ALCO HOLDINGS LIMITED

Stock Code: 328 股份代號：328

Annual Report 年報

2019

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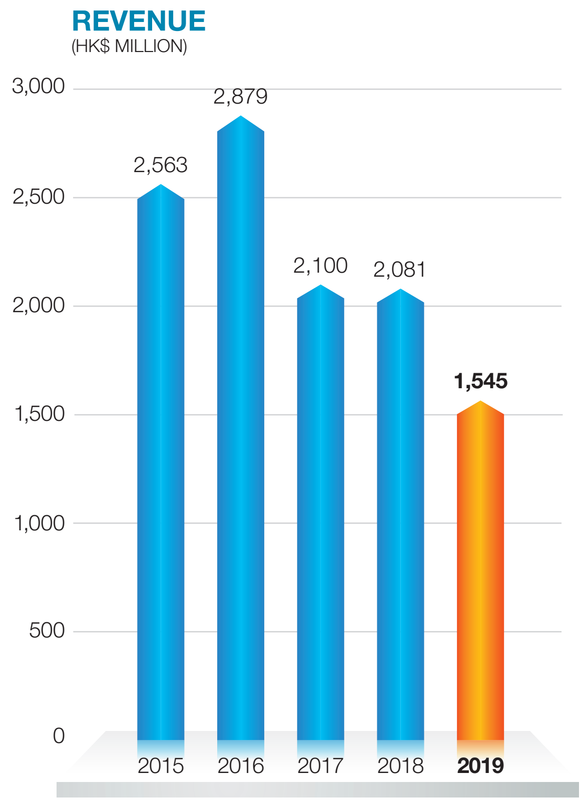
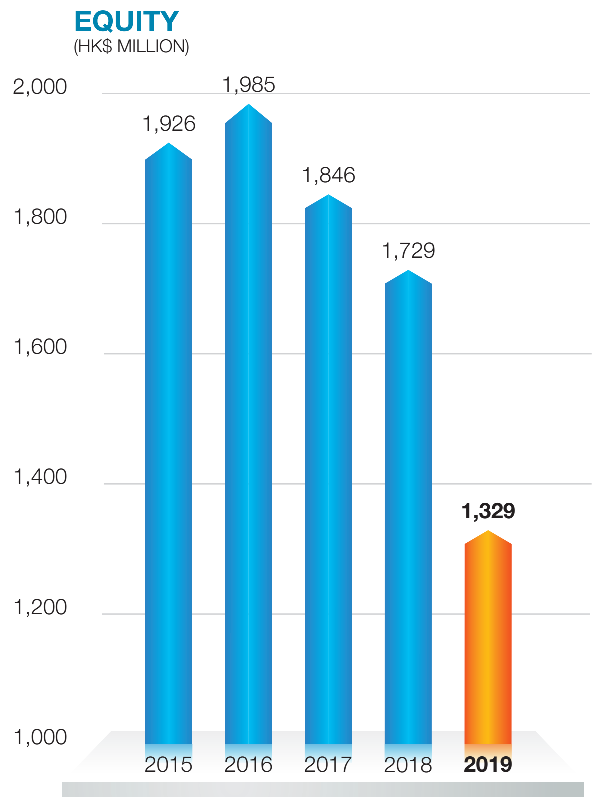
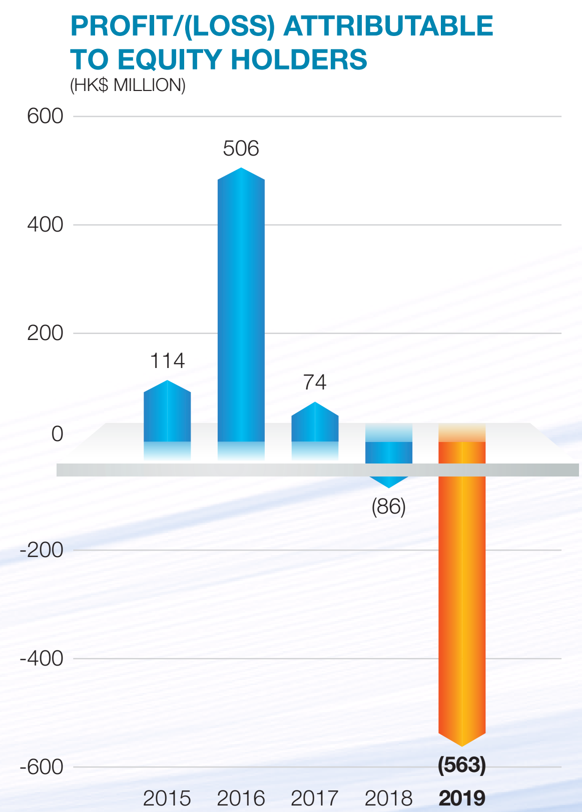
Corporate Information

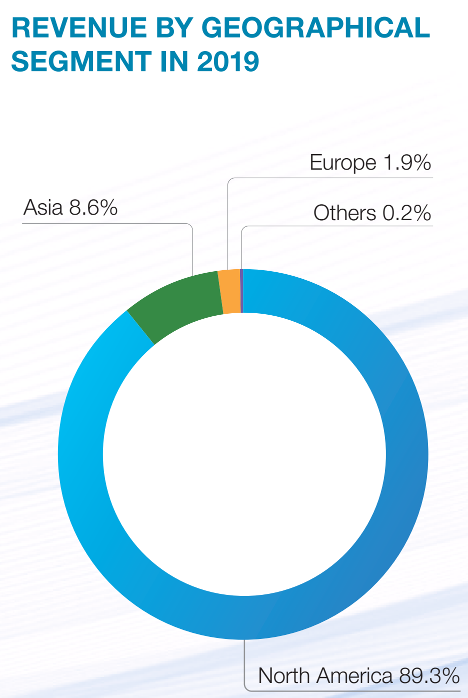
Directors	Mr LEUNG Wai Sing, Wilson *(Chairman)* Mr LEUNG, Jimmy Mr LIU Lup Man Mr LEE Tak Chi* Mr CHEUNG, Johnson* Mr CHEUNG Ka Wing* * *Independent non-executive directors*
Company Secretary	Mr LIU Lup Man
Principal Bankers	Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited MUFG Bank Limited
Auditor	PricewaterhouseCoopers
Legal Advisers	Kwok Yih & Chan
Legal Advisers on Bermuda Law	Conyers
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 54, Hopewell Centre 183 Queen's Road East Hong Kong
Website	http://www.alco.com.hk
Stock Code	328

Financial Highlights









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 31 March 2019.

For the year under review, the Group recorded turnover of HK$1.5 billion (2018: HK$2.1 billion) and net loss attributable to shareholders of HK$563 million (2018: net loss attributable to shareholders of HK$86 million). The net loss was partly the result of a decline in sales of approximately 26% which was partly due to a global shortage of central processor units as used for the manufacturing of laptop and tablet products. Furthermore, sales were impacted by the on-going China-US trade war that dampened the sentiment of buyers in the United States (which is the key market for the Group's tablet and audio visual products) such that some of the Group's customers became more hesitant in placing large-quantity orders. Under such an adverse business environment, which not only affected the Group but also many of its competitors, cut-throat competition ensued, leading to extreme price pressure that severely eroded the Group's gross margin. Moreover, substantial investments in advertising and promotions, products development and R&D, along with start-up costs and operating expenses associated with the opening of offices in key markets, all associated with the Group's notebook PC business, further impacted profitability.

Chairman's Statement

Another reason for the net loss was the impairment or unrecognition of certain fixed assets, inventory, intangible assets and deferred tax assets. For inventory, in addition to the provision of HK$119 million made in prior years, we had further made an impairment of HK$34 million for obsolete raw materials and finished goods.

As the Group's business incurred losses, pursuant to requirements of accounting standards, an impairment of HK$20 million had been made on certain fixed assets.

For intangible assets, certain R&D costs related to the notebook PC products, amounting to HK$28 million, which would have been capitalised as intangible assets if judged under the same criteria as last year, had been directly charged to the consolidated income statement. Furthermore, R&D costs of HK$22 million that were capitalised in previous years had become impaired this year. Consequently, an additional R&D cost of HK$50 million that are related to notebook PC products was recorded.

Lastly, similar to the treatments or reversals of intangible assets mentioned above, certain deferred tax assets of HK$8 million in respect of loss incurring subsidiaries were reversed and, at the same time, tax losses of HK$55 million in respect of current year's financial performance were not recognised.

The directors do not recommend the payment of a final dividend (2018: HK2 cents per share) for the financial year ended 31 March 2019.

Chairman's Statement

REVIEW OF OPERATIONS

Since the start of the financial year under review, macroeconomic conditions have deteriorated, culminating in one of the toughest, if not the toughest business environment in decades. The ever escalating China-US trade dispute and weakened global economy have resulted in an erosion in confidence among manufacturers and retailers, with some retailers subsequently choosing to place orders in piecemeal fashion and in lower quantities as countermeasures for the possible imposition of new tariffs.

To accommodate such actions, the Group had to purchase relevant components in smaller increments to match the lower quantities of incoming orders. This inevitably affected material costs as the Group was placed in a weaker position when negotiating with vendors for volume discounts. Also, production efficiency was severely hampered by the smaller and randomness of orders as start-and-stop production runs unavoidably result in idle equipment, lost labour hours, and wastage across various aspects of manufacturing. It is worth noting as well that despite the high level of automation found at the Group's production facility in Houjie Town (Dongguan), the need for skilled workers particularly during peak season remained difficult to meet, resulting in greater expenses incurred for recruiting workers from other provinces.

Despite such severe challenges, the Group has continued to implement a long-term growth strategy that centres on the development and promotion of Consumer Laptops and B2B/Commercial Laptops, which are under the AVITA and Nexstgo brands respectively. As at the year under review, there are a total of 10 Consumer Laptops and B2B/Commercial Laptops in the Group's portfolio. With respect to markets and channels penetration, the Group has established operations in 10 key Asian markets, including Hong Kong, Taiwan, Singapore, Malaysia, China, India, Indonesia, Vietnam, Thailand and the Philippines. Besides promoting the entry of AVITA and Nexstgo laptops, the Group's wholly owned subsidiary, Nexstgo Company Limited, has also been working closely with VAIO Corporation of Japan. Nexstgo distributes VAIO's S11 and S13 B2B/Commercial Laptops to the Hong Kong, Macao, Singapore and Taiwan markets. Going forward, Nexstgo will continue to work closely with the Japanese company on both product development and market expansion of VAIO branded laptops.

