



ALCO HOLDINGS LIMITED

Stock Code: 328 股份代號: 328

ANNUAL REPORT

年報 2018

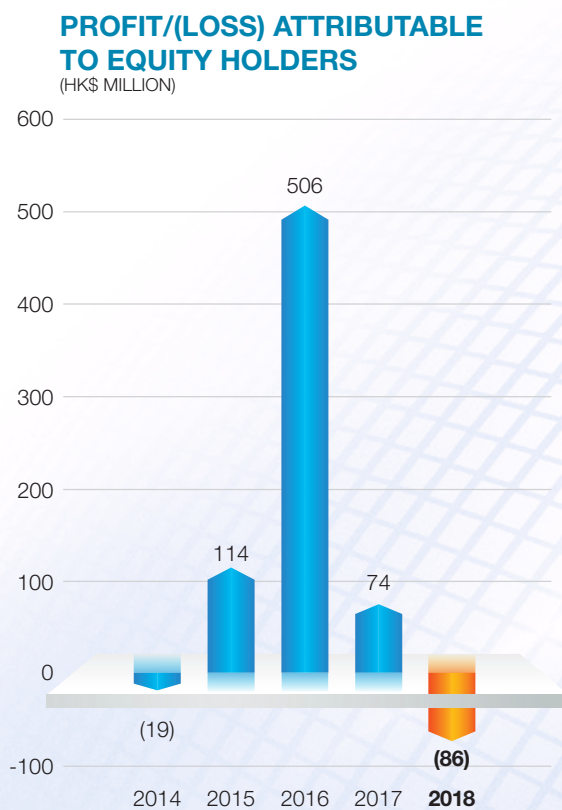
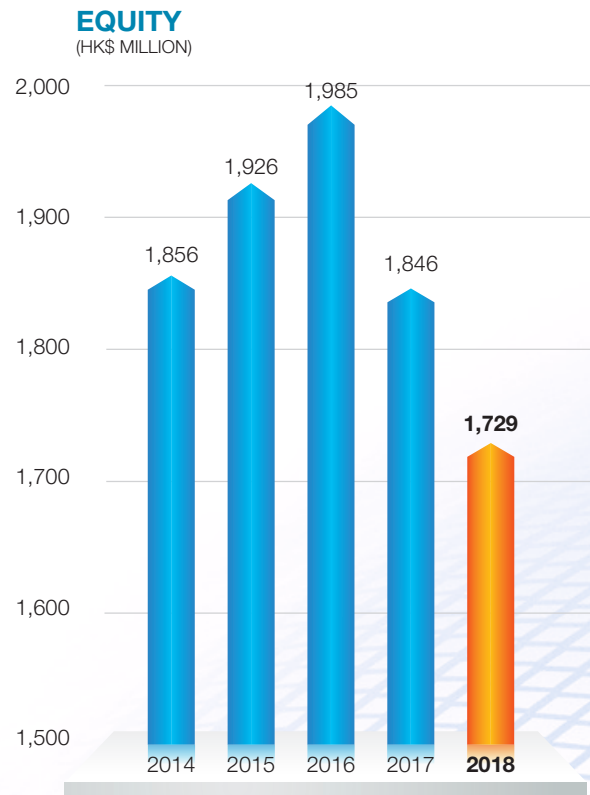
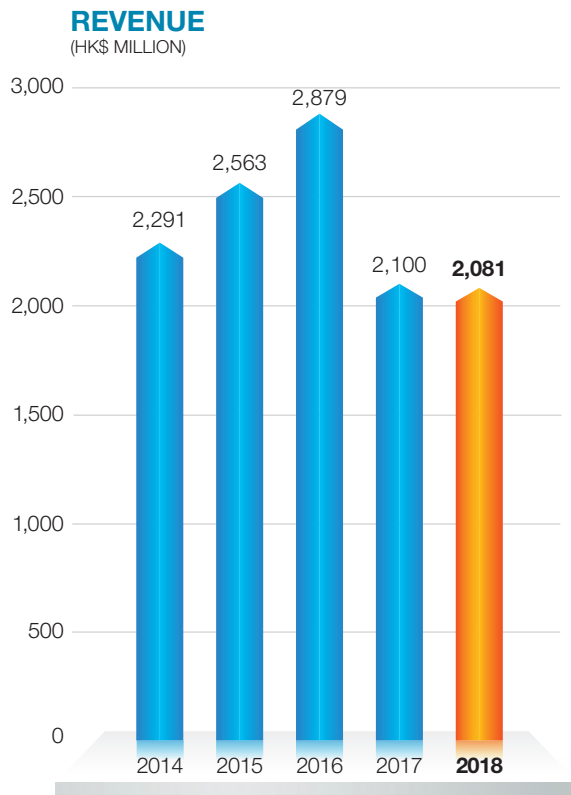
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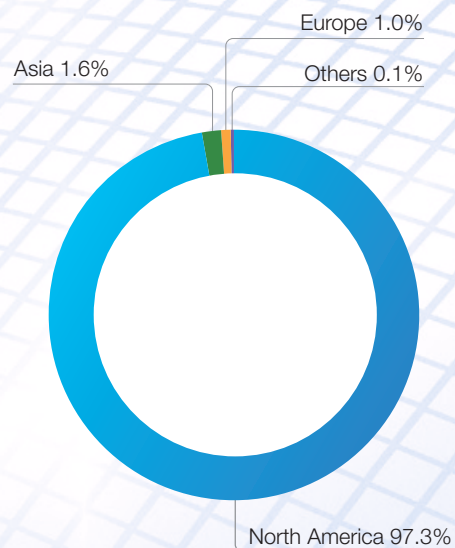
Corporate Information

Directors	Mr LEUNG Wai Sing, Wilson (<i>Chairman</i>) Mr KUOK Kun Man Mr LEUNG, Jimmy Mr LIU Lup Man Mr LI Wah Ming, <i>S.B.S., J.P.*</i> Mr LEE Tak Chi* Mr CHEUNG, Johnson*
	<i>* Independent non-executive directors</i>
Company Secretary	Mr LIU Lup Man
Principal Bankers	Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited MUFG Bank Limited
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	11/F, Metropole Square 2 On Yiu Street Sha Tin New Territories 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 BY GEOGRAPHICAL SEGMENT IN 2018



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 (collectively, the "Group") for the year ended 31st March 2018.

For the year under review, the Group recorded turnover of HK\$2.1 billion (2017: HK\$2.1 billion) and net loss attributable to shareholders of HK\$85.8 million (2017: profit of HK\$73.9 million). The net loss was due in part to the continuingly challenging business environment, which was made worse by the significant increase in the costs of certain critical components that the Group uses in the production of some of its products. Yet other factors that impacted on our profitability for the year under review include the initial set up and investment in our new notebook PC business.

Despite the lacklustre performance, the Group remains in healthy financial position with cash and cash equivalents amounting to HK\$280 million. The Board of Directors has therefore resolved to declare a final dividend of HK2 cents (2017: HK5 cents) per share. This, combined with an interim dividend of HK3 cents per share already paid (2017: HK5 cents) represents a total dividend of HK5 cents per share for the financial year (2017: HK10 cents). The final dividend will be paid on 11th September 2018 to the Group's shareholders upon approval at the upcoming Annual General Meeting.



Chairman's Statement

REVIEW OF OPERATIONS

Even though the past year has been a challenging period for the Group, we have always maintained the view that obstacles invariably arise when one strives for excellence. This is particularly the case when we actively seek to migrate the Group's products mix and business model from mainly catering to discount retail channels towards reasonable margin and premium segments of the market, which is now the Group's near-term to long-term strategy. Over the past 12 months, such a strategy resulted in several significant developments,

including the introduction of the Group's Consumer Notebook PCs under AVITA brand and B2B/Commercial Notebook PCs under Primus brand, both of which are managed by the Group's fully owned subsidiary Nexstgo Company Limited. Having recruited top talents to head its dedicated R&D and marketing/branding teams in Taiwan and Hong Kong respectively, Nexstgo has successfully launched Consumer Notebook PCs and Commercial Notebook PCs in Hong Kong, Macao, Taiwan, and Singapore during the year under review.



Chairman's Statement

Consistent with our objective in not only investing in products development but also in raising the brand awareness of AVITA and Primus, significant investment was made on

the marketing and promotion fronts for these brands, including Nexstgo's participation in 2018's Consumer Electronics Show (CES) that was held in Las Vegas in January of this year.



Besides the launch of our AVITA Consumer Notebook PCs and Primus B2B/Commercial Notebook PCs, past year also marked the introduction of the Group's RCA branded tablets in the U.K. and in France, RCA branded and Venturer branded tablets in South Africa, and Venturer branded tablets in India, all handled by the Group's fully-owned subsidiary Alco International Limited. In particular, the sell-through of RCA branded tablets in the UK was very encouraging and it is expected that the penetration of RCA branded (as well as Venturer branded) tablets in retail channels in the U.K. will expand further.

The Group's tablet products in North America, however, were impacted more significantly by the aforementioned increase in the costs of certain critical components, specifically memory ICs. This industry-wide development resulted in significant pressure on the profitability of tablets and computing devices during the year. Fortunately, as prices of such components begin to stabilize, retail buyers in North America gradually start to return to placing greater quantity orders of tablets to the Group as the higher costs gradually become more easily transferred to consumers via higher retail prices.

Chairman's Statement

Though computing devices and tablet products will play key roles in facilitating the Group's evolution and migration to reasonable margin and premium market segments going forward, the important role played by our AV products has not diminished; AV products still formed part of an important foundation and revenue source of the Group. During the year under review, AV products continued to perform stably owing to steady demand, particularly from North American retailers for our sound bar systems, amplifiers, Bluetooth wireless speakers, DVD players and home theatre systems.

