

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention as modified by the revaluation of certain investment properties.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("new HKFRSs") and Hong Kong Accounting Standards ("HKAS") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005.

The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group are as follows:

Under HKAS 17 'Leases', leasehold land in Hong Kong will no longer be accounted for as property, plant and equipment. Instead, it will be accounted for as prepayment of lease and stated at cost and recognised as an expense on a straight-line basis over the lease term under HKAS 17.

Under HKAS 40 'Investment Property', the change in fair value of the investment properties will be recognised in the profit and loss account. This treatment may increase the volatility of the Group's results as any revaluation surplus or deficit would be reflected in the profit and loss account.

Under HKAS 39 'Financial Instruments: Recognition and Measurement', financial instruments will be carried at either amortised cost or fair value, depending on their classification. Depending on the classification of the financial instruments, movements in fair value will be either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts will be recognised in the balance sheet at fair value. This will result in a change to the Group's current accounting policies in respect of classification, measurement and recognition of derivative financial instruments. This new accounting policy will be applied prospectively from 1st January 2005. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not been completed. However, the requirements to recognise derivatives and certain other financial instruments with changes in fair value being reflected in the profit and loss account may result in increased volatility in the Group's profit and net assets.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

In the Company's balance sheet, the investments in jointly controlled entity is stated at cost less provision for impairment losses. The results of the jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(d) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual property and separate value is not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

(ii) *Leasehold land and buildings*

Leasehold land and buildings are stated at cost less accumulated depreciation.

Depreciation of leasehold land is calculated to write off its cost on a straight-line basis over the unexpired period of the lease. The principal annual rate used for this purpose is 2%.

Depreciation of leasehold buildings is calculated to write off their cost on a straight-line basis over their expected useful lives of 40 years.

(iii) *Moulds*

Moulds are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of moulds is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 25%.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)***(d) Fixed assets** *(continued)**(iv) Other fixed assets*

Other fixed assets, comprising leasehold improvements, furniture, fixtures and equipment, plant and machinery and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives to the Group on the reducing balance basis. The principal annual rates are as follows:

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

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Intangible assets

(i) *Deferred development costs*

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as deferred development costs where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such deferred development costs are recognised as an asset and amortised on a straight-line basis over a period of 30 months to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Where an indication of impairment exists, the carrying amount of deferred development costs is assessed and written down immediately to its recoverable amount.

(ii) *Goodwill/negative goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/joint venture/associated company at the date of acquisition. Goodwill on acquisitions is amortised using the straight-line method over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)***(f) Assets under leases***(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the consolidated profit and loss account over the lease periods.

Assets held under finance leases are depreciated over their estimated useful lives to the Group.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated profit and loss account on a straight-line basis over the lease periods.

(g) Investment in security

Investment in security represents held-to-maturity debt security which is stated in the consolidated balance sheet at cost less any premium amortised to date. The premium is amortised over the period to maturity and included as expense in the consolidated profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amount of the held-to-maturity debt security is reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amount is expected to be recovered. Provision is made when carrying amount is not expected to be recovered and is recognised in the consolidated profit and loss account as an expense immediately.

(h) Other investment

Other investment is stated at cost less any provision for impairment losses.

The carrying amount of the other investment is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline, other than temporary, has occurred, the carrying amount of such other investment would be reduced to its fair value. The amount of the reduction is recognised as an expense in the consolidated profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Inventories

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Trade receivables

Provision is made against trade receivables to the extent which they are considered to be doubtful. Trade receivables in the consolidated balance sheet are stated net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entity, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) 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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)***(n) Revenue recognition**

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Rental income is recognised on a straight-line basis over the periods of the respective leases.

(o) Employee benefits*(i) Employee leave entitlements*

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

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to eligible employees, the assets of which are held in separate trustee-administered funds. The retirement plans are generally funded by contributions from employees and by the relevant Group companies, calculated at a percentage of employees' salaries.

The Group's contributions to the defined contribution retirement plans are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where appropriate.