Chairman's Statement

As regards the Group's products that have traditionally been most popular with US retailers, specifically, its Soundbar and Home Theatre Systems, revenue was affected owing to an erosion in confidence among such retailers. Furthermore, RCA branded Windows tablets were severely impacted by the global shortage of central processing units, which not only resulted in a significant reduction in revenue, but also led to higher costs (the Group had to buy central processing units at high costs in order to secure supply) that placed significant pressure on profitability.

Besides constantly bolstering its product portfolio and market presence, the Group is also mindful of the importance of strengthening its production capabilities. The high costs needed to recruit well-educated and skilled labour during peak production periods is a stark reminder of the urgency to continue to automate and streamline manufacturing operations. Despite already having some 100 robots at the Houjie Town production plant, the Group will continue to invest in automation, control manufacturing expenses, and ensure greater flexibility, which is particularly essential for handling short turnaround orders.

During the period under review, the Group's proposed Rights Issue (on the basis of one rights share for every four shares) announced in December 2018 resulted in highly favourable response as highlighted by an oversubscription rate of approximately 389% and gross proceeds raised of approximately HK$125.84 million before expenses.

The Group has also increased its capital reserves by way of disposal of its property, located at 7 Floor, Block 1 and associated car parks on the ground floor of Kwai Tak Industrial Centre, 15-33 Kwai Tak Street, Kwai Chung, New Territories. The disposal agreement reached in October 2018 has resulted in fair returns from the property.

Chairman's Statement

PROSPECTS

Since it is uncertain that there will be a quick and amicable settlement to the trade dispute between China and the United States, it is all the more important for the Group to remain committed to implementing its development strategy, which will allow it to achieve long-term growth, reduce reliance on the USA market, and ultimately to emerge unscathed despite the extremely challenging business conditions that are straining many other companies in the industry.

Consistent with this strategy, the Group will continue to proactively develop its Consumer Laptops and B2B/Commercial Laptops businesses. The most recent fruits of the Group's efforts include the AVITA ADMIROR flagship laptop and Nexstgo PRIMUS NX301 ultra lightweight business-grade laptop that officially debuted during COMPUTEX 2019 in Taipei (held from 28 May to 1 June). Offering both style and substance, these newest additions will further bolster the Group's market position and enhance its reputation for innovation in the notebook PC community. Also under development are laptops that provide very high value-for-money propositions to consumers, which, together with the newly launched ADMIROR and PRIMUS NX301 series, will enable the Group's notebook PC business to once again generate record-high revenue in the coming months.

With respect to products that will be introduced in 2020 and 2021, the Group is actively evaluating laptops that incorporate 5G cellular network technology, business-grade laptops that incorporate graphic processors and gaming capabilities, and laptops that possibly incorporate block chain security.

To expedite business development, the Group will continue to direct resources and energies towards marketing and promotions so that the stature of the Group's principal brands such as AVITA and Nexstgo are further raised.

Chairman's Statement

Having increased public awareness in key markets in Asia, the Group will continue to penetrate these markets while at the same time seek to tap new markets, with the Middle East being a particularly important region where citizens in countries such as Saudi Arabia and the UAE have high levels of income and can appreciate products with high quality and reliability.

At the same time as the Group pushes to enhance its notebook PC business, rationalisation efforts are also implemented to reduce fixed and variable costs of the Group's various operations, especially those involving products that have become less and less popular. Since the quantity of laptops to be produced by the Group in the 2019/2020 financial year will rise further, economies of scale, both in production efficiency and costs of materials, from notebook PC business will continue to improve and in turn contribute positively to the Group's results.

Even though the Group has endured extremely challenging times in the past 12 months, undoubtedly one of the most difficult periods in its over 50-year history, it has not seen the various obstacles encountered as insurmountable and it will remain focused on new opportunities that can further its sustainable growth. The decisive measures the Group has taken are proof of this approach and they included restructuring various aspects of different operations to lower fixed costs; research and development spending for next generation Consumer Laptops, B2B/Commercial Laptops and high value-added products; investment in marketing, promotion and brand development; establishment of beachheads in key markets; and continuous automation of production activities. Backed by an experienced management team that has witnessed countless peaks and troughs over the years, the Group will continue to strive to achieve new milestones as it enters its second half century of operation.

Chairman's Statement

APPRECIATION

On behalf of the Board of Directors, I want to express my appreciation to the management team for their commitment and contributions over the past years. Furthermore, I would like to thank all member of Alco's Group of Companies for their trust, perseverance, and dedication. Last but not least, I want to extend my sincere gratitude to our customers, business partners and shareholders, all of whom are greatly valued by the Group.

LEUNG Wai Sing, Wilson
Chairman and Chief Executive Officer

Hong Kong, 26 June 2019

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Wai Sing, Wilson, aged 59, 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 LEUNG, Jimmy, aged 50, 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 26 years of experience in the field of audio electronic products and oversees the Group's purchasing function.

Mr LIU Lup Man, aged 48, 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 24 years of experience in auditing and accounting.

Independent Non-executive Directors

Mr LEE Tak Chi, aged 64, joined the Group in 2011 and was previously Associate Dean and Professor of School of Design, The Hong Kong Polytechnic University. He served as Board of Director of Automotive Parts and Accessory Systems R&D Centre and currently serves as Member of Assessment Panel of the Innovation and Technology Fund for Better Living established by the Hong Kong Government.

Mr CHEUNG, Johnson, aged 53, 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 27 years of experience in the equity market and presently is the Director of Research at China Galaxy International Securities (Hong Kong) Co., Ltd.

Mr CHEUNG Ka Wing, aged 58, joined the Group in May 2019 and holds a Bachelor's Degree in Management Science from the Taiwan National Chiao Tung University. He has more than 34 years of experience in various well-known computer and electronic companies and is currently a special assistant to President of Heronelite Inc.

Biographical Details of Directors and Senior Management

Senior Management

Mr LEUNG Wai Lap, David, aged 58, 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 services in North America.

Mr YIP Wing Shing, David, *S.B.S., M.H., J.P.*, aged 61, joined the Group in 1973. He is the Group's general manager and oversees the whole operation of the Dongguan factory. He has over 35 years of experience in the field of consumer electronic products.

Mr CHUNG Hau Yeung, Alex, aged 49, joined the Group in 2016 as CEO of NEXSTGO and set up Nexstgo Company Limited and Taiwan Nexstgo Limited. He has over 22 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 and member of the Major Sports Events Committee under the Sports Commission.

Mr SUN Kuo Ting, aged 46, 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 18 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 Taiwan National Chiao Tung University.

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 31 March 2019, except with deviation from code provision A.2.1.

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 15 June 2018, Mr. LEUNG Wai Sing, Wilson succeeded the chairman of the Board and since then he has the combined role of Chairman of the Board and Chief Executive Officer of the Company. The Board believes that this arrangement is beneficial to the Company as Mr. LEUNG has considerable industry experience.

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 three executive directors, namely Mr LEUNG Wai Sing, Wilson, Mr LEUNG, Jimmy and Mr LIU Lup Man and three independent non-executive directors, namely Mr LEE Tak Chi, Mr CHEUNG, Johnson and Mr CHEUNG Ka Wing.

Eight Board meetings were held during the year ended 31 March 2019. The attendance of each director is set out as follows:

Members of the Board	**Attended/Eligible to attend**
Executive Directors	
Mr LEUNG Kai Ching, Kimen (retired on 15 June 2018)	0/0
Mr LEUNG Wai Sing, Wilson	8/8
Mr KUOK Kun Man (retired on 1 April 2019)	8/8
Mr LEUNG, Jimmy	8/8
Mr LIU Lup Man	8/8
Independent Non-executive Directors	
Mr LI Wah Ming (resigned on 30 June 2019)	8/8
Mr LEE Tak Chi	8/8
Mr CHEUNG, Johnson	8/8
Mr CHEUNG Ka Wing (appointed on 9 May 2019)	0/0

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 CHEUNG, Johnson and Mr CHEUNG Ka Wing 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 31 March 2019.

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 LEE Tak Chi and Mr CHEUNG Ka Wing, 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 31 March 2019 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 (resigned on 30 June 2019)	1/1
Mr LEE Tak Chi	1/1
Mr CHEUNG Ka Wing (appointed on 9 May 2019)	0/0

AUDIT COMMITTEE

The audit committee currently comprises Mr CHEUNG, Johnson (chairman of the audit committee), Mr LEE Tak Chi and Mr CHEUNG Ka Wing, 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 31 March 2019.

Two audit committee meetings were held during the year ended 31 March 2019 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 (resigned on 30 June 2019)	2/2
Mr LEE Tak Chi	2/2
Mr CHEUNG Ka Wing (appointed on 9 May 2019)	0/0

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 LEE Tak Chi, Mr CHEUNG, Johnson and Mr CHEUNG Ka Wing.

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 31 March 2019 and the attendance of each committee member is set out as follows:

Members of the Nomination Committee	Attended/Eligible to attend
Mr LEUNG Wai Sing, Wilson	1/1
Mr LI Wah Ming (resigned on 30 June 2019)	1/1
Mr LEE Tak Chi	1/1
Mr CHEUNG, Johnson	1/1
Mr CHEUNG Ka Wing (appointed on 9 May 2019)	0/0

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 31 March 2019, 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
Services performed in relation to the issuance of rights shares	550

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

DIRECTOR'S TRAINING

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

COMMUNICATION WITH SHAREHOLDERS

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

Shareholders and potential investors may send written enquiries to the Company Secretary of the Company by email to investor.enquiry@alco.com.hk, by fax to (852) 2597 8700 or by mail to 11/F, 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.

Reporting Principle and Scope

As identified by the materiality assessment, 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 31 March 2019 ("Reporting Period").

During the Reporting Period, the Group's main business scope remained unchanged as it was principally engaged in design, manufacturing and sale of AV products and notebook products. Therefore, there was no significant change in our ESG management approach, strategy, priorities and objectives and this ESG report mainly covers the above operations.

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. Pursuant to the ESG Guide, the ESG Report provides a quantitative description of the effectiveness of our ESG-related practices, together with general disclosure of these practices. During the Reporting Period, no KPI target was set; however, to the best knowledge of the Board, our environmental and social impact was, if any, within the industry standard and maximum limit placed by the government authorities.