Yet another facet of our operation and an inseparable part of our makeup is production. The Group's manufacturing facility in Houjie Town/Dongguan marked its fifth year of operation as of 2018 and it continued to operate at the high level of efficiency, owing to timely enhancements and the introduction of the latest automation technologies. Most recently, such technologies have included robotic arms that enable us to realise the dual benefits of reducing low-skilled labour and consistently producing higher quality products. Such extensive use of automation technologies also allows us to quickly ramp up capacity to address demand for existing products and for any new products that will be launched in the future.



Chairman's Statement

PROSPECTS

In the coming financial period, we will continue to observe the three-pronged strategy of developing high value-added products, further upgrading manufacturing facilities through automation and robotization, and penetrating new markets via new brands and/or new product categories.

As mentioned above, central to our near-term to long-term strategy will be the development of the Group's Consumer Notebook PC and B2B/Commercial Notebook PC businesses. Based on the initial encouraging feedback from the introduction of such products in Hong Kong, Macao, Taiwan, and Singapore, and the success of our marketing and promotion efforts in raising the recognition of AVITA and Primus brands in these markets, we have been allocating resources and setting up promotional plans for the PRC and other Southeast Asia markets.

Furthermore, during the recent Computex Taipei trade show that was held from June-5 to June-9, Nexstgo announced its cooperation with VAIO Corporation of Japan in distributing VAIO's S11 and S13 B2B/Commercial Notebook PCs in Hong Kong, Macao, Taiwan, and Singapore. Going forward, it is certainly Nexstgo's plan and aspiration to cooperate with VAIO and its partners in many more models as well as markets. As regard to RCA and Venturer brand tablets and notebook PCs, new models are also being developed to further expand the Group's market shares in pre-secondary education segments as well as in value-for-money categories.



Chairman's Statement

While customers' reception so far of the Group's Consumer and B2B/Commercial Notebook PCs has been encouraging, we recognise that the PC market is extremely competitive and hence our ability to deliver high-value quality products remains paramount to the success and momentum of our

fledgling PC businesses. We will therefore continue to direct our focus on research and development so that our Consumer Notebook PCs and B2B/Commercial Notebook PCs will continue to offer top value in their particular price points and can best cater to the needs and stringent demands of today's very discerning consumers.



Chairman's Statement

As we seek to expedite development of our new businesses, production efficiency and manufacturing excellence will take on added importance. And even though our Houjie Town production facility already allows us to readily adjust capacity and flexibly meet various production parameters owing to its high level of automation, the human factor remains integral and indispensable in fulfilling

our production goals. We will therefore continue to attract highly skilled individuals to join our workforce in order to maintain that the men and women in our manufacturing teams can cater to the ever more complex nature of the Group's products as well as to the higher levels of production precision and flexibility that such products require.



The challenging financial year that just concluded has only made us more determined and motivated to realise our long-term strategy of migrating towards premium segments of the market. Though we will undoubtedly face numerous obstacles along this journey, we are unperturbed and remain fully focused on the big picture. We will leverage all of our strengths to achieve our goals and to deliver equitable returns to our shareholders.

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.

Wilson Leung

Chairman and Chief Executive Officer

Hong Kong, 20th June 2018

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Wai Sing, Wilson, aged 58, joined the Group in 1985 and is the Chairman and 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 64, 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 41 years of experience in finance and accounting with multinational organisations.

Mr LEUNG, Jimmy, aged 49, is a brother of the Chairman of the Group. He joined the Group in 1993 and was appointed as executive director in 2013. He has more than 25 years of experience in the field of audio electronic products and oversees the Group's purchasing function.

Mr LIU Lup Man, aged 47, 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 23 years of experience in auditing and accounting.

Independent Non-executive Directors

Mr LI Wah Ming, *S.B.S., J.P.*, aged 63, 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 63, joined the Group in 2011 and was previously Associate Dean and Professor of School of Design, The Hong Kong Polytechnic University. He also serves as Board of Director of Automotive Parts and Accessory Systems R&D Centre established by the Hong Kong government.

Mr CHEUNG, Johnson, aged 52, 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 26 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 57, is a brother 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, *S.B.S., M.H., J.P.*, aged 60, joined the Group in 1973. He is the Group's general manager and oversees the whole operation of the Dongguan factory. He has over 34 years of experience in the field of consumer electronic products.

Mr CHUNG Hau Yeung, Alex, aged 48, joined the Group in 2016 as CEO of NEXSTGO and set up Nexstgo Company Limited and Taiwan Nexstgo Limited. He has over 21 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 45, joined the Group in 2016. He is the Chief Operating Officer of Nexstgo Company Limited, and is responsible for research and development of the notebook business. He has over 17 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 2018, except with deviation from code provision E.1.2.

The then chairman of the board had not attended the annual general meeting of the Company on 25th August 2017, 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 four executive directors, namely 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.

Four Board meetings were held during the year ended 31st March 2018. The attendance of each director is set out as follows:

Members of the Board	Attended/Eligible to attend
<i>Executive Directors</i>	
Mr LEUNG Kai Ching, Kimen (retired on 15th June 2018)	4/4
Mr LEUNG Wai Sing, Wilson	4/4
Mr KUOK Kun Man	4/4
Mr LEUNG, Jimmy	4/4
Mr LIU Lup Man	4/4
<i>Independent Non-executive Directors</i>	
Mr LI Wah Ming	3/4
Mr LEE Tak Chi	4/4
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.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr LEUNG Wai Sing, Wilson is both the chairman and the chief executive officer.

RE-ELECTION OF DIRECTORS

Mr KUOK Kun Man and Mr LEE Tak Chi 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 2018.

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 (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 2018 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

Corporate Governance Report

AUDIT COMMITTEE

The audit committee currently comprises Mr CHEUNG, Johnson (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 2018.

Two audit committee meetings were held during the year ended 31st March 2018 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	2/2

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in accordance with the Code provisions.

The nomination committee currently comprises Mr LEUNG Wai Sing, Wilson (chairman of the nomination committee), Mr LI Wah Ming, Mr LEE Tak Chi and Mr CHEUNG, Johnson.

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 2018 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 (retired on 15th June 2018)	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

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

For the year ended 31st March 2018, the remuneration paid to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fees paid/payable
	HK\$'000
Audit-related services	2,280
Non audit-related services	
Tax compliance services	191

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.

Corporate Governance Report

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, Metropole Square, 2 On Yiu Street, Sha Tin, New Territories, 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, Metropole Square, 2 On Yiu Street, Sha Tin, New Territories, 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

ABOUT THIS REPORT

This report is to outline the performances on environmental, social and governance aspects of the Group (“ESG Report”). This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of Stock Exchange (“Listing Rules”), and the provisions of “comply or explain” set out therein.

Unless otherwise stated, this ESG report covers the Group’s overall performance, risks, strategies, measures and commitment in terms of quality of workplace environment, environmental protection, operating practice and community involvement for the business operations in Hong Kong and China during the reporting period for the year ended 31st March 2018 (“Reporting Period”).

During the Reporting Period, the Group was principally engaged in design, manufacturing and sale of AV products and notebook products. Therefore, this ESG report mainly covers the above operations. All information is from the official documents or statistic reports of the Group.

Information about corporate governance structure of the Group and other relevant disclosure, please refer to page 13 to 17 of this annual report.

MATERIALITY ASSESSMENT

Management and employees of the Group participated in preparing this ESG Report and assessing and reviewing its operating practices with regards to environment, social and governance aspects, as well as how these operating practices are material to our business operations and stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

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. Hence, 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

STAKEHOLDER OPINION

We welcome opinions on the Group's approaches on the environmental, social, and governance aspects upon reading the ESG Report. Please share with us via email at investor.enquiry@alco.com.hk.

ENVIRONMENTAL ASPECT

The Group is mindful of the environmental impact of its business operations, as it establishes new goals and performance indicators every year based on its environmental approaches, results of impact and risk assessment, as well as other internal and external factors. The Group's environmental goals are centred around saving of water, electricity and energy, legal and proper disposal of waste, environmental safety and other areas.

The Group has enacted the Risk and Opportunities Control Procedures, which specifies internal measures for identifying potential risks and taking coping efforts, understanding needs and expectations from stakeholders, fulfilling compliance requirements, as well as preparing for contingencies. We evaluate the effectiveness of various measures with records being kept in order to developing a continuous improvement process.

Internal environmental policies, approaches and objectives will be set forth in internal guidelines, checklists and solutions, notice boards and other document as we ensure that all employees are made aware of them. All of these efforts in environmental protection are initiated and monitored by our devoted Environmental Control Committee, which is formed by members with qualifications of ISO 14001:2015 Environmental Management Systems: Internal Auditor and EHS Manager from Lingnan College, Sun Yat-Sen University.

During the Reporting Period, there was no incident of non-compliance with local relevant environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group.

Emissions

We have a manufacturing facility based in Houjie Town, Dongguan City, Guangdong Province in the 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 ISO14001:2015 for meeting the required standards for environmental management system.

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (CONTINUED)

Emissions (Continued)

1. Air Pollution – Greenhouse Gas and Exhaust Gas

We perform air quality inspection at workplace, encompassing benzene, methylbenzene, p-Xylene and so on, whereby results show that all emissions were within maximum levels allowed by the law, including the Emission Limits of Air Pollutants (《大氣污染物排放限值》) (DB44/27-2001) of Guangdong Province. Our Houjie Factory has passed the environmental performance evaluation by the Environmental Protection Bureau of the Dongguan Municipal Government and has obtained the Pollutant Discharge Permit of Guangdong Province (《廣東省污染物排放許可證》).

We ensure that exhaust gases produced by operations of manufacturing machineries are filtered through scrubbers before they are released into the sky. Besides, we carry maintenance and repair on equipment and environmental check to monitor emission levels on a regular basis. 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.