(p) Borrowing costs

Borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

(q) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Segment reporting *(continued)*

Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of deferred development costs, fixed assets, inventories, receivables, operating cash and long-term bank deposits and mainly exclude other investment and investment in security. Segment liabilities comprise operating liabilities and exclude items such as taxation, minority interests and certain corporate borrowings. Capital expenditure comprises additions to deferred development costs and fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2 TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the design, manufacture and sale of consumer audio-visual, telecommunication and plastic products. Revenues recognised during the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Consumer audio-visual products	5,359,944	3,709,503
Telecommunication products	19,795	72,461
Plastic products	9,385	32,817
	5,389,124	3,814,781
Other revenues		
Interest income	19,496	14,447
Rental income from investment properties	2,788	2,676
Others	3,426	5,204
	25,710	22,327
Total revenues	5,414,834	3,837,108

(a) Primary reporting format – business segment

The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong in two main business segments:

Consumer electronic products	–	Design, manufacture and sale of consumer audio-visual and telecommunication products
Plastic products	–	Manufacture and sale of plastic and packing products

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segment (continued)

	2005				2004			
	Consumer electronic products HK\$'000	Plastic products HK\$'000	Elimination HK\$'000	Group HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover								
External sales	5,379,739	9,385	-	5,389,124	3,781,964	32,817	-	3,814,781
Inter-segment sales	-	215,190	(215,190)	-	-	254,038	(254,038)	-
	5,379,739	224,575	(215,190)	5,389,124	3,781,964	286,855	(254,038)	3,814,781
Segment results	272,756	589		273,345	172,933	707		173,640
Negative goodwill arising from additional interest in a subsidiary	-	5,223		5,223	-	-		-
Unallocated revenues less expenses				-				118
Operating profit				278,568				173,758
Finance costs				(8,532)				(7,002)
Share of loss of a jointly controlled entity				-				(318)
Profit before taxation				270,036				166,438
Taxation				(28,371)				(15,378)
Profit after taxation				241,665				151,060
Minority interests				(2,519)				(1,695)
Profit attributable to shareholders				239,146				149,365
Segment assets	2,110,544	91,002		2,201,546	1,904,316	74,193		1,978,509
Unallocated assets				-				39,682
Total assets				2,201,546				2,018,191
Segment liabilities	739,271	21,078		760,349	714,817	28,340		743,157
Unallocated liabilities				163,420				173,731
Total liabilities				923,769				916,888
Capital expenditure	89,454	13,665		103,119	84,677	10,682		95,359
Depreciation	65,674	10,040		75,714	67,205	9,628		76,833
Amortisation charges and write-off on deferred development costs	20,948	-		20,948	17,326	-		17,326
Impairment charges on fixed assets	18,404	1,032		19,436	24,306	-		24,306

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)**(b) Secondary reporting format – geographical segment**

	Turnover	
	2005 HK\$'000	2004 HK\$'000
North America	3,376,923	2,474,800
Europe	1,409,699	862,109
Asia	468,842	381,678
Australia and New Zealand	75,098	37,965
South America	39,811	12,576
Africa	18,751	45,653
	5,389,124	3,814,781

The analysis of turnover by geographical segment is based on the destination to which the shipments are made. No analysis of the contribution by geographical segment has been presented as the ratios of profit to turnover achieved for the above geographical segments are not substantially out of line with the Group's overall ratio of profit to turnover. Most of its assets and capital expenditure for the years ended 31st March 2005 and 2004 were located or utilised in the PRC and Hong Kong.