Environmental, Social and Governance Report

CORPORATE SOCIAL RESPONSIBILITY – APPROACH AND POLICY

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.

STAKEHOLDER ENGAGEMENT

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 some of them obtained qualifications of 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, and therefore no penalties was imposed on the Group during the Reporting Period.

ENVIRONMENTAL ASPECT (CONTINUED)

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.

Air Pollution – Exhaust Gas and Greenhouse 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.

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.

ENVIRONMENTAL ASPECT (CONTINUED)

Emissions (Continued)

Waste Management *(Continued)*

During the Reporting Period, our hazardous waste included waste engine oil, waste plastic pipes, waste sponge containing tin, and so on. Our non-hazardous waste consisted of paper board, paper tape, etc.

Emission Data:

Emissions	**Unit**	**Quantity**
Greenhouse gas		
– Scope 1 – direct emission – fuel consumption		120,770
– Scope 2 – indirect emission – electricity consumption	kg of CO_2 equivalents	5,359,698
– Scope 3 – other indirect emission		
(i) paper consumption		17,184
(ii) water consumption		199,275
Exhaust gas		
– Nitrogen Oxide (NO_x)		571,580
– Sulfur Oxide (SO_x)	gram	747
– Particulate matter (PM)		54,622
Others		
– Wastewater		199,275
– Non-hazardous waste	tonnes	218
– Other domestic waste		254
– Hazardous waste		2

ENVIRONMENTAL ASPECT (CONTINUED)

Emissions (Continued)

Waste Management *(Continued)*

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

KPI A1.1	The types of emissions and respective emissions data (if applicable) are set forth above.
KPI A1.2	Emissions of indirect greenhouse gases are set forth above.
KPI A1.3	Data and type of hazardous wastes are set forth above.
KPI A1.4	Data and type of non-hazardous wastes are set forth above.
KPI A1.5	Measures to mitigate emissions can be referred to in the above paragraphs.
KPI A1.6	Description of how wastes are handled, reduction initiatives can be referred to in the Use of Resources – Waste Management.

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:

– constantly checking whether our equipment and machines function properly, and replacing them when necessary;

– switching off machines, lights and air-conditioners after working hours to save electrical power;

– making detailed assessment on environmental impact prior to using new materials, equipment or production technique;

– setting production volume according to client orders, so as to avoid overstocking;

– promoting paperless office by using electronic documents

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.

Resource Consumption Data

Resources Consumed	Unit	Quantity
Electricity	kWh	6,699,623
Paper	kg	3,580
Water	tonnes	249,094
Fuel – vehicles	litre	47,828
Packaging materials – plastic	tonnes	42
Packaging materials – corrugate	tonnes	1,711

ENVIRONMENTAL ASPECT (CONTINUED)

Use of Resources (Continued)

Summary of KPI disclosure of Aspect A2 under the ESG Reporting Guide:

KPI A2.1	Details of electricity consumption are set forth above.
KPI A2.2	Details of water consumption are set forth above.
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 packaging materials are set forth above.

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.

In addition, we strive to promote environmental awareness amongst our staff. Besides green practices that we have been implementing in our workplace, we also provide relevant information and updates of latest environmental issues to our staff from time to time.

Summary of KPI disclosure of Aspect A3 under the ESG Reporting Guide:

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them can be referred to in the above paragraphs.

SOCIAL ASPECT

Employment and labour practices

Employment

Employment Data:

	Unit	Quantity
Total employees	No. of people	1,296
By gender		
– male	percentage	58.6
– female		41.4
By employment type		
– permanent	percentage	100
– temporary/part-time		0
By rank		
– executives	percentage	11.1
– others		88.9
By age		
– below 30		25.8
– 30-39		30.2
– 40-49	percentage	34.5
– 50-59		9.0
– 60 or above		0.5
Average service tenure		
By rank		
– executives		11.8
– others		8.1
By gender	No. of years	
– male		8.3
– female		8.3
New employees		
– male	No. of people	190
– female		99
Employee turnover		
– male	No. of people	291
– female		222

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Employment *(Continued)*

Recruitment and remuneration policies

The Group had 1,296 employees as at 31 March 2019. We undertake to provide a workplace where our staff is respected. We maintain a healthy balance between male and female employees. 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.

During our recruitment process, we ensure that we take only work experiences, job-related knowledge and skills and capabilities into consideration. Such indications have been included in our recruitment policy manual and we do not allow any form of discrimination to any potential candidates.

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.

Effective from 1 July 2018, the minimum wage imposed by the Dongguan Municipal Government was raised from RMB1,510 to RMB1,720 per month and we ensured we had complied with the change of law. We tend to recruit short-term temporary workers during the peak season as supply of permanent, long-term workers is relatively limited in the market. Nevertheless, we offer healthy and safe work environment and salaries at a level shared with other long-term, permanent workers. Our workers are not required to work on shift, except for the two to three months of SMT peak season, when they will be offered night shift subsidies.

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Employment *(Continued)*

Recruitment and remuneration policies (Continued)

During the Reporting Period, we experienced a higher voluntary turnover rate of employees, mainly attributable to the increasing job opportunities in certain provinces and cities in Mainland China which enjoy a rapid development. The Group does not deem the turnover rate worth concerning as it is in-line with the industry level.

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.

Equal opportunities, diversity and inclusion

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.

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.

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Employment *(Continued)*

Dismissal policies

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.

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.

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. These employees are also provided with extra occupational health check.

With strengthened orientation training and safety prevention for manufacturing equipment, as well as reinforced regular inspection and safety awareness, we witnessed a lower rate of work-related injuries.

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Health and Safety *(Continued)*

Work safety (Continued)

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.

In addition, the Group carries out, through site visit and telephone and email communication, an annual evaluation and review of suppliers on their workplace safety, corporate social responsibility, among others, to ensure that our business partners share the same value and safeguard their employees' health.

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.

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Development and Training

Training statistics

	Unit	Quantity
Participating employees	No. of people	936
Participating employees as % of total employees	percentage	72.2
By gender		
– male	Total hours	20,698
– female		15,245
By gender		
– male	Average hours per employee	38.4
– female		38.4
By rank		
– executives	Total hours	3,725
– others		32,318
By rank		
– executives	Average hours per employee	38.4
– others		38.4

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 at least 32 hours of required annual training.

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Development and Training *(Continued)*

Training statistics (Continued)

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. Relevant qualifications and certificates are required for employees to perform certain duties. The Group will help arrange trainings for these employees. For other employees, we promote continuous learning, whereby we encourage our staff to obtain professional qualifications, such as engineering, human resources management, etc.

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 noncompliance 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 PRC, 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 work 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.

OPERATING PRACTICES (CONTINUED)

Product Responsibility (Continued)

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 driving force to keep us working better.

During the Reporting Period, there were no material complaints or damage claim on our product and service quality from our clients.

Data privacy and intellectual property

Due to our business nature, we might be handling intellectual property owned by our clients or other parties, such as certain patented technology. Therefore, we have formulated strict guidelines and prevent employees from dishonest or inappropriate use of intellectual property. Such guidelines are communicated to our employees and are reinforced from time to time.

Our operation does not involve data privacy. Nevertheless, the Group has a clear set of rules in handling and protecting data privacy and all of our employees are required to follow such rules.

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.

OPERATING PRACTICES (CONTINUED)

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 whistle-blower.

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.

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.

Environmental, Social and Governance Report

REFERENCES TO HKEX ESG REPORTING GUIDE

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
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.	Social Aspect – 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.	Social Aspect – Employment and Labour Practices – Health and Safety

Subject Areas	Content	Section in This ESG Report
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social Aspect – 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.	Social Aspect – Employment and Labour Practices – Labour Standards
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social Aspect – 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.	Social Aspect – 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.	Social Aspect – Operating Practices – Anti-corruption

Subject Areas	Content	Section in This ESG Report
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.	Social Aspect – Community – Community Investment

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 March 2019.

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 56.

The directors did not declare an interim dividend.

The directors did not recommend the payment of a final dividend.

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.

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 31 March 2019 were HK$1,329 million (2018: HK$1,729 million) and HK$1.84 (2018: HK$2.99) respectively.

The Group maintains a healthy financial position. As at 31 March 2019, we had cash and deposits of HK$277 million. After deducting bank borrowings of HK$184 million, we had net cash of HK$93 million. The Group has adequate liquidity for future working capital requirements.

To strengthen the financial position, on 28 December 2018, the Group proposed a rights issue on the basis of one rights share for every four existing shares held with subscription price of HK$0.87 per rights share (the "Rights Issue"). There was an over-subscription of approximately 389% and a total of 144,648,930 shares were issued under the Rights Issue on 21 February 2019. The net proceeds from the Rights Issue were approximately HK$124 million.

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 31 March 2019, our inventory was HK$480 million (2018: HK$404 million). We take a cautious approach to monitor the inventory level especially during this environment with uncertainty. As at year end, apart from the normal provision, the Group had made an impairment of certain obsolete raw materials and finished goods totalling HK$34 million.

Trade receivables as at 31 March 2019 was HK$511 million (2018: HK$824 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 as at 31 March 2019 was HK$94 million (2018: HK$150 million).

Capital expenditure on fixed assets during the year was HK$47 million (2018: HK$180 million). As at 31 March 2019, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK$8,815,000 (2018: HK$13,030,000).

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 31 March 2019, the amount totalled RMB86 million.

EMPLOYEES

As at 31 March 2019, the Group had approximately 1,300 (2018: 1,400) 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 31 March 2019 are as follows:

Purchases	
– the largest supplier	12%
– five largest suppliers combined	40%
Sales	
– the largest customer	83%
– five largest customers combined	92%

None of the directors, their associates or shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above at any time during the year.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 27 and Note 33 to the consolidated financial statements respectively.

DONATIONS

There was no charitable and other donation made by the Group during the year.

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 135.

Report of the Directors

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2019 amounted to HK$772,835,000 (2018: HK$754,300,000), 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 136.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 March 2019 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 31 March 2019 and 2018 is set out below:

	Bank borrowings	
	2019	2018
	HK$'000	HK$'000
Within one year	**143,397**	91,615
In the second to fifth year	**7,365**	7,646
Over five years	**33,151**	34,457
	183,913	133,718

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2019 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 15 June 2018)
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man (retired on 1 April 2019)
Mr LEUNG, Jimmy
Mr LIU Lup Man
Mr LI Wah Ming, *S.B.S., J.P.* [1] (resigned on 30 June 2019)
Mr LEE Tak Chi [1]
Mr CHEUNG, Johnson [1]
Mr CHEUNG Ka Wing [1] (appointed on 9 May 2019)

[1] *Independent non-executive directors*

In accordance with clauses 87(1) and 86(2) of the Company's Bye-laws, Mr CHEUNG, Johnson and Mr CHEUNG Ka Wing 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.

