	32,371
At 1st April 2016	**15,144**	**(1,140)**	**18,367**	**32,371**
Credited/(charged) to consolidated income statement	**6,683**	**(572)**	**(9,508)**	**(3,397)**
Exchange difference	**(271)**	**(272)**	**(206)**	**(749)**
At 31st March 2017	**21,556**	**(1,984)**	**8,653**	**28,225**

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$2,104,000 (2016: HK$2,213,000) in respect of tax losses amounting to approximately HK$5,751,000 (2016: HK$6,036,000) that can be carried forward against future taxable profit. Approximately HK$381,000 (2016: HK$378,000) of the unrecognised tax losses have no expiry date and the remaining balance of HK$5,370,000 (2016: HK$5,658,000) will be expired at various dates up to and including 2036 (2016: 2035).

28 NOTE TO CONSOLIDATION STATEMENT OF CASH FLOWS

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

	2017 HK$'000	2016 HK$'000
Profit before income tax	**77,879**	525,401
Interest income	**(9,875)**	(13,276)
Interest expense on bank borrowings and trust receipt loans	**10,268**	8,695
Amortisation of intangible assets	**7,800**	7,800
Loss/(gain) on disposal of plant and equipment	**662**	(40)
Gain on disposal of properties	**–**	(221,318)
Amortisation of deferred gain	**(17,450)**	(1,454)
Depreciation of property, plant and equipment	**37,326**	34,645
(Write-back of)/provision for impairment of inventories	**(17,440)**	1,924
Amortisation of leasehold land and land use rights	**281**	289
Fair value gain on investment properties	**(11,068)**	(60)
Operating profit before working capital changes	**78,383**	342,606
(Increase)/decrease in inventories	**(140,740)**	85,977
Increase in trade and other receivables	**(30,849)**	(112,880)
Decrease in trade and other payables	**(25,052)**	(163,682)
Net cash (used in)/generated from operations	**(118,258)**	152,021

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

	2017 HK$'000	2016 HK$'000
Net book amount (Notes 14 and 15)	**1,690**	271,126
(Loss)/gain on disposal of plant and equipment (Note 7)	**(662)**	40
Gain on disposal of properties (Note 29)	**–**	221,318
Amortisation of deferred gain	**–**	1,454
Deferred gain	**–**	50,896
Proceeds from disposal of properties, plant and equipment	**1,028**	544,834
Representing:		
Proceeds from disposal of properties (Note 29)	**–**	533,769
Proceeds from disposal of plant and equipment	**1,028**	11,065
	1,028	544,834

29 GAIN ON DISPOSAL OF PROPERTIES AND DEFERRED GAIN

In January 2016, Alco Electronics Limited ("AEL"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, Lead Harvest Group Limited ("Lead Harvest"), for the disposal of a self-occupied property (Note 14) and certain investment properties (Note 15) in Quarry Bay with carrying values of HK$23,791,000 and HK$236,310,000, respectively, at a total net consideration of HK$533,769,000. The transaction was completed on 29th February 2016 ("Completion Date").

Upon completion of the disposal, AEL and Lead Harvest entered into a tenancy agreement, whereby AEL leased the aforesaid self-occupied property from Lead Harvest for its own use for 3 years commencing on the Completion Date. The fair value of the self-occupied property near the Completion Date was determined by the Valuer. The excess of consideration over fair value has been deferred and amortised over the lease period, resulting in the recognition of deferred gain amounting to HK$33,446,000 (2016: HK$50,896,000) in the consolidated balance sheet and amortisation of the deferred gain amounting to HK$17,450,000 (2016: HK$1,454,000) in the consolidated income statement for the current year.

30 BANKING FACILITIES

As at 31st March 2017, banking facilities of approximately HK$1,177 million (2016: HK$1,314 million) were granted by banks to the Group, of which approximately HK$175 million (2016: HK$233 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 (2016: same).

31 COMMITMENTS

(a) Capital commitments

	2017 **HK$'000**	2016 HK$'000
Moulds, plant and machinery and renovation contracted but not provided for	**5,189**	11,878

31 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:

	2017 HK$'000	2016 HK$'000
Not later than one year	**33,713**	32,843
Later than one year and not later than five years	**128,998**	134,980
Later than five years	**232,852**	295,644
	395,563	463,467

(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:

	2017 HK$'000	2016 HK$'000
Not later than one year	**3,841**	924
Later than one year and not later than five years	**1,234**	152
	5,075	1,076

The lease terms are from one to two years.

32 BALANCE SHEET OF THE COMPANY

	Note	2017 HK$'000	2016 HK$'000
Non-current asset			
Investments in subsidiaries		**1,099,635**	1,129,629
Current assets			
Other receivables		**105**	105
Dividend receivable		**–**	347,621
Current income tax recoverables		**11**	–
Cash and cash equivalents		**1,568**	252
		1,684	347,978
Current liabilities			
Other payables		**312**	306
Dividend payable		**–**	347,621
Current income tax liabilities		**–**	27
		312	347,954
Net current assets		**1,372**	24
Total assets less current liabilities		**1,101,007**	1,129,653
Capital and reserves attributable to equity holders of the Company			
Share capital		**57,937**	57,937
Reserves	a	**1,043,070**	1,071,716
Total equity		**1,101,007**	1,129,653

The balance sheet was approved by the Board of Directors on 28th June 2017 and were signed on its behalf.

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

32 BALANCE SHEET OF THE COMPANY (CONTINUED)

Note (a)

Reserves movement of the 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 2015	309,674	1,012	40,586	11,783	721,295	1,084,350
Comprehensive income						
Profit for the year	–	–	–	–	427,686	427,686
Transactions with owners						
2016 special dividend	–	–	–	–	(347,621)	(347,621)
2016 interim dividend	–	–	–	–	(34,762)	(34,762)
2015 final dividend	–	–	–	–	(57,937)	(57,937)
Total transactions with owners	–	–	–	–	(440,320)	(440,320)
At 31st March 2016	309,674	1,012	40,586	11,783	708,661	1,071,716
At 1st April 2016	**309,674**	**1,012**	**40,586**	**11,783**	**708,661**	**1,071,716**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**174,133**	**174,133**
Transactions with owners						
2017 interim dividend	**–**	**–**	**–**	**–**	**(28,969)**	**(28,969)**
2016 final dividend	**–**	**–**	**–**	**–**	**(173,810)**	**(173,810)**
Total transactions with owners	**–**	**–**	**–**	**–**	**(202,779)**	**(202,779)**
At 31st March 2017	**309,674**	**1,012**	**40,586**	**11,783**	**680,015**	**1,043,070**

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.

Principal Properties

31st March 2017

As at 31st March 2017, principal properties held for investment purposes are as follows:

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

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:

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**2,100,142**	2,879,104	2,562,566	2,291,141	1,865,778
Profit/(loss) attributable to equity holders of the Company	**73,897**	506,028	114,250	(19,099)	58,413
Total assets	**2,378,157**	2,971,460	2,497,147	2,561,764	2,734,840
Total liabilities	**(531,666)**	(986,462)	(570,812)	(705,843)	(807,834)
Total equity	**1,846,491**	1,984,998	1,926,335	1,855,921	1,927,006