Set out below is the GHG data highlights :

Types of emissions		Unit	Volume
Direct GHG emissions	Petroleum and diesel consumption (CO ₂ e)	kg	11,483
Indirect GHG emissions	Electricity consumption (CO ₂ e)	Tonnes	6,147

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (CONTINUED)

Emissions (Continued)

2. Sewage Discharge

The Group does not discharge industrial wastewater during daily operations and its domestic wastewater, which was within the Discharge Limits of Water Pollutants (《水污染物排放限制》) of the Guangdong Province, was discharged into Houjie Shatang Wastewater Treatment Facility for proper treatment. Our sewage treatment procedures are also inspected and scrutinised by professional institution.

3. Waste Management

Handling processes for all waste generated from production and daily operations are in strict compliance with internal guidelines such as Waste Control Procedures. In general, recycling and reuse of waste are encouraged under feasible circumstances. Hazardous and non-hazardous wastes are disposed of by qualified collectors, whilst electronic solid wastes including electronic devices, electronic parts and printed circuit boards are collected by companies approved by the government. Internal guidelines are in place to promote efficiency in consuming resources and reducing waste. To reduce electronic solid waste, there is a designated department responsible for the repair and maintenance of electronic hardware, so that computers and other electronic devices are functioning well in longer lifespan.

Set out below is the emission data highlights :

	Unit	Volume
Water discharge	tonnes	148,472
Non-hazardous waste	kg	325,277
Industrial waste (equipment)	no.	235

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (CONTINUED)

Emissions (Continued)

3. Waste Management (Continued)

Summary of KPI disclosure of Aspect A1 under the ESG Guide:

KPI A1.1	The types of emissions and respective emissions data (if applicable) are set forth in the GHG data highlights.
KPI A1.2	Indirect greenhouse gases emission are set forth in the GHG data highlights.
KPI A1.3 & A1.4	Types of hazardous and non-hazardous wastes produced are set forth in the emission data highlights.
KPI A1.5	Measures to mitigate emissions can be referred to in the above paragraphs.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives can be referred to in the above paragraphs.

Use of Resources

The Group's environmental efforts extend to its product design and introduction, production processes, and other areas. We strive to reduce carbon emissions through a more efficient use of resources in every business process. 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.

The Group has prepared the Resources and Energy Saving Management Guidelines. Monthly statistics for our water, electricity and other energy consumption are maintained, to ensure that it is within our management targets. Our measures include:

- i. constantly checking whether our equipment and machines function properly, and replacing them when necessary;
- ii. switching off machines, lights and air-conditioners after working hours to save electrical power;
- iii. making detailed assessment on environmental impact prior to using new materials, equipment or production technique;
- iv. setting production volume according to client orders, so as to avoid overstocking;
- v. promoting paperless office by using electronic documents

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (CONTINUED)

Use of Resources (Continued)

In addition, we have built an energy management centre, enabling us to collect and monitor online data of energy consumption in real time. This helps us improve our energy saving efforts by replacing obsolete technology and technique with more efficient and advanced ones. For instance, replacing old and low-efficiency air compressor with new one with inverter allows us to save 80,000 kwh of electricity consumption a year.

Our Houjie Factory is strategically located whereby transportation distance is shortened and indirectly reduces our fuel consumption of vehicles. As regards packaging materials, we also use bubble bags in place of corrugated packaging to reduce the volume of packaging materials used.

Set out below is the consumption data highlights :

	Unit	Volume
Electricity (manufacturing processes)	kWh	5,684,357
Electricity (administration)	kWh	2,146,890
Water	m ³	100
Refrigerant	tonnes	0.48
Packaging materials – plastic	kg	797,310
Packaging materials – paper box	kg	1,181,924
Packaging materials – molded pulp	kg	170,708
Packaging materials – foam	kg	36,018
Packaging materials – EPE foam	kg	3,529
Packaging materials – plastic bag	kg	42,050
Toner cartridge	no.	128
Ink cartridge	no.	10
Paper	tonnes	6

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (CONTINUED)

Use of Resources (Continued)

Summary of KPI disclosure of Aspect A1 under the ESG Guide:

KPI A2.1	Details of electricity consumption are set forth above in the consumption data highlights.
KPI A2.2	Details of water consumption are set forth above in the consumption data highlights.
KPI A2.3	Description of energy use efficiency initiatives can be referred to in the above paragraphs.
KPI A2.4	There is no issue in sourcing water that is fit for purpose whereas the Group considers its water consumption level is reasonable.
KPI A2.5	Details of total packaging material used for finished products are set forth above in the consumption data highlights.

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 minimise 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.

Environmental, Social and Governance Report

SOCIAL ASPECT

Employment and Labour Practices

Employment

The Group had 1,412 employees as at 31st March 2018. 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.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

1. Equal Opportunities and Diversity

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 such as gender, age, nationality, sexual orientation, family status, race or religion, within the Group as we hire suitable candidates based on their work experience, knowledge and capabilities.

2. Employee Communication

We value opinions from our staff. We encourage communication with and among employees. We ensure that opinions from work are heard and handled in a fair and appropriate manner. Employees are also encouraged to share their views and aspirations for their career and the Group's development. We also arrange group activities such as ball games, gatherings, to reinforce teamwork and build sense of belonging.

Environmental, Social and Governance Report

SOCIAL ASPECT (CONTINUED)

Employment and Labour Practices (Continued)

Employment (Continued)

3. Dismissal

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.

Set out below is the employment data highlights :

Total employees		no. of people	1,412
By gender	Male	%	53.6
	Female		46.4
By rank	Executives (male)	%	10.3
	Executives (female)		2.4
	Others (male)		47.1
	Others (female)		40.2
By age	Below 30	%	33.5
	30-39		29.9
	40-49		28.2
	50-59		8.0
	60 or above		0.4
Average tenure	Executives (male)	no. of years	12.0
	Executives (female)		13.5
	Others (male)		10.5
	Others (female)		9.5
New employees	Male	no. of people	151
	Female		110
Employee turnover (voluntary)	Male	no. of people	255
	Female		265
Employee turnover (involuntary)	Male	no. of people	80
	Female		14

Environmental, Social and Governance Report

SOCIAL ASPECT (CONTINUED)

Employment and Labour Practices (Continued)

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.

1. *Work Safety*

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 drills and qualified fire aiders as well as an onsite medics, 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.

Throughout our operations, we encourage our employees, together with our Safe Production Committee, through constant communication, to react to any risks promptly so that they can be addressed as they arise.

2. *Employee Care*

We have been encouraging our employees to achieve work-life balance through activities sponsored or organised by the Group such as interest classes, ball games, and so on. We aspire that our employees are able to value physical and mental health as we strive to create a harmonious working environment to help relieve their stress. Meanwhile, we provide our employees with information about health and safety to improve their health consciousness.

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.

Environmental, Social and Governance Report

SOCIAL ASPECT (CONTINUED)

Employment and Labour Practices (Continued)

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 organises and subsidises 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 32 hours of required annual training.

We adjust our training courses based on business needs. For instance, due to change of our product mix, participation rates of training of Robotic Process Automation (“RPA”) and laptop project-related training increased during the Reporting Period,

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. Training on obligations, duties and responsibilities of directors and senior management of publicly listed companies are also in place. This training is in line with the Securities and Futures Ordinance and the Listing Rules.

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.

Labour Standard

The Group’s internal rules and labour system are made in strict adherence to the Employment Ordinance (《僱傭條例》) and the Regulation on Labour Security Supervision (《勞動保障監察條例》), the Labour Standards Law (《勞動基準法》) and other applicable laws and regulations. All recruitment process and promotion activities are closely monitored under the Group’s human resources management scheme to prevent child labour, forced labour, or any discrimination by race, religion, age or disability. The Group will conduct investigations, punishment or dismissal of relevant employees immediately when any non-compliance is being discovered. If necessary, the Group will further improve the labour mechanism against illegal behaviors.

During the Reporting Period, there was no child or forced labour in the Group’s operations.

Environmental, Social and Governance Report

OPERATING PRACTICES

Supply Chain Management

The Group had approximately 300 suppliers during the Reporting Period, who mainly supplied us with TFT Displays, ICs, mechanical components, etc. We did not witness any significant change in geographical locations of suppliers. Our suppliers are mainly from the People's Republic of China, Hong Kong and Taiwan.

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 maintain close communications with our suppliers through telephone conference, site visits, and email, to align them with the Group's standards on legal compliance, social responsibilities, 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.

Product Responsibility

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 customer complaints to facilitate improvement of our service and product quality.

1. *Customer Satisfaction*

To improve customer satisfaction, it is our policy to respond and handle quickly to customer complaints. Customers' feedback on our products is valuable as a drive force to keep us working better.

Environmental, Social and Governance Report

OPERATING PRACTICES (CONTINUED)

Product Responsibility (Continued)

2. Advertising and labeling

While we engaged in large-scale marketing campaigns or advertisement to promote our business or products, we also have designated sales representatives to meet with customers from time to time to endorse our products and services. We ensure that all relevant sales and marketing efforts are made in compliance with all applicable laws and standards enacted by the government and industry associations.

During the Reporting Period, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters.

Anti-corruption

The Group complies with all relevant anti-corruption laws and regulations, such as the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong Laws, the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), and other 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.

Whistle-blowing policy

The Group encourages its employees, suppliers, customers and other stakeholders to report any misconduct. We will promptly carry inspection and take necessary measures while protecting the identity of the whistleblower.

During the Reporting Period, we had not identified any non-compliance in relation to corruption, bribery, extortion, fraud and money laundering, which had a significant impact on the Group. The Group will regularly review its internal anti-corruption system and improve it when necessary.

Environmental, Social and Governance Report

COMMUNITY

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 participated in blood donation event, youth volunteer activities, as well as took part in and provided venue for community basketball games. Meanwhile, we have employed 20 people from the community where we operate.