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 31 March 2019, 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 Wai Sing, Wilson	68,311,153	–	68,311,153	9.45%
Mr LEUNG, Jimmy	1,660,179	–	1,660,179	0.23%
Mr LI Wah Ming	262,500	–	262,500	0.04%

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 31 March 2019, 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 31 March 2019, 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
Mr LEUNG Kai Ching, Kimen	Beneficial owner	293,000,000 (Note i)	40.51%
Shundean Investments Limited	Beneficial owner	267,812,500 (Note i)	37.03%
Mr Webb David Michael	Beneficial owner	75,344,884 (Note ii)	10.42%
Mr LEUNG Wai Lap, David	Beneficial owner	52,280,631	7.23%
Preferable Situation Assets Limited	Beneficial owner	48,080,841 (Note ii)	6.65%

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

Notes:

(i) Mr LEUNG Kai Ching, Kimen beneficially owned 25,187,500 shares, and in addition he held 267,812,500 shares through Shundean Investments Limited, which was 100% directly owned by him.

(ii) Mr Webb David Michael beneficially owned 27,264,043 shares, and in addition he held 48,080,841 shares through Preferable Situation Assets Limited, which was 100% directly owned by him.

Save as disclosed above, as at 31 March 2019, 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 31 March 2019.

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 31 March 2019.

The audit committee currently comprises three independent non-executive directors of the Company, namely Mr CHEUNG, Johnson, Mr LEE Tak Chi and Mr CHEUNG Ka Wing.

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 31 March 2019 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, 26 June 2019

pwc

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 56 to 134, which comprise:

- the consolidated balance sheet as at 31 March 2019;
- 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 31 March 2019, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

KEY AUDIT 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
- Impairment of property, plant and equipment and intangible assets

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.	We understood and tested the controls by which management identified obsolescence and determined the net realisable value of inventories.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for obsolete or slow moving inventories (Continued)	
At 31 March 2019, the Group held net inventories of approximately HK$480,248,000 and the provision for obsolete or slow moving inventories was approximately HK$153,462,000. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements. 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.	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 and estimates with underlying documents and analysis of inventory aging and sales records. 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.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment and intangible assets Refer to Note 14 "Property, plant and equipment", Note 17 "Intangible assets" and Note 4 "Critical accounting estimates and judgements" to the consolidated financial statements. The carrying value of property, plant and equipment and intangible assets of the Group as at 31 March 2019 was approximately HK$316,797,000 and HK$2,004,000 respectively. The Group had reported a continued loss in the current year. Management considered this as an impairment indicator on the property, plant and equipment and intangible assets and has performed an impairment assessment on these assets as at 31 March 2019 to determine the recoverable amount using value-in-use calculation. Based on the results of the assessment, it is concluded that there is impairment in respect of property, plant and equipment and intangible assets amounting to approximately HK$20,000,000 and HK$21,761,000 respectively. We focused on this area due to the significance of the balance, the existence of impairment indicators and the determination of recoverable amount of these assets, using value-in-use calculation, require significant judgements and estimates by the management about the future results of the related business and the discount rate applied to the cash flow forecast.	We obtained, understood and evaluated management's impairment assessment process. We tested the mathematical accuracy of the value-in-use calculation of the cash flow forecast and assessed the appropriateness of the methodology used. We tested the key assumptions used in the future cash flow forecast, including revenue growth rate and terminal growth rate, based on other available market data in the consumer electronic products industry taking into account the historical performance of the Group and corroborating with the development plan based on our discussion with the management. We also tested the discount rate by benchmarking them to the rates used by similar companies in the market. Based on the procedures described above, we found the methodology used, and key assumptions and estimates applied by management in the impairment assessment of property, plant and equipment and intangible assets are supportable by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.

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, 26 June 2019

Consolidated Income Statement

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**1,545,212**	2,080,707
Cost of goods sold	7	**(1,794,673)**	(1,982,104)
Gross (loss)/profit		**(249,461)**	98,603
Other income, net	6	**11,028**	41,227
Selling expenses	7	**(155,199)**	(95,117)
Administrative expenses	7	**(140,070)**	(96,978)
Reversal of/(provision for) impairment losses on financial assets	7	**600**	(2,908)
Other operating expenses	7	**(6,815)**	(14,918)
Operating loss		**(539,917)**	(70,091)
Finance income	10	**4,867**	8,045
Finance costs	10	**(16,165)**	(9,253)
Loss before income tax		**(551,215)**	(71,299)
Income tax expense	11	**(11,948)**	(14,637)
Loss for the year		**(563,163)**	(85,936)
Loss for the year attributable to:			
Equity holders of the Company		**(563,134)**	(85,808)
Non-controlling interests		**(29)**	(128)
		(563,163)	(85,936)
Loss per share attributable to equity holders of the Company			
– Basic	12	**(HK94.8 cents)**	(HK14.8 cents)
– Diluted	12	**(HK94.8 cents)**	(HK14.8 cents)
Dividends	13	**–**	28,930

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(563,163)**	(85,936)
Other comprehensive (loss)/income, net of tax:		
Item that may be reclassified subsequently to profit or loss		
Currency translation differences	**(12,412)**	16,473
Item that will not be reclassified to profit or loss		
Revaluation gain on transfer of owner occupied property to investment property	**65,423**	–
Total comprehensive loss for the year	**(510,152)**	(69,463)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(510,123)**	(69,335)
Non-controlling interests	**(29)**	(128)
	(510,152)	(69,463)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**316,797**	350,007
Investment properties	15	**78,238**	93,988
Leasehold land and land use rights	16	**–**	5,926
Intangible assets	17	**2,004**	36,652
Deferred income tax assets	28	**8,153**	16,790
Prepayments, deposits, and other receivables	21	**11,560**	17,677
		416,752	521,040
Current assets			
Inventories	20	**480,248**	403,591
Trade and other receivables	21	**531,304**	864,157
Other current assets	23	**7,986**	–
Current income tax recoverable		**13,075**	13,090
Cash and cash equivalents	22	**277,474**	279,520
		1,310,087	1,560,358
Current liabilities			
Trade and other payables	24	**205,340**	215,090
Current income tax liabilities		**3,396**	3,361
Borrowings	25	**143,397**	91,615
		352,133	310,066
Net current assets		**957,954**	1,250,292
Total assets less current liabilities		**1,374,706**	1,771,332

Consolidated Balance Sheet

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves attributable to equity holders of the Company			
Share capital	26	**72,324**	57,860
Reserves	27	**1,257,744**	1,671,938
		1,330,068	1,729,798
Non-controlling interests		**(598)**	(569)
Total equity		**1,329,470**	1,729,229
Non-current liabilities			
Other payables	24	**4,720**	–
Borrowings	25	**40,516**	42,103
		45,236	42,103
Total equity and non-current liabilities		**1,374,706**	1,771,332

The consolidated financial statements on pages 56 to 134 were approved by the Board of Directors on 26 June 2019 and were signed on its behalf.

LEUNG Wai Sing, Wilson
Director

LEUNG, Jimmy
Director

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 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)
	(77)	(1,319)	(46,403)	(47,799)	–	(47,799)
At 31 March 2018	57,860	318,768	1,353,170	1,729,798	(569)	1,729,229
At 1 April 2018	**57,860**	**318,768**	**1,353,170**	**1,729,798**	**(569)**	**1,729,229**
Change in accounting policy (Note 2.2)	**–**	**–**	**(1,900)**	**(1,900)**	**–**	**(1,900)**
Restated as at 1 April 2018	**57,860**	**318,768**	**1,351,270**	**1,727,898**	**(569)**	**1,727,329**
Comprehensive loss						
Loss for the year	**–**	**–**	**(563,134)**	**(563,134)**	**(29)**	**(563,163)**
Other comprehensive (loss)/income						
Currency translation differences	**–**	**(12,412)**	**–**	**(12,412)**	**–**	**(12,412)**
Revaluation gain on transfer of owner occupied property to investment property	**–**	**65,423**	**–**	**65,423**	**–**	**65,423**
Total comprehensive income/(loss)	**–**	**53,011**	**(563,134)**	**(510,123)**	**(29)**	**(510,152)**
Transactions with owners						
2018 final dividend	**–**	**–**	**(11,572)**	**(11,572)**	**–**	**(11,572)**
Issuance of rights shares	**14,464**	**109,401**	**–**	**123,865**	**–**	**123,865**
	14,464	**109,401**	**(11,572)**	**112,293**	**–**	**112,293**
At 31 March 2019	**72,324**	**481,180**	**776,564**	**1,330,068**	**(598)**	**1,329,470**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash used in operations	29(a)	**(186,894)**	(212,773)
Interest received		**4,867**	8,045
Interest paid		**(15,831)**	(9,253)
Income tax paid		**(3,644)**	(1,687)
Net cash used in operating activities		**(201,502)**	(215,668)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(46,776)**	(180,277)
Proceeds from disposal of property, plant and equipment	29(b)	**1,916**	570
Payments for intangible assets		**(1,186)**	(35,840)
Net proceeds from disposal of investment property		**88,350**	–
Net cash generated from/(used in) investing activities		**42,304**	(215,547)
Cash flows from financing activities			
Proceeds from trust receipt loans		**895,867**	530,621
Repayments of trust receipt loans		**(778,299)**	(530,621)
Proceeds from borrowings		**–**	75,993
Repayments of borrowings		**(67,077)**	(117,450)
Repurchase of shares		**–**	(1,473)
Dividends paid to the Company's shareholders		**(11,572)**	(46,326)
Proceeds from loan from a shareholder		**93,840**	–
Repayment of loan from a shareholder		**(93,840)**	–
Net proceeds from issuance of right shares		**123,865**	–
Net cash generated from/(used in) financing activities		**162,784**	(89,256)
Net increase/(decrease) in cash and cash equivalents		**3,586**	(520,471)
Cash and cash equivalents at the beginning of the year		**279,520**	787,201
Effect of foreign exchange rate change		**(5,632)**	12,790
Cash and cash equivalents at the end of the year	22	**277,474**	279,520