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Group	
	2005 HK\$'000	2004 HK\$'000
Amortisation of deferred development costs	12,183	12,485
Amortisation of premium on investment in security	682	683
Auditors' remuneration	1,555	1,443
Cost of inventories	4,256,218	2,892,633
Depreciation of fixed assets held under finance leases	1,220	2,657
Depreciation of owned fixed assets	74,494	74,176
Impairment charges on fixed assets	19,436	24,306
Loss on disposal of fixed assets	7,168	1,897
Negative goodwill arising from additional interest in a subsidiary	(5,223)	–
Operating lease rental in respect of land and buildings	35,916	36,045
Provision for other investment	–	1,934
Research and development costs	20,748	31,364
Staff costs (note 9)	286,696	260,804
Surplus on revaluation of investment properties	(4,000)	(780)
Write-off of deferred development costs	8,765	4,841

31st March 2005

4 FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank loans wholly repayable within five years	8,502	6,836
Interest element of finance leases	30	166
	8,532	7,002

5 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) 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.

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2005 HK\$'000	2004 HK\$'000
Current taxation:		
Hong Kong profits tax	24,687	16,898
Under/(over)-provision in prior years	188	(71)
Deferred taxation relating to the origination and reversal of temporary differences (note 25)	3,496	(1,449)
Taxation charges	28,371	15,378

There was no share of taxation attributable to a jointly controlled entity for the year (2004: nil). No overseas taxation has been provided as the Group's subsidiaries in Canada and the PRC have no estimated assessable profits during the year.

5 TAXATION *(continued)*

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Profit before taxation	270,036	166,438
Calculated at a taxation rate of 17.5% (2004: 17.5%)	47,256	29,127
Effect of different taxation rates in other countries	775	(1,276)
Income not subject to taxation	(29,376)	(16,718)
Expenses not deductible for taxation purposes	7,387	1,860
Under/(over)-provision in prior years	188	(71)
Tax losses not recognised	2,141	2,456
Taxation charges	28,371	15,378

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$89,568,000 (2004: HK\$74,153,000).

7 DIVIDENDS

	Company	
	2005 HK\$'000	2004 HK\$'000
Interim dividend, paid, of HK5.0 cents (2004: HK3.0 cents) per ordinary share	27,832	15,977
Final dividend, proposed, of HK12.0 cents (2004: HK8.0 cents) per ordinary share	66,880	42,634
Special dividend, proposed, of HK4.0 cents (2004: HK3.0 cents) per ordinary share	22,293	15,988
	117,005	74,599

At a meeting held on 18th July 2005, the directors proposed a final dividend of HK12.0 cents per ordinary share and a special dividend of HK4.0 cents per ordinary share.

31st March 2005

8 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$239,146,000 for the year ended 31st March 2005 (2004: HK\$149,365,000). The basic earnings per share is based on the weighted average of 547,469,710 (2004: 523,486,059) ordinary shares in issue during the year.

The diluted earnings per share is based on 556,361,658 (2004: 546,017,321) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 8,891,948 (2004: 22,531,262) ordinary shares deemed to be issued at no consideration if all outstanding bonus warrants had been exercised.

9 STAFF COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Wages and salaries	269,680	240,420
Pension costs - defined contribution retirement schemes (note 24(a))	3,232	3,657
Long service payments (note 24(b))	(1,164)	2,067
Other staff benefits	14,948	14,660
	286,696	260,804

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Fees	360	360
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	7,262	7,083
Bonuses	8,670	7,300
Contributions to pension schemes	375	316
	16,667	15,059

Directors' fees disclosed above include HK\$360,000 (2004: HK\$360,000) paid to independent non-executive directors.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

- (a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows: *(continued)*

The emoluments of directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
HK\$Nil-HK\$1,000,000	3	3
HK\$2,500,001-HK\$3,000,000	–	1
HK\$3,000,001-HK\$3,500,000	1	–
HK\$5,500,001-HK\$6,000,000	1	1
HK\$6,000,001-HK\$6,500,000	–	1
HK\$7,500,001-HK\$8,000,000	1	–

No directors waived emoluments in respect of the years ended 31st March 2005 and 2004.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2004: three) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining two (2004: two) highest paid individuals during the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,994	3,182
Discretionary bonuses	6,500	1,500
Contributions to pension schemes	87	132
	9,581	4,814

31st March 2005

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*
(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2005	2004
HK\$1,000,001-HK\$1,500,000	–	1
HK\$3,000,001-HK\$3,500,000	1	1
HK\$6,000,001-HK\$6,500,000	1	–

During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement or upon joining the Group, or as compensation for loss of office (2004: Nil).