APPENDIX I: ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas	Content	Section in This ESG Report
A. Environmental Aspect		
A1 Emissions		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Aspect – Emissions
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Aspect – Use of Resources
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Aspect – Environment and Natural Resources

Environmental, Social and Governance Report

Subject Areas	Content	Section in This ESG Report
B. Social Aspect		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices – Employment
B2 Health and Safety		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practices – Health and Safety
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices – Development and Training
B4 Labour Standard		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practices – Labour Standards

Environmental, Social and Governance Report

Subject Areas	Content	Section in This ESG Report
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
B6 Product Responsibility		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices – Product Responsibility
B7 Anti-corruption		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices – Anti-corruption
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community – Community Investment

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st March 2018.

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 52.

The directors have declared an interim dividend of HK3 cents per ordinary share, totalling HK\$17,358,000.

The directors recommended the payment of a final dividend of HK2 cents per ordinary share, totalling HK\$11,572,000.

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 2018 were HK\$1,729 million (2017: HK\$1,846 million) and HK\$2.99 (2017: HK\$3.19) respectively.

The Group maintains a healthy financial position. As at 31st March 2018, we had cash and deposits of HK\$280 million. After deducting bank loans of HK\$134 million, we had net cash of HK\$146 million. The Group has adequate liquidity for future working capital requirements.

As at 31st March 2018, our inventory was HK\$404 million (2017: HK\$474 million). We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables balance as at 31st March 2018 was HK\$824 million (2017: HK\$697 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 2018 was HK\$150 million (2017: HK\$250 million).

Report of the Directors

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

Capital expenditure on fixed assets during the year was HK\$180 million (2017: HK\$48 million), including HK\$121 million for the acquisition of new headquarter in Sha Tin. As at 31st March 2018, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK\$13,030,000 (2017: HK\$5,189,000).

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 2018, the amount totalled RMB77 million.

EMPLOYEES

As at 31st March 2018, the Group had approximately 1,400 (2017: 1,600) employees in the PRC, Taiwan and Hong Kong. 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 2018 are as follows:

Purchases	
– the largest supplier	11%
– five largest suppliers combined	39%
Sales	
– the largest customer	90%
– 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 31 to the consolidated financial statements respectively.

DONATIONS

Charitable and other donation made by the Group during the year amounted to HK\$37,000.

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 119.

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 2018 amounted to HK\$754,300,000 (2017: HK\$720,601,000), 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 120.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st March 2018, the Company repurchased a total of 772,000 ordinary share of the Company at a consideration of HK\$1,472,500 on The Stock Exchange of Hong Kong Limited. All the 772,000 repurchased shares were cancelled during the financial year. Details of the repurchases are as follows:

Month of repurchases	Total number of shares repurchased	Price per share		Aggregate Consideration HK\$
		Highest HK\$	Lowest HK\$	
September 2017	772,000	1.95	1.83	1,472,500

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

Save as disclosed above, neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31st March 2018 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 2018 and 2017 is set out below:

	Bank borrowings	
	2018 HK\$'000	2017 HK\$'000
Within one year	91,615	116,400
In the second to fifth year	7,646	58,200
Over five years	34,457	–
	133,718	174,600

Report of the Directors

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March 2018 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 (retired on 15th June 2018)
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 Chi¹
Mr CHEUNG, Johnson¹

¹ *Independent non-executive directors*

In accordance with clause 87(1) of the Company's Bye-laws, Mr KUOK Kun Man and Mr LEE Tak Chi 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 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 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 11 and 12.

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.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

(a) Long positions in ordinary shares of HK\$0.10 each of the Company

As at 31st March 2018, 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 (retired on 15th June 2018)	20,150,000	225,911,400 (Note)	246,061,400	42.53%
Mr LEUNG Wai Sing, Wilson	47,072,000	–	47,072,000	8.14%
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.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)

(b) Long positions in underlying shares of the Company

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

Save as disclosed above, as at 31st March 2018, 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 2018, 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)	39.04%
Mr Webb David Michael	Beneficial owner	58,085,400 (Note ii)	10.04%
Preferable Situation Assets Limited	Beneficial owner	38,435,000 (Note ii)	6.64%
Mr LEUNG Wai Lap, David	Beneficial owner	34,828,190	6.02%

Report of the Directors

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

Notes:

- (i) These shares were owned by 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 2018, 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 2018.

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 13 to 17.

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 2018.

The audit committee currently comprises three independent non-executive directors of the Company, namely Mr CHEUNG, Johnson, 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 2018 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 Wai Sing, Wilson

Chairman and Chief Executive Officer

Hong Kong, 20th June 2018

Independent Auditor's Report



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 52 to 118, which comprise:

- the consolidated balance sheet as at 31st March 2018;
- 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 2018, 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.

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Independent Auditor's Report

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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 MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matters identified in our audit are summarised as follows:

- Provision for obsolete or slow moving inventories
- Capitalisation of development costs

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 2018, the Group held net inventories of HK\$403,591,000 and the provision for obsolete or slow moving inventories was HK\$119,049,000. 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.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

*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 technological development.

We focused on this area due to the significance of the balance and of the management judgement and estimates involved in determining the provision for impairment of obsolete or slow moving inventories.

How our audit addressed the Key Audit Matter

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 aging 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.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

Capitalisation of development costs

Refer to note 17 “Intangible assets”, note 2.8 “Summary of significant accounting policies – Intangible assets” and note 4 “Critical accounting estimates and judgements” to the consolidated financial statements.

At 31st March 2018, the Group's intangible assets include deferred development cost of HK\$36,652,000 (net of amortisation).

During the year, the Group conducted a significant level of development activities to develop new products, such as netbook computers. Management applied judgement in identifying projects and expenditures attributable to the projects that met the criteria for capitalisation under the requirements of accounting standards. Factors taken into account by management included the Group's intention, availability of technical, financial and other resources and technical feasibility to complete such projects, its ability to sell the relevant products developed from such projects, the likelihood of generating sufficient future economic benefits to the Group and its ability to measure the expenditure incurred on a specific project reliably.

We focused on this area because of the significance of the costs capitalised and the judgement involved in assessing whether the capitalisation criteria have been met.

How our audit addressed the Key Audit Matter

We understood and tested the controls in relation to how management determined and measured costs that are directly attributable to the development activities.

We evaluated the nature of the development costs incurred that are capitalised into intangible assets. Further, we discussed with management regarding their overall business plan for such projects including planned launch channels and sales forecast for those products. Based on the explanations provided by management and our knowledge of the business and industry, we assessed reasonableness of factors considered to support the capitalisation of the development costs.

For payroll costs incurred by employees that are directly attributable to development activities, we obtained listing of hours worked on each individual project and discussed with project managers to understand the nature of work performed by the employees. We also obtained management's approval on such listing of hours for each project.

We have also tested the costs capitalised, on a sample basis, by agreeing such costs to contracts, external invoices and internal payroll records, where applicable.

Based on the procedures performed above, we considered the costs capitalised to be supportable by available evidence.

Independent Auditor's Report

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.

Independent Auditor's Report

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 HKSA's 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 HKSA's, 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.
- 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.

Independent Auditor's Report

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

- 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, 20th June 2018

Consolidated Income Statement

For the year ended 31st March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	5	2,080,707	2,100,142
Cost of goods sold	7	(1,982,104)	(1,862,266)
Gross profit		98,603	237,876
Other income	6	41,227	33,022
Selling expenses	7	(95,117)	(84,351)
Administrative expenses	7	(96,978)	(96,192)
Other operating expenses	7	(17,826)	(12,083)
Operating (loss)/profit		(70,091)	78,272
Finance income	10	8,045	9,875
Finance costs	10	(9,253)	(10,268)
(Loss)/profit before income tax		(71,299)	77,879
Income tax expense	11	(14,637)	(3,987)
(Loss)/profit for the year		(85,936)	73,892
(Loss)/profit for the year attributable to:			
– Equity holders of the Company		(85,808)	73,897
– Non-controlling interests		(128)	(5)
		(85,936)	73,892
(Loss)/earnings per share attributable to equity holders of the Company			
– Basic	12	(HK14.8 cents)	HK12.8 cents
– Diluted	12	(HK14.8 cents)	HK12.8 cents
Dividends	13	28,930	57,937

The notes on pages 58 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March 2018

	2018 HK\$'000	2017 HK\$'000
(Loss)/profit for the year	(85,936)	73,892
Other comprehensive income/(loss), net of tax:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	16,473	(9,620)
Total comprehensive (loss)/income for the year	(69,463)	64,272
Total comprehensive (loss)/income for the year attributable to:		
– Equity holders of the Company	(69,335)	64,277
– Non-controlling interests	(128)	(5)
	(69,463)	64,272

The notes on pages 58 to 118 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31st March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	14	350,007	202,798
Investment properties	15	93,988	90,488
Leasehold land and land use rights	16	5,926	6,001
Intangible assets	17	36,652	10,776
Deferred income tax assets	27	16,790	28,225
Prepayments, deposits, and other receivables	21	17,677	23,070
		521,040	361,358
Current assets			
Inventories	20	403,591	473,819
Trade and other receivables	21	864,157	742,693
Current income tax recoverable		13,090	13,086
Cash and cash equivalents	22	279,520	787,201
		1,560,358	2,016,799
Current liabilities			
Trade and other payables	23	215,090	320,739
Current income tax liabilities		3,361	2,881
Deferred gain	6	–	17,450
Borrowings	24	91,615	116,400
		310,066	457,470
Net current assets		1,250,292	1,559,329
Total assets less current liabilities		1,771,332	1,920,687

Consolidated Balance Sheet

As at 31st March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Capital and reserves attributable to equity holders of the Company			
Share capital	25	57,860	57,937
Reserves	26	1,671,938	1,788,995
		1,729,798	1,846,932
Non-controlling interests		(569)	(441)
Total equity		1,729,229	1,846,491
Non-current liabilities			
Deferred gain	6	–	15,996
Borrowings	24	42,103	58,200
		42,103	74,196
Total equity and non-current liabilities		1,771,332	1,920,687

The consolidated financial statements on pages 52 to 118 were approved by the Board of Directors on 20th June 2018 and were signed on its behalf.