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

31 March 2019

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 31 March 2019, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 April 2018:

HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK (IFRIC) 22	Foreign currency transactions and advance consideration
HKAS 28 (Amendment)	Investment in associate and joint ventures
HKAS 40 (Amendments)	Transfer of investment property
HKFRS 1 (Amendment)	First time adoption of HKFRS

The impact of the adoption of HKFRS 9 and HKFRS 15 is disclosed in Note 2.2 below. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(b) The new standards, amendments to standards, interpretation and conceptual framework relevant to the Group which have been issued, but not effective for the financial year beginning 1 April 2018 and have not been early adopted:

		Effective for accounting year beginning on or after
HKAS 19 (Amendments)	Employee benefits	1 January 2019
HKFRS 28 (Amendments)	Investment in associates and joint ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS	Annual improvements to HKFRS 2015-2017 cycle	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) (Continued)

The Group's assessment of the impact of HKFRS 16 is set out below:

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 approximately HK$378,842,000 (Note 31(b)). Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis over the lease term.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 April 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 new standards, amendments to standards, interpretation and conceptual framework 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

2.2(a) Impact on the consolidated financial statements

As explained in Note 2.2(b) and Note 2.2(c) below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line item that were not affected by the changes have not been included. The adjustments are explained in more details below:

Consolidated balance sheet (extracted)	31 March 2018 As originally presented	HKFRS 9	HKFRS 15	1 April 2018 Restated
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets				
Trade and other receivables	864,157	(1,900)	28,000	890,257
Inventories	403,591	–	(7,560)	396,031
Other current assets	–	–	7,560	7,560
Current liabilities				
Trade and other payables	215,090	–	28,000	243,090
Equity				
Retained earnings	1,353,170	(1,900)	–	1,351,270

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (Continued)

2.2(b) HKFRS 9, "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in Note 2.11. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The Group's financial assets measured at amortised cost continue with their classification and measurements upon the adoption of HKFRS 9.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (Continued)

2.2(b) HKFRS 9, "Financial Instruments" (Continued)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables, and
- Other financial assets carried at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group has applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

In the prior year (before adoption of HKFRS 9), the impairment of trade receivables was assessed based on the incurred loss model. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indication that the receivable is impaired.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 April 2018 and the change in impairment methodologies has resulted in an increase of the loss allowance on 1 April 2018 by HK$1,900,000 for trade receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (Continued)

2.2(b) HKFRS 9, "Financial Instruments" (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. The Group has assessed that the expected credit loss model apply to the deposits and other receivables as at 1 April 2018 and the change in impairment methodologies has no material impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The total impact on the Group's retained earnings as at 1 April 2018 is as follows:

	HK$'000
Closing retained earnings as at 31 March 2018 – HKAS 39	1,353,170
Increase in provision for impairment for trade receivables	(1,900)
Opening retained earnings as at 1 April 2018 – HKFRS 9	1,351,270

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (Continued)

2.2(c) HKFRS 15, "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 from 1 April 2018 which resulted in changes to accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The Group elected to adopt HKFRS 15 without restating comparatives as it has chosen the simplified transition method, to apply HKFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 April 2018).

The reclassifications and the adjustments arising from the new revenue recognition rules are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018. In summary, the following adjustments were made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 April 2018):

Consolidated balance sheet (extracted):	HKAS 18 carrying amount 31 March 2018 HK$'000	Reclassification	HKFRS 15 carrying amount 1 April 2018 HK$'000
Current assets			
Trade and other receivables	864,157	28,000	892,157
Inventories	403,591	(7,560)	396,031
Other current assets	–	7,560	7,560
Current liabilities			
Trade and other payables	215,090	28,000	243,090

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (Continued)

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

Accounting for refunds

When the customer has a right to return the product within a given period, the entity is obliged to refund the purchase price. The Group previously recognised the expected refunds to customers as adjustment to revenue in trade receivables of HK$28,000,000 and to cost of goods sold in inventories of HK$7,560,000 as at 31 March 2018. Revenue was adjusted for the expected value of the returns and cost of goods sold were adjusted for the value of the corresponding goods expected to be returned.

Under HKFRS 15, a refund liability for the expected refunds to customers is recognised as adjustment to revenue in other payables of HK$28,000,000 as at 31 March 2018. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognises right to returned goods in other current assets and a corresponding adjustment to cost of goods sold of HK$7,560,000 as at 31 March 2018.

To reflect this change in policy, the Group has reclassified HK$28,000,000 from trade and other receivables to trade and other payables and reclassified HK$7,560,000 from inventories to other current assets on 1 April 2018.

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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 HKFRS 9 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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.

2.5 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.

(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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies (Continued)

(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 profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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.

2.7 Property, plant and equipment

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

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

Depreciation on leasehold improvements, buildings and moulds is calculated using the straight-line method to allocate their costs over their estimated useful lives of 15 years, 40 years and 4 years respectively. Other property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a reducing balance basis. The principal depreciation rates are as follows:

Furniture, fixtures and equipment	20%
Plant and machinery	14.5% to 20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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 2.10).

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 Investment properties

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

On the transfer of self-occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the consolidated income statement.

2.9 Intangible assets

(a) Acquired licence right

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

(a) *Acquired licence right (Continued)*

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

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

(b) *Deferred development costs*

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

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

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

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

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

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

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

Other development expenditures that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised over a period of 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

(a) Classification

From 1 April 2018, the Group classifies its financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing the assets changes.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income, net". Impairment losses are presented as separate line item in the consolidated income statement.

(d) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(e) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(e) *Accounting policies applied until 31 March 2018 (Continued)*

Until 31 March 2018, 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.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(i) 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.

(ii) Impairment of financial assets carried at amortised cost

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(e) Accounting policies applied until 31 March 2018 (Continued)

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

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

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

2.12 Offsetting financial instruments

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade receivables, 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, deposits and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables, deposits and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Note 3.1(b) for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and share options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

2.17 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

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

2.20 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (Continued)

(c) Offsetting

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

2.21 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present values.

2.22 Provisions

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

Revenue is recognised when or as the control of goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to a consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

The following is a description of the accounting policy for the principal revenue streams of the Group.

(i) Sales of goods

Sales of goods are recognised when control of the products has transferred, being a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. It is the Group's policy to sell its products to the customer with a right of return. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Rental income

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

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases

Operating lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Finance lease (as the lessee)

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 2.8. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2.23(ii).

2.25 Sales and leaseback transaction

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

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

2 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 31 March 2019, if RMB had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax loss (2018: loss) for the year would have been approximately HK$8,154,000 lower/higher (2018: HK$6,010,000 lower/higher), mainly as a result of the net foreign exchange differences on translation of RMB denominated cash and bank balances and other payables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 March 2019, if NTD had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax loss for the year would have been approximately HK$549,000 lower/higher (2018: HK$694,000 lower/higher), 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.

At 31 March 2019, if GBP had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax loss for the year would have been approximately HK$342,000 lower/higher (2018: HK$952,000 lower/higher), 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 31 March 2019, the Group's borrowings at variable rates were denominated in HKD and USD.

At 31 March 2019, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$1,536,000 higher/lower (2018: HK$1,117,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

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

At 31 March 2019, 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 for the year would have been approximately HK$2,311,000 lower/higher (2018: HK$2,317,000 lower/higher) due to interest income earned on market interest rate.

The total bank borrowings held by the Group as at 31 March 2019 and 2018 were all with floating rates.

(b) Credit risk

(i) Risk management

Credit risk arises from cash and cash equivalents and short-term deposits with banks and financial institutions, trade, deposits and other 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. The Group reviews regularly the recoverable amount of deposits and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts. For trade receivables from customers, management assesses the credit quality of each individual major customer, taking into account its financial position, past experience and other factors.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

* Trade receivables

* Other financial assets carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, management considers that the impairment loss is immaterial.

(i) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Trade receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. Trade receivables are written off when there is no reasonable expectation of recovery.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

(i) Trade receivables (Continued)

The following table presents the gross carrying amount and the lifetime expected credit loss in respect of individually assessed trade receivables as at 31 March 2018 and 2019:

	Trade receivables	
	2019	2018
	HK$'000	HK$'000
Gross carrying amount	**512,054**	826,632
Lifetime expected credit loss	**–**	(2,908)
At 31 March	**512,054**	823,724

The expected credit loss rate of approximately 0.1% to 26.3% for trade receivables, the impact of the expected loss of these collectively assessed trade receivables as at 31 March 2019 are assessed to be approximately HK$1,300,000. The expected credit loss of collectively assessed trade receivables as at 1 April 2018 are assessed to be approximately HK$1,900,000.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indication that the receivable is impaired.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

(ii) Other financial assets at amortised cost

The Group applies a 12-month expected credit loss on other financial assets at amortised cost. Management considered among other factors, analysed historical pattern and concluded that the expected credit loss for other financial assets at amortised cost to be immaterial as the credit risk is assessed as low.

(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 31 March 2019, the Group's total available banking facilities amounted to approximately HK$898 million (2018: HK$1,245 million), of which approximately HK$184 million (2018: HK$134 million) has been utilised.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

	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 31 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
At 31 March 2019							
Borrowings	**142,990**	**2,969**	**2,969**	**8,908**	**40,580**	**198,416**	**183,913**
Trade and other payables	**–**	**205,340**	**–**	**–**	**–**	**205,340**	**205,340**

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. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained below.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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
31 March 2018	6,810	6,750	18,224	31,784	31,080
31 March 2019	**124,639**	**6,797**	**11,554**	**142,990**	**141,692**

3.2 Capital risk management

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

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

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

The gearing ratios at 31 March 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents (Note 22)	**277,474**	279,520
Less: Borrowings (Note 25)	**(183,913)**	(133,718)
Net surplus cash	**93,561**	145,802
Total equity	**1,329,470**	1,729,229
Gearing ratio	**Not applicable**	Not applicable

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for obsolete or slow moving inventories

The Group makes provision for obsolete or slow moving inventories based on consideration of obsolescence of raw materials and work in progress and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventory and impairment provision in the year in which such estimate has been changed.