11 FIXED ASSETS

	Group							Total HK\$'000
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Moulds HK\$'000	Furniture, fixtures and equipment			Motor vehicles HK\$'000	
				Leasehold improvements HK\$'000	Plant and machinery HK\$'000			
Cost or valuation								
At 1st April 2004	30,260	87,303	302,086	85,187	277,892	468,486	19,639	1,270,853
Additions	–	–	16,902	2,727	14,225	55,268	1,335	90,457
Revaluation surplus	4,000	–	–	–	–	–	–	4,000
Disposals	–	–	(13,950)	(264)	(47,037)	(7,414)	(2,271)	(70,936)
At 31st March 2005	34,260	87,303	305,038	87,650	245,080	516,340	18,703	1,294,374
Accumulated depreciation								
At 1st April 2004	–	15,321	272,656	60,940	213,842	268,463	12,108	843,330
Charge for the year	–	2,001	10,919	7,613	15,766	37,799	1,616	75,714
Disposals	–	–	(12,571)	(78)	(41,298)	(6,144)	(1,943)	(62,034)
Impairment charges	–	–	8,744	3,137	6,717	–	838	19,436
At 31st March 2005	–	17,322	279,748	71,612	195,027	300,118	12,619	876,446
Net book value								
At 31st March 2005	34,260	69,981	25,290	16,038	50,053	216,222	6,084	417,928
At 31st March 2004	30,260	71,982	29,430	24,247	64,050	200,023	7,531	427,523

11 FIXED ASSETS (continued)

The analysis of the cost or valuation of the above assets is as follows:

	Group							Total HK\$'000
	Investment properties HK\$'000	Leasehold 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	
	At 31st March 2005							
At cost	-	87,303	305,038	87,650	245,080	516,340	18,703	1,260,114
At valuation	34,260	-	-	-	-	-	-	34,260
	34,260	87,303	305,038	87,650	245,080	516,340	18,703	1,294,374
At 31st March 2004								
At cost	-	87,303	302,086	85,187	277,892	468,486	19,639	1,240,593
At valuation	30,260	-	-	-	-	-	-	30,260
	30,260	87,303	302,086	85,187	277,892	468,486	19,639	1,270,853

(a) The net book values of investment properties, leasehold land and buildings comprise:

	Group	
	2005 HK\$'000	2004 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	64,350	63,169
Leases of between 10 to 50 years	18,111	16,685
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	21,780	22,388
	104,241	102,242

(b) Investment properties were revalued on the basis of their open market value as at 31st March 2005 by Chung, Chan & Associates Chartered Surveyors, an independent firm of professional valuers. The surplus arising on revaluation of investment properties amounted to HK\$4,000,000 (2004: HK\$780,000). The surplus arising on revaluation of investment properties was credited to the consolidated profit and loss account to set off against deficit charged to the consolidated profit and loss account in prior years.

31st March 2005

11 FIXED ASSETS *(continued)*

- (c) As at 31st March 2005, the total cost and accumulated depreciation of fixed assets held under finance leases were HK\$18,259,000 (2004: HK\$18,259,000) and HK\$10,047,000 (2004: HK\$8,827,000) respectively which have been included in plant and machinery category.
- (d) As at 31st March 2005, the Company's fixed assets comprised furniture, fixtures and equipment with a total cost of HK\$41,000 (2004: HK\$41,000) and accumulated depreciation of HK\$41,000 (2004: HK\$41,000).