LEUNG Wai Sing, Wilson
Director

LEUNG, Jimmy
Director

The notes on pages 58 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st March 2018

	Attributable to equity holders of the Company				Non-controlling interests	Total Equity
	Share capital	Other reserves	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 transaction 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
At 1st April 2017	57,937	303,614	1,485,381	1,846,932	(441)	1,846,491
Comprehensive loss						
Loss for the year	-	-	(85,808)	(85,808)	(128)	(85,936)
Other comprehensive income						
Currency translation differences	-	16,473	-	16,473	-	16,473
Total comprehensive income/(loss)	-	16,473	(85,808)	(69,335)	(128)	(69,463)
Transactions with owners						
Repurchase of own shares	(77)	(1,319)	(77)	(1,473)	-	(1,473)
2018 interim dividend	-	-	(17,358)	(17,358)	-	(17,358)
2017 final dividend	-	-	(28,968)	(28,968)	-	(28,968)
Total transaction with owners	(77)	(1,319)	(46,403)	(47,799)	-	(47,799)
At 31st March 2018	57,860	318,768	1,353,170	1,729,798	(569)	1,729,229

The notes on pages 58 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Cash used in operations	28(a)	(212,773)	(118,258)
Interest received		8,045	9,875
Interest paid		(9,253)	(10,268)
Income tax paid		(1,687)	(17,550)
Net cash used in operating activities		(215,668)	(136,201)
Cash flows from investing activities			
Purchase of property, plant and equipment		(180,277)	(48,316)
Proceeds from disposal of plant and equipment	28(b)	570	1,028
Payments for intangible assets		(35,840)	(4,926)
Net cash used in investing activities		(215,547)	(52,214)
Cash flows from financing activities			
Proceeds from trust receipt loans		530,621	643,491
Repayments of trust receipt loans		(530,621)	(643,491)
Proceeds from borrowings		75,993	–
Repayments of borrowings		(117,450)	(58,200)
Repurchase of shares		(1,473)	–
Dividends paid to the Company's shareholders		(46,326)	(550,400)
Net cash used in financing activities		(89,256)	(608,600)
Net decrease in cash and cash equivalents		(520,471)	(797,015)
Cash and cash equivalents at beginning of the year		787,201	1,591,643
Effect of foreign exchange rate change		12,790	(7,427)
Cash and cash equivalents at end of the year	22	279,520	787,201

The notes on pages 58 to 118 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

31st March 2018

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 2018, 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.

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.

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

- (a) The following amended standards are mandatory for the financial year beginning 1st April 2017:

HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses
HKFRS 12 (Amendment)	Annual improvement to HKFRS 2014-2016 cycle

The adoption of these 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 2017 and have not been early adopted:

		Effective for accounting period beginning on or after
HKAS 28 (Amendment)	Investments in associates and joint ventures	1st January 2019
HKAS 40 (Amendment)	Transfer of investment property	1st January 2018
HKFRS 1 and HKAS 28 (Amendments)	Annual improvements to HKFRS 2014-2016 cycle	1st January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1st January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1st January 2018
HKFRS 9	Financial instruments	1st January 2018
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1st January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1st January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1st January 2018
HKFRS 16	Leases	1st January 2019
HKFRS 17	Insurance contracts	1st January 2021
HK(IFRIC)-Int22	Foreign currency transactions and advance consideration	1st January 2018
HK(IFRIC)-Int23	Uncertainty over income tax treatments	1st January 2019
Annual improvements projects	Annual improvements to HKFRS 2015-2017 cycle	1st January 2019

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) *(Continued)*

The Group's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 9, "Financial Instruments"

Nature of change

HKFRS 9 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.

Impact

The Group has reviewed its financial assets and liabilities and does not expect the new guidance to affect the classification and measurement of its financial assets and financial liabilities.

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, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken up to date, the Group does not expect the new model to have material impact on the recognition of the Group's 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.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1st January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1st April 2018 and that comparatives will not be restated.

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) (Continued)

HKFRS 15, "Revenue from Contracts with Customers"

Nature of change

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 and the related literature.

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.

Impact

Management has assessed 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.

Based on the assessments undertaken up to date, the Group does not expect the new standard to have any material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) (Continued)

HKFRS 15, "Revenue from Contracts with Customers" (Continued)

Date of adoption by Group

Mandatory for financial years commencing on or after 1st January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1st April 2018 and that comparatives will not be restated.

HKFRS 16, "Leases"

Nature of change

HKFRS 16 will result in almost all leases being recognised on the consolidated 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.

Impact

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\$412,411,000 (Note 30(b)). 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 results and classification of cash flows.

Management is in the process of quantifying the potential effects of this new standard in its consolidated financial statements.

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) (Continued)

HKFRS 16, "Leases" (Continued)

Date of adoption by Group

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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are entities (including structured entities) 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.

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. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(a) *Subsidiaries (Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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 in profit or loss. 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 asset acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(a) *Subsidiaries (Continued)*

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 the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Gains or losses on disposals to non-controlling interests are also recorded in equity. 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 profit or loss. 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 profit or loss.

(b) *Separate financial statements*

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

Notes to the Consolidated Financial Statements

31st March 2018

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 executive directors 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.

Notes to the Consolidated Financial Statements

31st March 2018

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.

Notes to the Consolidated Financial Statements

31st March 2018

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 and moulds is calculated using the straight-line method to allocate their costs over their estimated useful lives of 15 years and 4 years respectively. Depreciation of building is calculated on a straight-line basis over the shorter of the period of the land use rights and 40 years. 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).

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. The market value of the properties is calculated on the discounted net rental income allowing for reversionary potential. Changes in fair values are recorded in the consolidated income statement as part of "other income". 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(d)).

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

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

Notes to the Consolidated Financial Statements

31st March 2018

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.

Notes to the Consolidated Financial Statements

31st March 2018

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.

Notes to the Consolidated Financial Statements

31st March 2018

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.

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade receivables, prepayments, deposits 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 receivables, prepayments, deposits 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.

Notes to the Consolidated Financial Statements

31st March 2018

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.

Notes to the Consolidated Financial Statements

31st March 2018

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 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.

Notes to the Consolidated Financial Statements

31st March 2018

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.

Notes to the Consolidated Financial Statements

31st March 2018

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.

Notes to the Consolidated Financial Statements

31st March 2018

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)

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

Operating lease (as the lessor)

Where the Group leases out assets under operating leases, the assets are included in the consolidated balance sheet according to their nature, as set out in Note 2.7. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2.23(ii).

2.25 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.

Notes to the Consolidated Financial Statements

31st March 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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"), Renminbi ("RMB") and New Taiwan dollars ("NTD"). The majority of assets and liabilities are denominated in HKD, USD, RMB, NTD and Great British Pound ("GBP"), 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 2018, if RMB had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax loss (2017: profit) for the year would have been approximately HK\$6,010,000 lower/higher (2017: HK\$6,397,000 higher/lower), mainly as a result of the net foreign exchange differences on translation of RMB denominated cash and bank balances and other payables.

At 31st March 2018, if NTD had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax loss (2017: profit) for the year would have been approximately HK\$694,000 lower/higher (2017: HK\$255,000 higher/lower), mainly as a result of the net foreign exchange differences on translation of NTD denominated cash and bank balances, trade and other receivables and other payables.

Notes to the Consolidated Financial Statements

31st March 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31st March 2018, if GBP had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax loss (2017: profit) for the year would have been approximately HK\$952,000 lower/higher (2017: HK\$103,000 higher/lower), mainly as a result of the foreign exchange differences on translation of GBP denominated cash and bank balances.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, other than short-term bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank borrowings. The Group's bank borrowings are carried at floating rates which expose the Group to cash flow interest rate risk. The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risk.

As at 31st March 2018, the Group's borrowings at variable rates were denominated in HKD and USD.

At 31st March 2018, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax loss (2017: profit) for the year would have been HK\$1,117,000 higher/lower (2017: HK\$1,746,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st March 2018, 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 loss (2017: profit) for the year would have been HK\$2,317,000 lower/higher (2017: HK\$7,864,000 higher/lower) due to interest income earned on market interest rate.

The total bank loans held by the Group as at 31st March 2018 and 2017 were all with floating rates.

Notes to the Consolidated Financial Statements

31st March 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

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

(c) Liquidity risk

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

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

Banking facilities have been put in place for contingency purposes. As at 31st March 2018, the Group's total available banking facilities amounted to approximately HK\$1,245 million (2017: HK\$1,177 million), of which approximately HK\$134 million (2017: HK\$175 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 at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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31st March 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK\$'000	Within one year HK\$'000	In the second year HK\$'000	In the third to fifth year HK\$'000	Over five years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
At 31st March 2017							
Borrowings	-	119,967	59,983	-	-	179,950	174,600
Trade and other payables	-	320,739	-	-	-	320,739	320,739
At 31st March 2018							
Borrowings	31,784	63,248	2,745	8,235	40,262	146,274	133,718
Trade and other payables	-	215,090	-	-	-	215,090	215,090

The table below summarises the maturity analysis of the bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts included interest payments computed using contractual rates.

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise their discretions to demand immediate repayment. The directors believe that such bank borrowing will be repaid in accordance with the scheduled repayment date set out in the loan agreements.

Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments:

	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
31st March 2017	-	-	-	-	-
31st March 2018	6,810	13,499	11,475	31,784	31,080

Notes to the Consolidated Financial Statements

31st March 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings net of cash and cash equivalents divided by total equity as shown in the consolidated balance sheet.