(b) Estimate of fair value of investment properties

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of non-financial assets

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

– property, plant and equipment

– leasehold land and land use rights

– intangible assets

– investments in subsidiaries

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

(e) Recognition of deferred income tax assets

According to the accounting policy as stated in Note 2.20, a deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised, and it is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised.

In determining the deferred income tax asset to be recognised, management is required to estimate the realisation of deferred tax assets. Any difference between these estimates and the actual outcome will impact the Group's result in the period in which the actual outcome is determined.

(f) Provision for other liabilities and charges

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

5 REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2019 HK$'000	2018 HK$'000
AV products	1,387,713	2,067,912
Notebook products	157,499	12,795
	1,545,212	2,080,707

	2019 HK$'000
Timing of revenue recognition	
– At a point in time	1,545,212

(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. No analysis of segment assets or segment liabilities is regularly provided to the chief operating decision-makers. A management approach has been used for the operating segment reporting.

The Group mainly operates in the PRC, Taiwan and Hong Kong and is principally engaged in designing, manufacturing and selling of consumer electronic products.

During the year, the chief operating decision-makers examine the Group's performance both from a product and geographic perspective and has identified two reportable segments of its business:

AV products	–	Design, manufacture and sale of consumer electronic products, including audio, video and tablet products
Notebook products	–	Design, manufacture and sale of commercial notebook and personal computers products

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment analysed by products (Continued)

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

	2019				2018			
	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 revenue								
External sales	1,387,713	157,499	–	1,545,212	2,067,912	12,795	–	2,080,707
Inter-segment sales	5,620	34,557	(40,177)	–	23,139	14,902	(38,041)	–
	1,393,333	192,056	(40,177)	1,545,212	2,091,051	27,697	(38,041)	2,080,707
Segment results [1]	(205,570)	(314,347)	–	(519,917)	(18,294)	(51,797)	–	(70,091)
Provision for impairment of property, plant and equipment				(20,000)				–
Finance income				4,867				8,045
Finance costs				(16,165)				(9,253)
Loss before income tax				(551,215)				(71,299)
Income tax expense				(11,948)				(14,637)
Loss for the year				(563,163)				(85,936)
Loss for the year attributable to								
– Equity holders of the Company				(563,134)				(85,808)
– Non-controlling interests				(29)				(128)
				(563,163)				(85,936)

(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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment analysed by geographical areas

The segment revenue for the years ended 31 March 2019 and 2018 are as follows:

	2019 HK$'000	2018 HK$'000
North America	**1,379,523**	2,025,007
Asia	**132,909**	33,563
Europe	**29,042**	20,609
Others	**3,738**	1,528
	1,545,212	2,080,707

The Company is domiciled in the Bermuda. The analysis of revenue by geographical segment is based on the destination to which the shipments are made. All non-current assets, other than deferred income tax assets, of the Group as at the end of the year are located in Asia, which amounted to approximately HK$404,495,000 (2018: HK$500,630,000) and in Europe, which amounted to approximately HK$4,104,000 (2018: HK$3,620,000).

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

	2019 HK$'000	2018 HK$'000
Customer A	**1,282,549**	1,877,613

6 OTHER INCOME, NET

	2019 HK$'000	2018 HK$'000
Fair value (loss)/gain on investment properties (Note 15)	**(2,726)**	3,500
Rental income from investment properties (Note 15)	**4,724**	3,846
Amortisation of deferred gain (Note)	**–**	33,446
Net gain on disposal of investment property	**2,650**	–
Refund of royalties fee	**6,256**	–
Others	**124**	435
	11,028	41,227

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 1 April 2017 was recognised in the consolidated income statement for the year ended 31 March 2018.

7 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling expenses, administrative expenses, (reversal of)/ provision for impairment losses on financial assets and other operating expenses are analysed as follows:

	2019 HK$'000	2018 HK$'000
Amortisation of intangible assets (Note 17)	**13,932**	9,899
Amortisation of leasehold land and land use rights (Note 16)	**47**	283
Auditor's remuneration	**2,280**	2,280
Cost of inventories (Note 20)	**1,342,403**	1,651,059
Provision for impairment of inventories	**34,413**	4,486
Provision for impairment of property, plant and equipment (Note 14)	**20,000**	–
Provision for impairment of intangible assets (Note 17)	**21,761**	–
Depreciation of property, plant and equipment (Note 14)	**48,249**	38,857
Employee benefit expenses (including directors' emoluments) (Note 8)	**215,455**	203,384
Severance pay (Note 8)	**2,707**	8,482
Loss on disposal of property, plant and equipment	**433**	1,399
Operating lease rental in respect of land and buildings	**29,584**	26,249
Research and development costs	**84,578**	35,007
Repairs and inspection costs	**20,303**	19,700
Promotion and exhibition expenses	**74,710**	24,375
(Reversal of)/provision for impairment losses on financial assets (Note 21)	**(600)**	2,908

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK$'000	2018 HK$'000
Wages and salaries	**188,705**	178,577
Other staff benefits and pension costs	**26,750**	24,807
	215,455	203,384
Severance pay	**2,707**	8,482

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

Notes:

(a) Pension costs – defined contribution retirement schemes

Before 1 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 1 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$4,199,000 (2018: HK$3,754,000). No forfeited contribution in respect of the defined contribution retirement scheme was utilised during the year (2018: same). No forfeiture contribution was available as at 31 March 2019 to reduce future contributions (2018: Nil). Contributions totaling approximately HK$531,000 (2018: HK$612,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accruals.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement benefits scheme contributions of HK$6,611,000 (2018: HK$6,629,000), which are based on a certain percentage of the salaries of the subsidiaries' employees, are charged to the consolidated income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

For both retirement benefits schemes, the Group has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2018: four) directors whose emoluments are reflected in the analysis presented in Note 9. The emoluments payable to the remaining one (2018: one) individual during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,600**	2,600
Contributions to pension schemes	**120**	120
	2,720	2,720

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

Notes: (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following band:

	Number of individual	
	2019	2018
Emolument band		
HK$2,000,001 – HK$3,000,000	**1**	1

(c) Senior management compensation

The emoluments of the senior management include one (2018: one) individual whose emoluments are reflected in the analysis presented in Note 8(b).

The emoluments of the remaining three (2018: three) senior management during the year are as follows:

	Number of individuals	
	2019	2018
Emolument bands		
HK$1,000,001 – HK$2,000,000	**3**	3

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 161 of the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 March 2018:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr LEUNG Kai Ching, Kimen (i)	–	4,843	1,677	207	6,727
Mr LEUNG Wai Sing, Wilson	–	4,843	1,677	207	6,727
Mr KUOK Kun Man (ii)	–	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
Independent non-executive directors:					
Mr LI Wah Ming (iii)	300	–	–	15	315
Mr LEE Tak Chi	300	–	–	–	300
Mr CHEUNG, Johnson	300	–	–	15	315
	900	15,572	5,590	732	22,794

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 March 2019:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors:					
Mr LEUNG Kai Ching, Kimen (i)	–	1,620	–	39	1,659
Mr LEUNG Wai Sing, Wilson	–	4,843	–	207	5,050
Mr KUOK Kun Man (ii)	–	3,600	–	141	3,741
Mr LEUNG, Jimmy	–	2,202	–	94	2,296
Mr LIU Lup Man	–	2,180	–	93	2,273
Independent non-executive directors:					
Mr LI Wah Ming (iii)	300	–	–	15	315
Mr LEE Tak Chi	300	–	–	–	300
Mr CHEUNG, Johnson	300	–	–	15	315
Mr CHEUNG Ka Wing (iv)	–	–	–	–	–
	900	14,445	–	604	15,949

Note:

(i) Retired on 15 June 2018
(ii) Retired on 1 April 2019
(iii) Resigned on 30 June 2019
(iv) Appointed on 9 May 2019

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 (2018: Nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2018: 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 (2018: 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 (2018: 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 (2018: Nil).

10 FINANCE INCOME AND FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Finance income:		
– Bank interest income	**4,867**	8,045
Finance costs:		
– Interest expense on bank borrowings	**15,445**	9,253
– Interest expense on loan from a shareholder (Note 32(a))	**720**	–
	16,165	9,253

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Corporate income tax on profits generated from subsidiaries operating in the PRC has been calculated at 25% in accordance with the relevant PRC tax law and regulations. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2019 HK$'000	2018 HK$'000
Current income tax		
– Hong Kong profits tax	**8**	5
– PRC corporate income tax	**3,631**	2,036
– Overseas corporate income tax	**35**	69
– Under-provision in prior years	**17**	2
Deferred income tax charge (Note 28)	**8,257**	12,525
Income tax expense	**11,948**	14,637

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

	2019 HK$'000	2018 HK$'000
Loss before income tax	**(551,215)**	(71,299)
Tax calculated at a tax rate of 16.5% (2018: 16.5%)	**(90,951)**	(11,764)
Effect of different tax rates in other countries	**(1,400)**	(455)
Income not subject to tax	**(1,280)**	(11,932)
Expenses not deductible for tax purposes	**42,470**	11,472
Under provision in prior years	**17**	2
Reversal of tax losses previously recognised	**7,927**	14,135
Tax losses not recognised	**55,199**	13,226
Utilisation of previously recognised tax loss	**(34)**	(47)
Income tax expense	**11,948**	14,637

12 LOSS PER SHARE

Basic

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

The weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share for the year ended 31 March 2019 has been adjusted for the rights issue proposed and completed during the year.

	2019	2018
Loss for the year attributable to equity holders of the Company *(HK$'000)*	**(563,134)**	(85,808)
Weighted average number of ordinary shares in issue	**594,051,359**	579,044,115
Basic loss per share *(HK cents)*	**(94.8)**	(14.8)

Diluted

Diluted loss 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 31 March 2019 and 2018. Therefore, the diluted loss per share are the same as basic loss per share.

13 DIVIDENDS

	2019 **HK$'000**	2018 HK$'000
No interim dividend paid (2018: HK3 cents per ordinary share)	**–**	17,358
No final dividend proposed (2018: HK2 cents per ordinary share)	**–**	11,572
	–	28,930

The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2019 (2018: HK2 cents per ordinary share).