12 DEFERRED DEVELOPMENT COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
At 1st April	16,398	20,175
Additions	12,662	13,549
Amortisation charges	(12,183)	(12,485)
Write-off	(8,765)	(4,841)
At 31st March	8,112	16,398
Cost	62,340	98,684
Accumulated amortisation and write-off	(54,228)	(82,286)
Net book value	8,112	16,398

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost (note (a))	67,586	67,586
Amounts due from subsidiaries (note (b))	291,336	262,012
	358,922	329,598

Notes:

- (a) Details of principal subsidiaries are set out in note 32 to the accounts.
- (b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost (note (a))	-	-	-	-
Share of net liabilities	-	(1,626)	-	-
Advance to a jointly controlled entity (note (b))	-	1,700	1,900	1,700
Less: provision	-	(74)	(1,900)	(1,700)
	-	-	-	-

Notes:

- (a) The Group's interest in a jointly controlled entity was disposed of on 4th January 2005. Details of the Group's interest in a jointly controlled entity during the year were as follows:

Company	Place of incorporation	Principal activities	Particulars of issued share capital	Equity interest held directly
E-Global Electronics Trading Platform Limited	British Virgin Islands	Operation of an electronic component transaction platform	100 ordinary shares of US\$1 each	25%

- (b) The advance to a jointly controlled entity represents the equal proportional amount from the respective investors based on their percentage of equity interest held. The amount is unsecured, interest-free and has no fixed terms of repayment.

31st March 2005

15 INVESTMENT IN SECURITY

	Group	
	2005 HK\$'000	2004 HK\$'000
Held-to-maturity debt security listed in overseas, at cost	-	40,365
Less: Accumulated amortisation of the premium	-	(683)
	-	39,682
Quoted market value of listed held-to-maturity debt security as at 31st March	-	40,878

16 OTHER INVESTMENT

	Group	
	2005 HK\$'000	2004 HK\$'000
Contributed capital, at cost	1,934	1,934
Less: Provision	(1,934)	(1,934)
	-	-

As at 31st March 2005, the Group had an interest in the following company:

Company	Place of establishment	Nature of business	Issued and fully paid registered capital	Equity interest held
Guilin Alco Electronics Limited ("GAEL")	The PRC	Inactive	US\$500,000	50%

The directors are of the opinion that the Group has no significant influence over GAEL.

17 INVENTORIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Raw materials	310,983	307,866
Work in progress	41,163	54,004
Finished goods	197,400	234,958
	549,546	596,828

As at 31st March 2005, the carrying amount of inventories that were carried at net realisable value amounted to HK\$181,969,000 (2004: HK\$136,798,000).

18 TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

At 31st March 2005, the ageing analysis of the trade receivables based on invoiced date is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0-30 days	225,711	227,222
31-60 days	105,146	90,641
61-90 days	13,338	7,639
Over 90 days	4,624	7,819
	348,819	333,321

The credit terms given 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.

31st March 2005

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

At 31st March 2005, the ageing analysis of the trade payables based on invoiced date is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0-30 days	295,486	307,447
31-60 days	91,262	117,940
61-90 days	56,836	27,182
Over 90 days	4,353	5,986
	447,937	458,555

20 SHARE CAPITAL

	Company	
	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31st March 2004 and 2005	800,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2003	511,382,734	51,138
Exercise of bonus warrants (note)	21,540,754	2,154
At 31st March 2004 and 1st April 2004	532,923,488	53,292
Exercise of bonus warrants (note)	24,410,600	2,441
At 31st March 2005	557,334,088	55,733

Note:

On 11th July 2002, the directors proposed to grant bonus warrants to the shareholders (other than overseas shareholders) whose names appeared on the register of members of the Company on 22nd August 2002 on the basis of one warrant for every ten ordinary shares of HK\$0.10 each in the issued share capital of the Company held.

On 22nd August 2002, bonus warrants conferring rights to subscribe for 51,138,185 ordinary shares at HK\$0.98 each were granted by the Board of Directors. The bonus warrants are exercisable at any time from 2nd September 2002 to 1st September 2005, both days inclusive.

20 SHARE CAPITAL *(continued)*

Note: *(continued)*

During the year ended 31st March 2005, 24,410,600 (2004: 21,540,754) ordinary shares of HK\$0.10 each of the Company were issued at a subscription price of HK\$0.98 per share to bonus warrant holders on the exercise of their bonus warrants for a total cash consideration of HK\$23,922,388 (2004: HK\$21,109,939).