The gearing ratios at 31st March 2018 and 2017 were as follows:

	2018 HK\$'000	2017 HK\$'000
Cash and cash equivalents (Note 22)	279,520	787,201
Borrowings (Note 24)	(133,718)	(174,600)
Net surplus cash	145,802	612,601
Total equity	1,729,229	1,846,491
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.

Notes to the Consolidated Financial Statements

31st March 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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.

(b) Capitalisation of deferred development costs

Determining the development costs, including the time and costs for individual projects, to be capitalised requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the distinction between research and development, the feasibility of completing the projects and the likelihood of such products to deliver sufficient future economic benefits to the Group.

(c) 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.

(d) 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.

Notes to the Consolidated Financial Statements

31st March 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(e) 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.

(f) 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.

(g) Provision for other liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events. Significant judgement is required in determining the provision for liabilities and charges. The Group's management determines the provision for liabilities and charges by estimating the present value of the expenditures expected to be required to settle the obligation. This assessment requires the use of estimation. Nature and extent of significant provisions estimated and related changes on contingencies arising from the Group's production and other business activities are disclosed in the consolidated financial statements, except to the extent that such disclosures might seriously prejudice the Group's position in pending disputes with or possible claims from vendors or other counter parties.

Notes to the Consolidated Financial Statements

31st March 2018

5 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2018 HK\$'000	2017 HK\$'000 (Restated)
AV products	2,067,912	2,100,142
Notebook products	12,795	–
	2,080,707	2,100,142

(a) Segment analysed by products

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

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

During the year, the Group diversified its development focus from the existing traditional consumer electronic products, including audio, video and tablet products (collectively, the "AV products"), to commercial notebook and personal computers (the "Notebook products"). As a result of such change in the business strategy, the chief operating decision-makers' review on the Group's segment performance and resource allocation has changed over that in prior years. The comparative segment information for the year ended 31st March 2017 has been reclassified to align with the presentation of the latest segment information disclosure as a result of such change:

AV products – Design, manufacture and sale of AV products

Notebook products – Design, manufacture and sale of notebook products

The Group's inter-segment transactions mainly consist of sale of assembly parts and Notebook products among subsidiaries. The transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

Notes to the Consolidated Financial Statements

31st March 2018

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment analysed by products (Continued)

	2018				2017 (Restated)			
	AV products HK\$'000	Notebook products HK\$'000	Elimination HK\$'000	Total HK\$'000	AV products HK\$'000	Notebook products HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment result								
For the years ended								
31st March 2018 and								
2017								
Segment revenue								
External sales	2,067,912	12,795	-	2,080,707	2,100,142	-	-	2,100,142
Inter-segment sales	23,139	14,902	(38,041)	-	-	-	-	-
	<u>2,091,051</u>	<u>27,697</u>	<u>(38,041)</u>	<u>2,080,707</u>	<u>2,100,142</u>	<u>-</u>	<u>-</u>	<u>2,100,142</u>
Segment results ⁽¹⁾	(18,294)	(51,797)		(70,091)	84,570	(6,298)		78,272
Finance income				8,045				9,875
Finance costs				(9,253)				(10,268)
(Loss)/profit before income tax				(71,299)				77,879
Income tax expense				(14,637)				(3,987)
(Loss)/profit for the year				<u>(85,936)</u>				<u>73,892</u>
(Loss)/profit for the year attributable to:								
- Equity holders of Company				(85,808)				73,897
- Non-controlling interests				(128)				(5)
				<u>(85,936)</u>				<u>73,892</u>
Segment assets and liabilities								
As at 31st March 2018 and 2017								
Segment assets ⁽²⁾	2,001,893	91,657	(136,020)	1,957,530	2,250,467	11,367	(15,476)	2,246,358
Unallocated corporate assets				123,868				131,799
Total assets				<u>2,081,398</u>				<u>2,378,157</u>
Segment liabilities ⁽³⁾	206,761	144,349	(136,020)	215,090	319,603	16,612	(15,476)	320,739
Unallocated corporate liabilities				137,079				210,927
Total liabilities				<u>352,169</u>				<u>531,666</u>
Other segment information								
For the years ended								
31st March 2018 and 2017								
Capital expenditure ⁽⁴⁾	175,529	40,588		<u>216,117</u>	45,604	7,638		<u>53,242</u>

Notes to the Consolidated Financial Statements

31st March 2018

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, deposits, inventories, receivables 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 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 2018 and 2017 are as follows:

	2018 HK\$'000	2017 HK\$'000
North America	2,025,007	2,079,543
Asia	33,563	4,643
Europe	20,609	8,740
Others	1,528	7,216
	2,080,707	2,100,142

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 years ended 31st March 2018 and 2017 were located or utilised in the PRC, Taiwan or Hong Kong.

Detail of the customer accounting for 10% or more of total revenue is as follows:

	2018 HK\$'000	2017 HK\$'000
Customer A	1,877,613	1,951,321

Notes to the Consolidated Financial Statements

31st March 2018

6 OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Fair value gain on investment properties (Note 15)	3,500	11,068
Rental income from investment properties	3,846	2,979
Amortisation of deferred gain (Note)	33,446	17,450
Others	435	1,525
	41,227	33,022

Note:

In January 2016, the Group disposed of a self-occupied property and certain investment properties in Hong Kong with carrying values of HK\$23,791,000 and HK\$236,310,000, respectively, at a total net consideration of HK\$533,769,000 to an independent third party. The Group subsequently leased back such self-occupied property for its own use for 3 years commencing from the completion date of the aforesaid transaction. The excess of consideration over fair value of such leased property has been deferred and amortised over the lease period. The lease was early terminated in February 2018 and as a result, the remaining deferred gain totaling HK\$33,446,000 as at 1st April 2017 has been fully amortised and recognised in the consolidated income statement for the current year.

7 EXPENSES BY NATURE

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

	2018 HK\$'000	2017 HK\$'000
Amortisation of intangible assets (Note 17)	9,899	7,800
Amortisation of leasehold land and land use rights (Note 16)	283	281
Auditor's remuneration	2,280	2,200
Cost of inventories (Note 20)	1,651,059	1,628,633
Provision for/(write-back of) impairment of inventories (Note 20)	4,486	(17,440)
Depreciation of property, plant and equipment (Note 14)	38,857	37,326
Employee benefit expenses (including directors' emoluments) (Note 8)	203,384	233,353
Severance pay (Note 8)	8,482	6,550
Loss on disposal of plant and equipment	1,399	662
Operating lease rental in respect of land and buildings	26,249	33,174
Research and development costs	35,007	26,443
Provision for doubtful debt (Note 21)	2,908	-

Notes to the Consolidated Financial Statements

31st March 2018

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 HK\$'000	2017 HK\$'000
Wages and salaries	178,577	214,240
Pension costs – defined contribution retirement schemes (Note (a))	3,754	2,864
Other staff benefits	21,053	16,249
	203,384	233,353
Severance pay	8,482	6,550

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\$3,754,000 (2017: HK\$2,864,000). No forfeited contribution in respect of the defined contribution retirement scheme was utilised during the year (2017: same). No forfeiture contribution was available as at 31st March 2018 to reduce future contributions (2017: Nil).

Contributions totaling approximately HK\$612,000 (2017: HK\$625,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

Notes to the Consolidated Financial Statements

31st March 2018

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 (2017: four) directors whose emoluments are reflected in the analysis presented in Note 9. The emoluments payable to the remaining one (2017: one) individuals during the year are as follows:

	2018 HK\$'000	2017 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,600	1,384
Discretionary bonuses	–	2,000
Contributions to pension schemes	120	18
	2,720	3,402

The emoluments fell within the following bands:

	Number of individual	
	2018	2017
Emolument band		
HK\$2,000,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$4,000,000	–	1

(c) Senior management compensation

The emoluments of the senior management include one (2017: one) individual whose emoluments are reflected in the analysis presented in Note 8(b).

The emoluments of the remaining three (2017: four) senior management during the year are as follows:

	Number of individual	
	2018	2017
Emolument bands		
HK\$1 – HK\$1,000,000	–	1
HK\$1,000,001 – HK\$2,000,000	3	3

Notes to the Consolidated Financial Statements

31st March 2018

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 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
<i>Executive directors:</i>					
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
<i>Independent non-executive directors:</i>					
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

Notes to the Consolidated Financial Statements

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9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31st March 2018:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<i>Executive directors:</i>					
Mr LEUNG Kai Ching, Kimen	-	4,843	1,677	207	6,727
Mr LEUNG Wai Sing, Wilson	-	4,843	1,677	207	6,727
Mr KUOK Kun Man	-	2,888	1,118	124	4,130
Mr LEUNG, Jimmy	-	1,640	671	88	2,399
Mr LIU Lup Man	-	1,358	447	76	1,881
<i>Independent non-executive directors:</i>					
Mr LI Wah Ming	300	-	-	15	315
Mr LEE Tak Chi	300	-	-	-	300
Mr CHEUNG, Johnson	300	-	-	15	315
	900	15,572	5,590	732	22,794

Notes to the Consolidated Financial Statements

31st March 2018

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 (2017: Nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2017: 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 (2017: 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 (2017: 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 (2017: Nil).