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 1 April 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
Year ended 31 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 31 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

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 31 March 2019							
Opening net book amount	125,360	29,469	89,279	59,923	40,871	5,105	350,007
Additions	–	14,992	13,727	15,023	2,307	727	46,776
Disposals	–	–	(181)	(1,676)	(314)	(178)	(2,349)
Depreciation	(4,169)	(14,181)	(9,866)	(12,289)	(6,688)	(1,056)	(48,249)
Impairment loss	–	(6,312)	(13,688)	–	–	–	(20,000)
Transfer to investment properties	(4,485)	–	–	–	–	–	(4,485)
Exchange differences	(16)	–	(3,397)	(1,092)	(346)	(52)	(4,903)
Closing net book amount	116,690	23,968	75,874	59,889	35,830	4,546	316,797
At 31 March 2019							
Cost	121,709	304,498	135,959	179,419	79,088	9,981	830,654
Accumulated depreciation and impairment	(5,019)	(280,530)	(60,085)	(119,530)	(43,258)	(5,435)	(513,857)
Net book amount	116,690	23,968	75,874	59,889	35,830	4,546	316,797

(b) Depreciation expenses have been included in:

	2019 HK$'000	2018 HK$'000
Cost of goods sold	**37,179**	35,167
Administrative expenses	**11,070**	3,690
	48,249	38,857

(c) The impairment charges related to property, plant and equipment amounting to HK$20,000,000 (2018: Nil) have been recorded in cost of goods sold and administrative expenses. AV products segment and notebook products are determined as one cash-generating unit. The impairment loss attributable to this cash-generating unit was then allocated to write down the assets in the cash-generating unit (including intangible assets (Note 17) and related property, plant and equipment).

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) (Continued)

Recoverable amount has been determined by value-in-use calculation of present value of expected future cash flows. Management determined the compound annual growth rate of revenue in five-year period and annual growth rate beyond the five-year period based on past performance and its budget of market development. The discount rate used reflected specific risks relating to this cash-generating unit. For the purpose of allocating the impairment of property, plant and equipment, management has obtained the quotation of comparable models in second-hand market and compared them with the carrying value of individual assets. Management concluded no impairment should be allocated to land and buildings, motor vehicle, furniture, fixtures and equipment and plant and machinery.

Key assumptions adopted in value-in-use calculation were as follows:

	2019
Compound annual growth rate of revenue in five-year period	27.8%
Annual growth rate beyond the five-year period	3.3%
Pre-tax discount rate	10.7%

(d) As at 31 March 2019, certain of the Group's bank borrowing is secured by land and buildings with carrying value of HK$116,177,000 (2018: HK$120,290,000) (Note 25).

15 INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Beginning of the year	93,988	90,488
Transfer from property, plant and equipment and leasehold land and land use rights after revaluation	75,767	–
Disposal	(85,700)	–
Fair value (loss)/gain (Note 6)	(2,726)	3,500
Exchange difference	(3,091)	–
End of the year	78,238	93,988

Rental income derived from the investment properties amounted to approximately HK$4,724,000 (2018: HK$3,846,000) during the year (Note 6).

15 INVESTMENT PROPERTIES (CONTINUED)

Valuation process of the Group

The Group measures its investment property at fair value. The fair value of the Group's investment property at 31 March 2019 has been determined on the basis of valuation carried out by an independent qualified valuer, LCH (Asia-Pacific) Surveyors Limited (the "Valuer") (2018: 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.

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 31 March 2019, yields ranging from 2.0% to 6.2% (2018: 3.3% to 6.3%) were adopted in the term yields analysis for the Group's investment properties.

15 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Continued)

For the investment property located in Yuen Long, prevailing market prices are estimated based on recent land sales transactions nearby. The lower the prices, the lower is the fair value. At 31 March 2019, prevailing market prices ranged from HK$442 to HK$1,742 (2018: HK$524 to HK$583) per square foot on site area basis were adopted in the term and reversionary analysis for the Group's investment properties.

For the investment property located in Shenzhen, which was transferred from the self-occupied property during the year ended 31 March 2019, prevailing market prices are estimated based on recent sales transactions within the subject buildings/developments or other comparable properties. The lower the prices, the lower is the fair value. At 31 March 2019, prevailing market prices ranged from RMB25,512 to RMB38,850 per square meter on saleable area basis were adopted in the term and reversionary analysis for the Group's investment properties.

For the investment properties located in Kwai Chung, the Group has disposed the investment properties during the year ended 31 March 2019.

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2019 HK$'000	2018 HK$'000
Beginning of the year	**5,926**	6,001
Amortisation	**(47)**	(283)
Transfer to investment properties	**(5,859)**	–
Exchange differences	**(20)**	208
End of the year	**–**	5,926

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 1 April 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 31 March 2018			
At 1 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 31 March 2018			
Cost	78,000	40,766	118,766
Accumulated amortisation and impairment	(78,000)	(4,114)	(82,114)
Net book amount	–	36,652	36,652
For the year ended 31 March 2019			
At 1 April 2018	**–**	**36,652**	**36,652**
Additions	**–**	**1,186**	**1,186**
Amortisation	**–**	**(13,932)**	**(13,932)**
Impairment loss	**–**	**(21,761)**	**(21,761)**
Exchange differences	**–**	**(141)**	**(141)**
Net book amount	**–**	**2,004**	**2,004**
At 31 March 2019			
Cost	**78,000**	**41,683**	**119,683**
Accumulated amortisation and impairment	**(78,000)**	**(39,679)**	**(117,679)**
Net book amount	**–**	**2,004**	**2,004**

Amortisation expenses of license right and deferred development costs have been included in cost of goods sold. The provision for impairment of intangible assets of HK$21,761,000 (2018: Nil) has been included in cost of goods sold.

18 SUBSIDIARIES

As at 31 March 2019, 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
			2019		2018		
			Direct	Indirect	Direct	Indirect	
Alco Investments (B.V.I.) Limited	The British Virgin Islands	Ordinary USD50,000	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	–	100	Property holding

Note:

1 Represents a wholly foreign owned enterprise.

The above table lists out the principal subsidiaries of the Company as at 31 March 2019 and 2018 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Assets		
Trade and other receivables	**529,903**	848,375
Cash and cash equivalents	**277,474**	279,520
Total	**807,377**	1,127,895

	2019 HK$'000	2018 HK$'000
Liabilities		
Trade and other payables	**197,683**	215,090
Borrowings	**183,913**	133,718
Total	**381,596**	348,808

20 INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**330,808**	273,633
Work in progress	**23,152**	12,337
Finished goods	**279,750**	236,670
	633,710	522,640
Less: Provision for impairment	**(153,462)**	(119,049)
	480,248	403,591

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$1,342,403,000 (2018: HK$1,651,059,000).

21 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Non-current		
Prepayments, deposits and other receivables	**11,560**	17,677
Current		
Trade receivables	**512,054**	826,632
Less: Loss allowance	**(1,300)**	(2,908)
Trade receivables, net	**510,754**	823,724
Prepayments, deposits and other receivables	**20,550**	40,433
	531,304	864,157
	542,864	881,834

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 their carrying amounts.

At 31 March 2019 and 2018, the ageing analysis of the trade receivables based on shipping terms is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**41,899**	103,685
31 – 60 days	**62,159**	153,351
61 – 90 days	**69,602**	111,182
Over 91 days	**337,094**	455,506
	510,754	823,724

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

Movements of the loss allowance of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 31 March – calculated under HKAS 39	**2,908**	–
Amounts restated through opening retained earnings	**1,900**	–
Opening loss allowance as at 1 April 2018		
– calculated under HKFRS 9	**4,808**	–
Receivables written off during the year as uncollectable	**(2,908)**	–
(Decrease)/increase in loss allowance recognised in profit or loss during the year	**(600)**	2,908
At 31 March	**1,300**	2,908

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

	2019 HK$'000	2018 HK$'000
USD	**494,842**	805,154
NTD	**6,710**	2,044
HKD	**5,475**	578
Singapore dollars ("SGD")	**1,685**	–
GBP	**664**	1,237
Canadian dollars	**247**	13,470
Euro ("EUR")	**23**	897
Others	**1,108**	344
	510,754	823,724

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

	2019 HK$'000	2018 HK$'000
Cash at bank and on hand	**191,015**	158,746
Short-term bank deposits	**86,459**	120,774
	277,474	279,520
Maximum exposure to credit risk	**276,726**	277,479

As at 31 March 2019, the Group's cash and cash equivalents of approximately HK$24,402,000 (2018: HK$20,045,000) denominated in RMB were deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the China Government.

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

	2019 HK$'000	2018 HK$'000
RMB	**101,311**	95,332
USD	**87,677**	112,569
HKD	**78,716**	50,628
GBP	**3,822**	10,658
NTD	**3,644**	9,964
Denmark Krone ("DKK")	**985**	169
SGD	**577**	–
Malaysian Ringgit	**574**	–
EUR	**167**	195
Others	**1**	5
	277,474	279,520

23 OTHER CURRENT ASSETS

	2019 HK$'000	2018 HK$'000
Right to returned goods	7,986	–

24 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Non-current		
Other payables	4,720	–
Current		
Trade payables	94,128	149,876
Other payables and accruals	95,979	65,214
Refund liabilities (Note i)	15,233	–
	205,340	215,090
	210,060	215,090

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

(i) When a customer has a right to return product within a given period, the Group recognises a refund liability for the amount of consideration received for which the entity does not expect to be entitled. The Group also recognises a right to the returned goods (Note 23).

At 31 March 2019 and 2018, the ageing analysis of the trade payables based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	76,763	118,621
31 – 60 days	8,446	18,497
61 – 90 days	2,008	5,809
Over 91 days	6,911	6,949
	94,128	149,876

24 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
USD	**69,132**	63,021
HKD	**23,331**	83,632
DKK	**1,575**	–
RMB	**63**	1,202
NTD	**27**	–
EUR	**–**	1,557
GBP	**–**	464
	94,128	149,876

25 BORROWINGS

	2019 HK$'000	2018 HK$'000
Non-current		
Bank borrowing, secured (Note i)	**40,516**	42,103
Current		
Bank borrowing, secured (Note i)	**1,705**	1,810
Bank borrowings, unsecured (Note ii)	**141,692**	89,805
	143,397	91,615
Total borrowings	**183,913**	133,718

Notes:

i) As at 31 March 2019, the bank borrowing is secured by the Group's land and buildings with the carrying amounts of HK$116,177,000 (2018: HK$120,290,000) (Note 14) and is supported by corporate guarantees given by the Company (Note 30)_.