Details of the movement and outstanding bonus warrants as at 31st March 2005 were as follows:

Subscription price per share	Number of bonus warrants outstanding as at 31st March 2004	Number of bonus warrants exercised during the year	Number of bonus warrants outstanding as at 31st March 2005
HK\$0.98	29,596,551	24,410,600	5,185,951

Subsequent to the year end, 2,183,403 bonus warrants were exercised, resulting in the issue of 2,183,403 ordinary shares of HK\$0.10 each by the Company at the subscription price of HK\$0.98 per share for a total cash consideration of HK\$2,139,735.

31st March 2005

21 RESERVES

	Group				
	Share premium	Capital redemption reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2004	229,137	471	(3,168)	821,571	1,048,011
2005 interim dividends	-	-	-	(27,832)	(27,832)
2004 final and special dividends	-	-	-	(58,622)	(58,622)
Adjustment of prior year dividends	-	-	-	(2,586)	(2,586)
Exercise of bonus warrants	21,482	-	-	-	21,482
Exchange differences arising on translation of the accounts of foreign subsidiaries	-	-	2,445	-	2,445
Profit for the year	-	-	-	239,146	239,146
At 31st March 2005	250,619	471	(723)	971,677	1,222,044
Representing:					
Proposed dividend					89,173
Reserves					1,132,871
At 31st March 2005					1,222,044
At 1st April 2003	210,182	471	281	746,253	957,187
2004 interim dividends	-	-	-	(15,977)	(15,977)
2003 final and special dividends	-	-	-	(56,252)	(56,252)
Adjustment of prior year dividends	-	-	-	(1,818)	(1,818)
Exercise of bonus warrants	18,955	-	-	-	18,955
Exchange differences arising on translation of the accounts of foreign subsidiaries	-	-	(3,449)	-	(3,449)
Profit for the year	-	-	-	149,365	149,365
At 31st March 2004	229,137	471	(3,168)	821,571	1,048,011
Representing:					
Proposed dividend					58,622
Reserves					989,389
At 31st March 2004					1,048,011

21 RESERVES (continued)

	Company				
	Share premium	Capital redemption reserve	Contributed surplus	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2004	229,137	471	40,586	5,634	275,828
2005 interim dividends	-	-	-	(27,832)	(27,832)
2004 final and special dividends	-	-	-	(58,622)	(58,622)
Adjustment of prior year dividends	-	-	-	(2,586)	(2,586)
Exercise of bonus warrants	21,482	-	-	-	21,482
Profit for the year	-	-	-	89,568	89,568
At 31st March 2005	250,619	471	40,586	6,162	297,838
Representing:					
Proposed dividend					89,173
Reserves					208,665
At 31st March 2005					297,838
At 1st April 2003	210,182	471	40,586	5,528	256,767
2004 interim dividends	-	-	-	(15,977)	(15,977)
2003 final and special dividends	-	-	-	(56,252)	(56,252)
Adjustment of prior year dividends	-	-	-	(1,818)	(1,818)
Exercise of bonus warrants	18,955	-	-	-	18,955
Profit for the year	-	-	-	74,153	74,153
At 31st March 2004	229,137	471	40,586	5,634	275,828
Representing:					
Proposed dividend					58,622
Reserves					217,206
At 31st March 2004					275,828

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. At Group level, the contributed surplus is classified into its components of reserves of the underlying subsidiaries.

31st March 2005

22 OBLIGATIONS UNDER FINANCE LEASES

At 31st March 2005, the Group's finance lease liabilities were repayable as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	208	2,838
In the second year	-	207
	208	3,045
Future finance charges on finance leases	(2)	(26)
Present value of finance lease liabilities	206	3,019

The present value of finance lease liabilities is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	206	2,813
In the second year	-	206
Present value of finance lease liabilities	206	3,019

23 BANK LOANS

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank loans, unsecured (note 27)	117,619	111,429

The unsecured bank loans are supported by corporate guarantees given by the Company.