10 FINANCE INCOME AND FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Finance income:		
– Bank interest income	8,045	9,875
Finance costs:		
– Interest expense on bank borrowings	9,253	10,268

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11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2018 HK\$'000	2017 HK\$'000
Current income tax		
– Hong Kong profits tax	5	16
– PRC corporate income tax	2,036	530
– Overseas corporate income tax	69	60
– Under/(over) provision in prior years	2	(16)
Deferred income tax charge (Note 27)	12,525	3,397
Income tax expense	14,637	3,987

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2018 HK\$'000	2017 HK\$'000
(Loss)/profit before income tax	(71,299)	77,879
Tax calculated at a tax rate of 16.5% (2017: 16.5%)	(11,764)	12,850
Effect of different tax rates in other countries	(455)	(12)
Income not subject to tax	(11,932)	(14,726)
Expenses not deductible for tax purposes	11,472	5,881
Under/(over) provision in prior years	2	(16)
Reversal of tax losses previously recognised	14,135	–
Tax losses unrecognised	13,226	10
Utilisation of previously recognised tax loss	(47)	–
Income tax expense	14,637	3,987

Notes to the Consolidated Financial Statements

31st March 2018

12 LOSS/EARNINGS PER SHARE

Basic

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

	2018	2017
(Loss)/profit for the year attributable to equity holders of the Company (HK\$'000)	(85,808)	73,897
Weighted average number of ordinary shares in issue	579,044,115	579,367,720
Basic (loss)/earnings per share (HK cents)	(14.8)	12.8

Diluted

Diluted (loss)/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 2018 and 2017. Therefore, the diluted (loss)/earnings per share are the same as basic (loss)/earnings per share.

13 DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Interim dividend, paid, of HK3 cents (2017: HK5 cents) per ordinary share	17,358	28,969
Final dividend, proposed, of HK2 cents (2017: HK5 cents) per ordinary share	11,572	28,968
	28,930	57,937

At a meeting held on 20th June 2018, the directors proposed a final dividend of HK2 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

Notes to the Consolidated Financial Statements

31st March 2018

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 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
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

Notes to the Consolidated Financial Statements

31st March 2018

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 2018							
Opening net book amount	5,129	25,147	87,905	53,576	26,451	4,590	202,798
Additions	120,632	18,043	3,460	16,537	19,621	1,984	180,277
Disposals	-	-	(45)	(421)	(1,065)	(438)	(1,969)
Depreciation	(562)	(13,721)	(8,395)	(10,631)	(4,437)	(1,111)	(38,857)
Exchange differences	161	-	6,354	862	301	80	7,758
Closing net book amount	125,360	29,469	89,279	59,923	40,871	5,105	350,007
At 31st March 2018							
Cost	129,211	300,616	126,074	175,041	79,407	10,141	820,490
Accumulated depreciation and impairment	(3,851)	(271,147)	(36,795)	(115,118)	(38,536)	(5,036)	(470,483)
Net book amount	125,360	29,469	89,279	59,923	40,871	5,105	350,007

(b) Depreciation expenses have been included in:

	2018 HK\$'000	2017 HK\$'000
Cost of goods sold	35,167	33,966
Administrative expenses	3,690	3,360
	38,857	37,326

(c) As at 31st March 2018, certain of the Group's bank borrowing is secured by land and buildings with carrying value of HK\$120,290,000 (Note 24). No bank borrowing was secured on any building which was classified under property, plant and equipment as at 31st March 2017.

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15 INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
Beginning of the year	90,488	79,420
Fair value gain (Note 6)	3,500	11,068
End of the year	93,988	90,488

Rental income derived from the investment properties amounted to approximately HK\$3,846,000 (2017: HK\$2,979,000) during the year (Note 6).

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 2018 has been determined on the basis of valuation carried out by an independent qualified valuer, LCH (Asia-Pacific) Surveyors Limited (the "Valuer") (2017: same). The valuation, which conforms to the valuation standards issued by Hong Kong Institute of Surveyors ("HKIS") was arrived at by reference to the current 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.

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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 between levels 1, 2 and 3 during the year.

Fair value of the Group's investment properties is mainly derived using 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 to 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 2018, yields ranging from 3.3% to 6.3% (2017: 4.0% to 7.0%) were adopted in the term yields analysis for the Group's investment properties.

For the investment property located in Yuen Long, prevailing market price is estimated based on recent land sales transactions nearby. The lower the prices, the lower is the fair value. At 31st March 2018, prevailing market prices ranged from HK\$524 to HK\$583 (2017: 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 is 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 2018, prevailing market prices ranged from HK\$3,004 to HK\$3,647 (2017: HK\$2,901 to HK\$3,587) per square foot on saleable area basis were adopted in the term and reversionary analysis for the Group's investment properties.

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16 LEASEHOLD LAND AND LAND USE RIGHTS

	2018 HK\$'000	2017 HK\$'000
Beginning of the year	6,001	6,423
Amortisation	(283)	(281)
Exchange differences	208	(141)
End of the year	5,926	6,001

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 2016			
Cost	78,000	–	78,000
Accumulated amortisation	(64,350)	–	(64,350)
Net book amount	13,650	–	13,650
For the year ended 31st March 2017			
At 1st April 2016	13,650	–	13,650
Additions	–	4,926	4,926
Amortisation	(7,800)	–	(7,800)
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
For the year ended 31st March 2018			
At 1st April 2017	5,850	4,926	10,776
Additions	–	35,840	35,840
Amortisation	(5,850)	(4,049)	(9,899)
Exchange differences	–	(65)	(65)
Net book amount	–	36,652	36,652
At 31st March 2018			
Cost	78,000	40,766	118,766
Accumulated amortisation	(78,000)	(4,114)	(82,114)
Net book amount	–	36,652	36,652

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

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18 SUBSIDIARIES

As at 31st March 2018, 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
			2018		2017		
			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 AV and Notebook products
Alco Electronics (Dongguan) Limited ¹	The PRC	Registered capital HK\$120,000,000	-	100	-	100	Manufacture of AV and Notebook 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 AV and Notebook products
Nexstgo Company Limited	Hong Kong	Ordinary HK\$5,000,000	-	100	-	100	Trading of Notebook products
Taiwan Nexstgo Limited	Taiwan	Ordinary NTD10,000,000	-	100	-	100	Research and development and sale of Notebook products
Windom Limited	Hong Kong	Ordinary HK\$100,000	-	100	N/A	N/A	Property holding

Note:

¹ Represents a wholly foreign owned enterprise.

The above table lists out the principal subsidiaries of the Company as at 31st March 2018 and 2017 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.

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19 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 HK\$'000	2017 HK\$'000
Assets		
Trade and other receivables	848,375	765,763
Cash and cash equivalents (Note 22)	279,520	787,201
Total	1,127,895	1,552,964

	2018 HK\$'000	2017 HK\$'000
Liabilities		
Trade and other payables (Note 23)	215,090	320,739
Borrowings (Note 24)	133,718	174,600
Total	348,808	495,339

20 INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials	273,633	240,717
Work in progress	12,337	7,790
Finished goods	236,670	339,875
	522,640	588,382
Less: Provision for impairment	(119,049)	(114,563)
	403,591	473,819

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK\$1,651,059,000 (2017: HK\$1,628,633,000).

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21 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Non-current		
Prepayments, deposits and other receivables (Note)	17,677	23,070
Current		
Trade receivables	826,632	697,222
Less: Provision for doubtful debt	(2,908)	–
Trade receivables, net	823,724	697,222
Prepayments, deposits and other receivables (Note)	40,433	45,471
	864,157	742,693
	881,834	765,763

Note: As at 31st March 2018, other receivables included HK\$14,300,000 (2017: HK\$28,629,000), 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 Hydys Technologies Company Limited. A guarantee was granted by E Ink to cover the entire receivable amount.

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.

As of 31st March 2018, trade receivables of HK\$2,908,000 (2017: Nil) were considered impaired. The individual impaired receivables are mainly related to a customer which no longer has business relationship with the Group. The amount of provision is HK\$2,908,000 as of 31st March 2018 (2017: Nil). The ageing of these impaired receivables is as follows:

	2018 HK\$'000	2017 HK\$'000
Over 90 days	2,908	–

Notes to the Consolidated Financial Statements

31st March 2018

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

Movements of the provision for impairment of trade receivables are as follows:

	2018 HK\$'000	2017 HK\$'000
Beginning of the year	–	–
Provision for doubtful debt	2,908	–
End of the year	2,908	–

At 31st March 2018 and 2017, the ageing analysis of the trade receivables based on shipping terms is as follows:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	103,685	102,368
31 – 60 days	153,351	95,899
61 – 90 days	111,182	132,720
Over 90 days	455,506	366,235
	823,724	697,222

As at 31st March 2018, trade receivables of HK\$351,444,000 (2017: HK\$163,543,000) were past due with reference to the credit terms offered. The overdue sum is not considered as impaired since the overdue sum has been fully settled in early July 2018.

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.

	2018 HK\$'000	2017 HK\$'000
Counterparties without external credit rating		
– New customers (less than 6 months)	5,899	1,719
– Customers (more than 6 months) with no defaults in the past	817,825	695,503
	823,724	697,222

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31st March 2018

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

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

	2018 HK\$'000	2017 HK\$'000
USD	805,154	666,445
Canadian dollar	13,470	27,115
NTD	2,044	–
GBP	1,237	368
Euro (“EUR”)	897	1,470
Others	922	1,824
	823,724	697,222

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

	2018 HK\$'000	2017 HK\$'000
Cash at bank and on hand	158,746	196,481
Short-term bank deposits	120,774	590,720
	279,520	787,201
Maximum exposure to credit risk	277,479	786,397

As at 31st March 2018, the Group’s cash and cash equivalents of approximately HK\$20,045,000 (2017: HK\$20,109,000) denominated in Renminbi (“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.