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

25 BORROWINGS (CONTINUED)

The maturity of bank borrowings is as follows:

	2019 HK$'000	2018 HK$'000
Within one year	143,397	91,615
In the second year	1,758	1,850
In the third to fifth year	5,607	5,796
Over five years	33,151	34,457
	183,913	133,718

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

As at 31 March 2019, the borrowings were interest-bearing at a margin over Hong Kong Inter-bank Offered Rate, London Inter-bank Offered Rate or Lender's Costs of Funds (2018: Hong Kong Inter-bank Offered Rate or London Inter-bank Offered Rate).

The carrying amounts of borrowings are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HKD	66,641	74,993
USD	117,272	58,725
	183,913	133,718

26 SHARE CAPITAL

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

	2019 Number of shares	**2019** HK$'000	2018 Number of shares	2018 HK$'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	**578,595,720**	**57,860**	579,367,720	57,937
Repurchase of the Company's own shares	**–**	**–**	(772,000)	(77)
Issuance of rights shares (Note a)	**144,648,930**	**14,464**	–	–
At the end of the year	**723,244,650**	**72,324**	578,595,720	57,860

(a) Issuance of rights shares

On 21 February 2019, the rights issue on the basis of one rights share for every four ordinary shares at a subscription price of HK$0.87 per rights share was completed. A total of 144,648,930 shares were issued resulting in net proceeds of approximately HK$123,865,000 to the Company. The new shares rank pari passu with the existing shares.

Notes to the Consolidated Financial Statements

31 March 2019

27 RESERVES

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

	Share premium HK$'000	Capital redemption reserve HK$'000	Revaluation reserve HK$'000	Exchange and other reserves HK$'000	Staff compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2018	308,278	1,089	–	(2,382)	11,783	1,353,170	1,671,938
Change in accounting policy (Note 2.2)	–	–	–	–	–	(1,900)	(1,900)
Restated as at 1 April 2018	308,278	1,089	–	(2,382)	11,783	1,351,270	1,670,038
Comprehensive loss							
Loss for the year	–	–	–	–	–	(563,134)	(563,134)
Other comprehensive income/(loss)							
Currency translation differences	–	–	–	(12,412)	–	–	(12,412)
Revaluation gain on transfer of owner occupied property to investment property	–	–	65,423	–	–	–	65,423
Total comprehensive income/(loss)	–	–	65,423	(12,412)	–	(563,134)	(510,123)
Transactions with owners							
2018 final dividend	–	–	–	–	–	(11,572)	(11,572)
Issuance of rights shares	109,401	–	–	–	–	–	109,401
Total transactions with owners	109,401	–	–	–	–	(11,572)	97,829
At 31 March 2019	417,679	1,089	65,423	(14,794)	11,783	776,564	1,257,744

28 DEFERRED INCOME TAX

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.

	2019 HK$'000	2018 HK$'000
Deferred income tax assets to be recovered after more than 12 months	**16,550**	27,560
Deferred income tax liabilities to be settled after more than 12 months	**(8,397)**	(10,770)
Deferred income tax assets, net	**8,153**	16,790

The movement in deferred income tax assets/(liabilities) 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
As at 1 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
As at 31 March 2018	**17,814**	**(3,723)**	**(2,979)**	**5,678**	**16,790**
As at 1 April 2018	**17,814**	**(3,723)**	**(2,979)**	**5,678**	**16,790**
(Charged)/credited to consolidated income statement	**(10,659)**	**(308)**	**2,529**	**181**	**(8,257)**
Exchange difference	**(9)**	**(186)**	**9**	**(194)**	**(380)**
As at 31 March 2019	**7,146**	**(4,217)**	**(441)**	**5,665**	**8,153**

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$92,798,000 (2018: HK$30,315,000) in respect of tax losses amounting to approximately HK$538,188,000 (2018: HK$166,121,000) that can be carried forward against future taxable profit. Approximately HK$528,828,000 (2018: HK$160,530,000) of the unrecognised tax losses have no expiry date and HK$3,303,000 (2018: Nil) will be expired within five years and HK$6,057,000 (2018: HK$5,591,000) will be expired over five years.

29 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2019 HK$'000	2018 HK$'000
Loss before income tax	**(551,215)**	(71,299)
Adjustments for		
Interest income	**(4,867)**	(8,045)
Interest expenses	**16,165**	9,253
Amortisation of intangible assets	**13,932**	9,899
Loss on disposal of plant and equipment	**433**	1,399
Amortisation of deferred gain	**–**	(33,446)
Depreciation of property, plant and equipment	**48,249**	38,857
Provision for impairment for inventories	**34,413**	4,486
(Reversal of)/provision for impairment losses on financial assets	**(600)**	2,908
Net gain on disposal of investment property	**(2,650)**	–
Impairment of intangible assets	**21,761**	–
Impairment of property, plant and equipment	**20,000**	–
Amortisation of leasehold land and land use rights	**47**	283
Fair value loss/(gain) on investment properties	**2,726**	(3,500)
Operating loss before working capital changes	**(401,606)**	(49,205)
(Increase)/decrease in inventories	**(119,056)**	65,742
Decrease/(increase) in trade and other receivables	**341,509**	(126,748)
Decrease in trade and other payables	**(7,741)**	(102,562)
Net cash used in operations	**(186,894)**	(212,773)

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

	2019 HK$'000	2018 HK$'000
Net book amount (Note 14)	**2,349**	1,969
Loss on disposal of property, plant and equipment (Note 7)	**(433)**	(1,399)
Proceeds from disposal of property, plant and equipment	**1,916**	570

29 NOTES TO CONSOLIDATED 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.

Net cash	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**277,474**	279,520
Borrowings – repayable within one year	**(143,397)**	(91,615)
Borrowings – repayable after one year	**(40,516)**	(42,103)
Net cash	**93,561**	145,802
Cash and cash equivalents	**277,474**	279,520
Gross debt – variable interest rates	**(183,913)**	(133,718)
Net cash	**93,561**	145,802

Net cash	Other assets	Liabilities from financing activities		
	Cash and cash equivalents HK$'000	Borrowings due within one year HK$'000	Borrowings due after one year HK$'000	Total HK$'000
At 1 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 31 March 2018	279,520	(91,615)	(42,103)	145,802
At 1 April 2018	**279,520**	**(91,615)**	**(42,103)**	**145,802**
Cash flows	**3,586**	**(52,078)**	**1,587**	**(46,905)**
Foreign exchange adjustments	**(5,632)**	**296**	**–**	**(5,336)**
At 31 March 2019	**277,474**	**(143,397)**	**(40,516)**	**93,561**

30 BANKING FACILITIES

As at 31 March 2019, banking facilities of approximately HK$898 million (2018: HK$1,245 million) were granted by banks to the Group, of which approximately HK$184 million (2018: HK$134 million) have been utilised by the Group. All banking facilities were supported by corporate guarantees given by the Company and as at 31 March 2019, bank borrowing of approximately HK$42 million (2018: HK$44 million) is secured by charges over the Group's land and buildings with the carrying amounts of approximately HK$116,177,000 (2018: HK$120,290,000).

31 COMMITMENTS

(a) Capital commitments

	2019 HK$'000	2018 HK$'000
Moulds, plant and machinery contracted but not provided for	**8,815**	13,030

(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:

	2019 HK$'000	2018 HK$'000
Not later than one year	**41,680**	36,062
Later than one year and not later than five years	**145,636**	143,075
Later than five years	**191,526**	233,274
	378,842	412,411

31 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:

	2019 HK$'000	2018 HK$'000
Not later than one year	2,280	396
Later than one year and not later than five years	6,806	1,217
	9,086	1,613

The lease terms are from one to five years.

32 RELATED PARTY TRANSACTIONS

(a) The Group had the following related party transactions in the normal course of business during the year:

	2019 HK$'000	2018 HK$'000
Interest expense on loan from a shareholder		
– Mr LEUNG Kai Ching, Kimen	720	–

(b) The key management compensation

Details on key management compensation are set out in Note 8.

33 BALANCE SHEET OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Investments in subsidiaries		**1,275,467**	1,131,897
Current assets			
Other receivables		**105**	105
Current income tax assets		**21**	16
Cash and cash equivalents		**1,693**	1,582
		1,819	1,703
Current liabilities			
Other payables		**1,576**	290
Net current assets		**243**	1,413
Total assets less current liabilities		**1,275,710**	1,133,310
Capital and reserves attributable to equity holders of the Company			
Share capital		**72,324**	57,860
Reserves	a	**1,203,386**	1,075,450
Total equity		**1,275,710**	1,133,310

The balance sheet was approved by the Board of Directors on 26 June 2019 and was signed on its behalf.

LEUNG Wai Sing, Wilson
Director

LEUNG, Jimmy
Director

33 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 1 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						
2018 interim dividend	–	–	–	–	(17,358)	(17,358)
2017 final dividend	–	–	–	–	(28,968)	(28,968)
Repurchase of own shares	(1,396)	77	–	–	(77)	(1,396)
Total transactions with owners	(1,396)	77	–	–	(46,403)	(47,722)
At 31 March 2018	308,278	1,089	40,586	11,783	713,714	1,075,450
At 1 April 2018	308,278	1,089	40,586	11,783	713,714	1,075,450
Comprehensive income						
Profit for the year	–	–	–	–	30,107	30,107
Transactions with owners						
2018 final dividend	–	–	–	–	(11,572)	(11,572)
Issuance of rights shares	109,401	–	–	–	–	109,401
Total transactions with owners	109,401	–	–	–	(11,572)	97,829
At 31 March 2019	417,679	1,089	40,586	11,783	732,249	1,203,386

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 6 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

31 March 2019

As at 31 March 2019, principal properties held for investment purposes are as follows:

Location	Lot number	Existing use	Lease 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
Units 2101 and 2104 on Level 21 and Units 2301, 2302, 2302A, 2303 and 2304 on Level 23, Huangcheng Plaza, No. 7 Futian Road South, Futian District, Shenzhen, the PRC	Not applicable	Commercial 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:

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**1,545,212**	2,080,707	2,100,142	2,879,104	2,562,566
(Loss)/profit attributable to equity holders of the Company	**(563,134)**	(85,808)	73,897	506,028	114,250
Total assets	**1,726,839**	2,081,398	2,378,157	2,971,460	2,497,147
Total liabilities	**(397,369)**	(352,169)	(531,666)	(986,462)	(570,812)
Total equity	**1,329,470**	1,729,229	1,846,491	1,984,998	1,926,335