23 BANK LOANS (continued)

The above bank loans are wholly repayable within five years and fall in the following periods:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	77,619	57,143
In the second year	32,500	34,286
In the third to fifth year	7,500	20,000
	40,000	54,286
	117,619	111,429

24 RETIREMENT BENEFIT COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Obligations on:		
– defined contribution retirement schemes (note (a))	623	557
– long service payments (note (b))	7,481	8,646
	8,104	9,203

(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 is 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 required to contribute 5% on the employees’ monthly net salaries with a maximum monthly contribution of HK\$1,000.

Contributions to the ORSO Scheme and MPF Scheme charged to the consolidated profit and loss account for the year amounted to HK\$3,232,000 (2004: HK\$3,657,000). Forfeited contributions in respect of the defined contribution retirement scheme of approximately HK\$272,000 (2004: HK\$56,000) were utilised during the year, leaving HK\$15,000 (2004: HK\$135,000) available as at 31st March 2005 to reduce future contributions.

31st March 2005

24 RETIREMENT BENEFIT COSTS *(continued)*

(a) Defined contribution retirement schemes *(continued)*

Contributions totalling HK\$623,000 (2004: HK\$557,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

(b) Long service payments

Long service payments provision is calculated in accordance with Section 31V of the Hong Kong Employment Ordinance at two-thirds of the employee's last full month's wages, or the two-thirds of HK\$22,500, whichever is lower, with the total provision for each employee limited to HK\$390,000. The provision balance is set-off against the Company's accumulated contributions to the ORSO and MPF Schemes.

25 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

	Group	
	2005 HK\$'000	2004 HK\$'000
At 1st April	29,491	30,940
Deferred taxation charged/(credited) to consolidated profit and loss account (note 5)	3,496	(1,449)
At 31st March	32,987	29,491

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$13,683,000 (2004: HK\$15,192,000) to carry forward against future taxable income.

25 DEFERRED TAXATION (continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Accelerated tax		Deferred		Others		Total	
	depreciation		development					
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April	28,046	29,389	1,817	1,878	333	1,323	30,196	32,590
Charged/(credited) to profit and loss account	2,612	(1,343)	308	(61)	347	(990)	3,267	(2,394)
At 31st March	30,658	28,046	2,125	1,817	680	333	33,463	30,196

Deferred tax assets

	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At 1st April	(705)	(1,650)
Charged to profit and loss account	229	945
At 31st March	(476)	(705)

	Group	
	2005	2004
	HK\$'000	HK\$'000
Deferred tax liabilities	33,463	30,196
Deferred tax assets	(476)	(705)
	32,987	29,491

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	270,036	166,438
Interest income	(19,496)	(14,447)
Interest expense on bank loans	8,502	6,836
Interest element of finance leases	30	166
Share of loss of a jointly controlled entity	–	318
Reversal of provision for advance to a jointly controlled entity	–	(118)
Amortisation of deferred development costs	12,183	12,485
Write-off of deferred development costs	8,765	4,841
Amortisation of premium on investment in security	682	683
Loss on disposal of fixed assets	7,168	1,897
Depreciation of owned fixed assets	74,494	74,176
Depreciation of fixed assets held under finance leases	1,220	2,657
Impairment charges on fixed assets	19,436	24,306
Surplus on revaluation of investment properties	(4,000)	(780)
Provision for other investment	–	1,934
Negative goodwill arising from additional interest in a subsidiary	(5,223)	–
Operating profit before working capital changes	373,797	281,392
Decrease/(increase) in inventories	47,282	(174,915)
Increase in trade receivables, prepayments and deposits	(17,351)	(124,836)
Increase in trade payables, other payables and accruals	85,964	203,038
Net cash inflow generated from operations	489,692	184,679

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Analysis of changes in financing during the year**