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31st March 2018

22 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2018 HK\$'000	2017 HK\$'000
USD	112,569	667,398
RMB	95,332	84,773
HKD	50,628	30,781
GBP	10,658	984
NTD	9,964	1,058
EUR	195	1,291
Denmark Krone	169	912
Others	5	4
	279,520	787,201

23 TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	149,876	250,407
Other payables and accruals	65,214	70,332
	215,090	320,739

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

At 31st March 2018 and 2017, the ageing analysis of the trade payables based on invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	118,621	215,469
31 – 60 days	18,497	28,703
61 – 90 days	5,809	1,650
Over 90 days	6,949	4,585
	149,876	250,407

Notes to the Consolidated Financial Statements

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23 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2018 HK\$'000	2017 HK\$'000
HKD	83,632	154,665
USD	63,021	95,229
EUR	1,557	421
RMB	1,202	92
GBP	464	–
	149,876	250,407

24 BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Non-current		
Bank borrowing, secured (Note i)	42,103	–
Bank borrowings, unsecured (Note ii)	–	58,200
	42,103	58,200
Current		
Bank borrowing, secured (Note i)	1,810	–
Bank borrowings, unsecured (Note ii)	89,805	116,400
	91,615	116,400
Total borrowings	133,718	174,600

Notes:

- i) As at 31st March 2018, the bank borrowing is secured by the Group's land and buildings with the carrying amounts of HK\$120,290,000 (Note 14).
- ii) The bank borrowings are unsecured and supported by corporate guarantees given by the Company (Note 29).

Notes to the Consolidated Financial Statements

31st March 2018

24 BORROWINGS (CONTINUED)

The maturity of bank borrowings is as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	91,615	116,400
In the second year	1,850	58,200
In the third to fifth year	5,796	–
Over five years	34,457	–
	133,718	174,600

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

As at 31st March 2018 the borrowings were denominated in HKD or USD (2017: USD) and interest-bearing at a margin over Hong Kong Inter-bank Offered Rate or London Inter-bank Offered Rate (2017: London Inter-bank Offered Rate).

25 SHARE CAPITAL

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

	2018		2017	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	800,000,000	80,000	800,000,000	80,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At the beginning of the year	579,367,720	57,937	579,367,720	57,937
Repurchase of the Company's own shares	(772,000)	(77)	–	–
At the end of the year	578,595,720	57,860	579,367,720	57,937

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26 RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange and other reserves HK\$'000	Staff compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
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
At 1st April 2017	309,674	1,012	(18,855)	11,783	1,485,381	1,788,995
Comprehensive (loss)/income						
Loss for the year	-	-	-	-	(85,808)	(85,808)
Currency translation differences	-	-	16,473	-	-	16,473
Total comprehensive income/(loss)	-	-	16,473	-	(85,808)	(69,335)
Transactions with owners						
Repurchase of own shares	(1,396)	77	-	-	(77)	(1,396)
2018 interim dividend	-	-	-	-	(17,358)	(17,358)
2017 final dividend	-	-	-	-	(28,968)	(28,968)
Total transactions with owners	(1,396)	77	-	-	(46,403)	(47,722)
At 31st March 2018	308,278	1,089	(2,382)	11,783	1,353,170	1,671,938

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31st March 2018

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% (2017: 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.

	2018 HK\$'000	2017 HK\$'000
Deferred income tax assets to be recovered after more than 12 months	27,560	35,460
Deferred income tax liabilities to be settled after more than 12 months	(10,770)	(7,235)
Deferred income tax assets, net	16,790	28,225

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27 DEFERRED INCOME TAX (CONTINUED)

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	Deferred development cost HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April 2016	15,144	(1,140)	–	18,367	32,371
Credited/(charged) to consolidated income statement	6,683	(572)	(813)	(8,695)	(3,397)
Exchange difference	(271)	(272)	–	(206)	(749)
At 31st March 2017	21,556	(1,984)	(813)	9,466	28,225
At 1st April 2017	21,556	(1,984)	(813)	9,466	28,225
Charged to consolidated income statement	(4,112)	(2,110)	(2,166)	(4,137)	(12,525)
Exchange difference	370	371	–	349	1,090
At 31st March 2018	17,814	(3,723)	(2,979)	5,678	16,790

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\$30,315,000 (2017: HK\$2,104,000) in respect of tax losses amounting to approximately HK\$166,121,000 (2017: HK\$5,751,000) that can be carried forward against future taxable profit. Approximately HK\$160,530,000 (2017: HK\$381,000) of the unrecognised tax losses have no expiry date and the remaining balance of HK\$5,591,000 (2017: HK\$5,370,000) will be expired at various dates up to and including 2037 (2017: 2036).

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28 NOTES TO CONSOLIDATION STATEMENT OF CASH FLOWS

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

	2018 HK\$'000	2017 HK\$'000
(Loss)/profit before income tax	(71,299)	77,879
Interest income	(8,045)	(9,875)
Interest expense on bank borrowings	9,253	10,268
Amortisation of intangible assets	9,899	7,800
Loss on disposal of plant and equipment	1,399	662
Amortisation of deferred gain	(33,446)	(17,450)
Depreciation of property, plant and equipment	38,857	37,326
Provision for/(write-back of) impairment for inventories	4,486	(17,440)
Provision of doubtful debts	2,908	–
Amortisation of leasehold land and land use rights	283	281
Fair value gain on investment properties	(3,500)	(11,068)
Operating (loss)/profit before working capital changes	(49,205)	78,383
Decrease/(increase) in inventories	65,742	(140,740)
Increase in trade and other receivables	(126,748)	(30,849)
Decrease in trade and other payables	(102,562)	(25,052)
Net cash used in operations	(212,773)	(118,258)

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

	2018 HK\$'000	2017 HK\$'000
Net book amount (Note 14)	1,969	1,690
Loss on disposal of plant and equipment (Note 7)	(1,399)	(662)
Proceeds from disposal of plant and equipment	570	1,028

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28 NOTES TO CONSOLIDATION STATEMENT OF CASH FLOWS (CONTINUED)

(c) Net debt reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

	2018 HK\$'000	2017 HK\$'000
Net cash		
Cash and cash equivalents	279,520	787,201
Borrowings – repayable within one year	(91,615)	(116,400)
Borrowings – repayable after one year	(42,103)	(58,200)
Net cash	145,802	612,601
Cash and cash equivalents	279,520	787,201
Gross debt – variable interest rates	(133,718)	(174,600)
Net cash	145,802	612,601

Net cash	Cash and cash equivalents HK\$'000	Liabilities from financing activities		Total HK\$'000
		Borrowings repayable within one year HK\$'000	Borrowings repayable after one year HK\$'000	
At 1st April 2016	1,591,643	(9,700)	(223,100)	1,358,843
Cash flows	(797,015)	(106,700)	164,900	(738,815)
Foreign exchange adjustments	(7,427)	–	–	(7,427)
At 31st March 2017	787,201	(116,400)	(58,200)	612,601
At 1st April 2017	787,201	(116,400)	(58,200)	612,601
Cash flows	(520,471)	26,360	15,097	(479,014)
Foreign exchange adjustments	12,790	(1,575)	1,000	12,215
At 31st March 2018	279,520	(91,615)	(42,103)	145,802

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29 BANKING FACILITIES

As at 31st March 2018, banking facilities of approximately HK\$1,245 million (2017: HK\$1,177 million) were granted by banks to the Group, of which approximately HK\$134 million (2017: HK\$175 million) have been utilised by the Group. All banking facilities were supported by corporate guarantees given by the Company and as at 31st March 2018, bank borrowing of approximately HK\$44 million is secured by charges over the Group's land and buildings with the carrying amounts of HK\$120,290,000 (2017: Nil).

30 COMMITMENTS

(a) Capital commitments

	2018 HK\$'000	2017 HK\$'000
Moulds, plant and machinery and renovation contracted but not provided for	13,030	5,189

(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:

	2018 HK\$'000	2017 HK\$'000
Not later than one year	36,062	33,713
Later than one year and not later than five years	143,075	128,998
Later than five years	233,274	232,852
	412,411	395,563

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30 COMMITMENTS (CONTINUED)

(c) Operating lease commitments (as lessor)

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

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

	2018 HK\$'000	2017 HK\$'000
Not later than one year	396	3,841
Later than one year and not later than five years	1,217	1,234
	1,613	5,075

The lease terms are from one to three years.

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31 BALANCE SHEET OF THE COMPANY

	Note	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Investments in subsidiaries		1,131,897	1,099,635
Current assets			
Other receivables		105	105
Current income tax recoverables		16	11
Cash and cash equivalents		1,582	1,568
		1,703	1,684
Current liabilities			
Other payables		290	312
Net current assets		1,413	1,372
Total assets less current liabilities		1,133,310	1,101,007
Capital and reserves attributable to equity holders of the Company			
Share capital		57,860	57,937
Reserves	a	1,075,450	1,043,070
Total equity		1,133,310	1,101,007

The balance sheet was approved by the Board of Directors on 20th June 2018 and were signed on its behalf.

LEUNG Wai Sing, Wilson
Director

LEUNG, Jimmy
Director

Notes to the Consolidated Financial Statements

31st March 2018

31 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 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
At 1st April 2017	309,674	1,012	40,586	11,783	680,015	1,043,070
Comprehensive income						
Profit for the year	-	-	-	-	80,102	80,102
Transactions with owners						
Repurchase of own shares	(1,396)	77	-	-	(77)	(1,396)
2018 interim dividend	-	-	-	-	(17,358)	(17,358)
2017 final dividend	-	-	-	-	(28,968)	(28,968)
Total transactions with owners	(1,396)	77	-	-	(46,403)	(47,722)
At 31st March 2018	308,278	1,089	40,586	11,783	713,714	1,075,450

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 2018

As at 31st March 2018, 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:

	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	2,080,707	2,100,142	2,879,104	2,562,566	2,291,141
Profit/(loss) attributable to equity holders of the Company	(85,808)	73,897	506,028	114,250	(19,099)
Total assets	2,081,398	2,378,157	2,971,460	2,497,147	2,561,764
Total liabilities	(352,169)	(531,666)	(986,462)	(570,812)	(705,843)
Total equity	1,729,229	1,846,491	1,984,998	1,926,335	1,855,921