	Share capital including premium		Trust receipt loans repayable and bank loans		Minority interests		Obligations under finance leases	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April	282,429	261,320	264,067	113,912	19,204	19,109	3,019	9,820
Cash inflow/(outflow)	23,923	21,109	(57,398)	150,155	-	-	(2,843)	(6,967)
Minority interests' share of profits	-	-	-	-	2,519	1,695	-	-
Dividends paid to minority shareholders	-	-	-	-	(1,000)	(1,600)	-	-
Net assets acquired for additional interest in a subsidiary	-	-	-	-	(20,723)	-	-	-
Interest element of finance lease charged to profit and loss account	-	-	-	-	-	-	30	166
At 31st March	306,352	282,429	206,669	264,067	-	19,204	206	3,019

27 BANKING FACILITIES

As at 31st March 2005, banking facilities of approximately HK\$1,924 million (2004: HK\$1,056 million) were granted by banks to the Group, of which approximately HK\$207 million (2004: HK\$264 million) have been utilised by the Group, which were supported by corporate guarantees given by the Company.

28 CONTINGENT LIABILITIES

The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain of its subsidiaries (note 27).

31st March 2005

29 COMMITMENTS

(a) Operating lease commitments

At 31st March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Not later than one year	33,493	34,987
Later than one year and not later than five years	39,035	65,378
Later than five years	19,279	22,405
	91,807	122,770

(b) Capital commitments

	Group	
	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for:		
Moulds, plant and machinery	6,582	1,690

30 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st March 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Not later than one year	1,964	1,506
Later than one year and not later than five years	333	358
	2,297	1,864

31 RELATED PARTY TRANSACTION

On 18th October 2004, Alco Investments (B.V.I.) Limited (“Alco Investments”), a wholly-owned subsidiary of the Company, acquired 6,000 shares, representing 20% of the issued share capital of, Alco Plastics Products Limited (“Alco Plastic”) for a cash consideration of HK\$15,500,000 from Mr LAU Kwok Wai, a director of Alco Plastic. Upon completion, the percentage shareholding of Alco Investments in Alco Plastic increased from 80% to 100%. Negative goodwill arising from acquisition of additional interest in Alco Plastic amounted to HK\$5,223,000.

32 PRINCIPAL SUBSIDIARIES

As at 31st March 2005, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity held by the Company		Principal activities
			Direct	Indirect	
Alco Investments (B.V.I.) Limited	British Virgin Islands	Ordinary US\$50,000	100	–	Investment holding and provision of management services to its subsidiaries
Advance Packaging Limited	Hong Kong	Ordinary HK\$500,000	–	100	Manufacture and sale of polyfoam and packing products
Alco Communications Limited	Hong Kong	Ordinary HK\$10,000	–	100	Manufacture of consumer audio and telecommunication products
Alco Digital Devices Limited	Hong Kong	Ordinary HK\$1,000,000	–	100	Software development and trading of electronic products
Alco Electronics Inc.	Canada	Ordinary C\$500,000	–	100	Trading of consumer audio-visual products
Alco Electronics Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$5,000,000	–	100	Design, manufacture and sale of consumer audio-visual and telecommunication products

31st March 2005

32 PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity held by the Company		Principal activities
			Direct	Indirect	
Alco Electronics (Shenzhen) Limited	The PRC	Registered capital HK\$8,000,000	–	100	Provision of design and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK\$500,000	–	100	Trading of consumer audio- visual and telecommunication products
Alco Plastic Products Limited	Hong Kong	Ordinary HK\$3,000,000	–	100	Manufacture and sale of plastic products
Alco Properties Limited	Hong Kong	Ordinary HK\$10,000	–	100	Property investment
Alco Technologies Limited	Hong Kong	Ordinary HK\$10,000	–	100	Investment holding
Commusonic Industries Limited	Hong Kong	Ordinary HK\$400,000	–	100	Manufacture of consumer audio products

The above table lists out the principal subsidiaries of the Company as at 31st March 2005 which, in the opinion of the directors, principally affected the results for the year or form 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.

33 COMPARATIVES

Certain comparative figures have been reclassified to conform with the current year presentation.

34 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18th July 2005.