ALCO HOLDINGS LIMITED

Stock Code 股份代號 : 328

2023

ANNUAL REPORT

年報

Contents

Corporate Information

Directors	Mr. LEI Kam Chao (Chairman) Mr. HO Chak Yu Mr. CHU Hoi Kan* Mr. LAM Chi Wing* Mr. TANG Sher Kin* * *Independent non-executive directors*
Company Secretary	Mr. LAI Ka Fung
Principal Bankers	Hang Seng Bank Limited Shanghai Commercial Bank Limited
Auditor	Prism Hong Kong and Shanghai Limited *Registered Public Interest Entity Auditor*
Legal Advisers on Bermuda Law	Conyers, Dill & Pearman
Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business	11/F, Metropole Square 2 On Yiu Street Sha Tin New Territories Hong Kong
Principal Registrars	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda
Registrars in Hong Kong	Tricor Abacus Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Website	http://www.alco.com.hk
Stock Code	328

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 12 months ended 31 March 2023.

For the year under review, the Group recorded a 84% decrease in turnover from HK$542 million (in 2022) to HK$89 million under the challenging market conditions, shifts in consumer preferences, and intensified competition in the electronic products industry.

Despite the decline in turnover, the Group achieved a remarkable reduction in net loss attributable to shareholders. The net loss decreased by 72%, from HK$332 million in the previous year to HK$92 million for current year under the continuing operation. This improvement is primarily attributed to the efforts to streamline operations, optimize costs, transform its business model and enhance operational efficiency.

During the reporting period, the Group implemented various cost-cutting measures, including reducing workforce and optimizing operational processes, to improve efficiency and reduce expenses leading to a decrease in administrative expense by HK$26 million compared to prior year. These initiatives have positively impacted the Group's financial position and contributed to the decrease in net loss.

The directors do not recommend the payment of a final dividend (2022:Nil) for the financial year ended 31 March 2023.

REVIEW OF OPERATIONS

The core business of the Group during the period under review was focused on the development and sales of own brand notebooks and tablets. However, the Group faced several challenges that impacted its operations and financial performance.

The significant decrease in turnover was primarily due to insufficient working capital during the year and limitations in our ability to allocate adequate resources to fulfill all orders, which led to a decline in sales volume and revenue. The Group is actively exploring and implementing measures to address the issue and restore the broken capital chain.

In response to the challenging business environment, the Group undertook a comprehensive transformation of its operations. The primary focus was on downsizing the Group by streamlining its organizational structure and optimizing resource allocation. By rightsizing the workforce and eliminating non-essential functions, the Group aimed to improve operational efficiency and reduce overhead costs.

Furthermore, the Group successfully implemented changes to its business model, from previous self-owned contract processing production method to a more cost-effective OEM/ODM production model, to adapt to evolving market demands.

Chairman's Statement

Efforts were also made to reduce debts and improve the Group's financial position. Through debt restructuring and negotiation with creditors, the Group has managed to reduce its debt burden and achieve a more sustainable capital structure. These actions have provided a solid foundation for the Group's future growth and financial stability.

PROSPECTS

Looking ahead, the Group remains committed to its strategic objectives and will continue to pursue opportunities for growth and profitability. The following prospects outline the key focus areas for the Group:

- Further debt reduction: The Group will continue to prioritize debt reduction efforts to strengthen its financial position and reduce financial risks.

- Operational optimization: The Group will continue to implement measures to improve operational efficiency, including ongoing downsizing initiatives, process enhancements, and cost control measures.

- Business cooperation: The Group will actively explore opportunities for business cooperation, including strategic partnerships, technological innovation, and product diversification, to enhance competitiveness and capture new market opportunities.

- Capital market financing: The Group intends to explore capital market financing options, including rights issues, to raise funds for strategic investments and future growth initiatives.

The Group remains cautiously optimistic about its prospects, driven by the ongoing efforts to improve operational efficiency, reduce debts, and pursue growth opportunities. The focus on financial stability, strategic partnerships, and transformative initiatives positions the Group for long-term success in a rapidly evolving market landscape.

APPRECIATION

On behalf of the Board of Directors, I want to thank every staff member of the Group for their endurance, dedication and commitment in assisting the Group in this particular difficult year. I also want to extend our sincere gratitude to our business partners for their tremendous understanding, patient and support to the Group.

Lei Kam Chao
Chairman
Hong Kong, 27 June 2023

Biographical Details of Directors and Senior Management

Executive Directors

Mr. HO Chak Yu ("Mr. Ho"), aged 34, has over 12 years of business experience. He is currently a director of Gloadvise SDN BHD, a company incorporated in Malaysia since December 2020. Mr. Ho also works as an oversea business development manager in Stellar Capital since August 2019 and mainly focus on exploring oversea market. In addition, Mr. Ho was director of Sensethere SDN BHD from November 2020 to June 2022. In general, Mr. Ho has extensive experiences in multi-national business.

Mr. LEI Kam Chao ("Mr. Lei"), aged 66, has over 40 years of business experience. He was an ED of Diamond Square Investment & Management Company Limited, a company incorporated in Hong Kong, and was primarily responsible for the overall management and supervision of the company's resources and administrative functions. Mr. Lei had been the ED and vice chairman of Century Entertainment International Holdings Limited (formerly known as Amax Holdings Limited) (stock code: 959), however, Mr. Lei does not hold any position in any listed companies at present. In addition, Mr. Lei is also the President Honorario of MaKuoc-Mio-Macau（澳門媽閣廟）Development Committee and the President Honorario of Macau Yacht Club. In general, Mr. Lei has extensive experiences in business and as an ED and vice chairman of listed company, and he is also active in public benefit activities.

Independent Non-executive Directors

Mr. CHU Hoi Kan ("Mr. Chu"), aged 36, has over 10 years of experience in the accounting and corporate finance industries. He is currently an associate director in Honestum International Limited performing corporate finance advisory work since January 2019. Prior to that, he was mainly engaged in corporate finance advisory work at CLC International Limited from December 2012 to January 2019 with his last position as a manager. He also gained accounting experience from Deloitte Touche Tohmatsu from October 2010 to November 2012, with his last position as an audit senior in the audit function.

Mr. Chu obtained a degree of Bachelor of Business Administration in Finance and Professional Accounting with first class honors from the Hong Kong University of Science and Technology in November 2010. He has been certified as a member of the Hong Kong Institute of Certified Public Accountants since September 2014. Mr. Chu has been appointed as an independent non-executive director of MOG Digitech Holdings Limited, whose shares are listed on main board of the Stock Exchange (stock code: 1942), since September 2022.

Mr. LAM Chi Wing ("Mr. Lam"), aged 43, obtained a bachelor of business administration in accounting and finance degree from The University of Hong Kong in December 2003, a master of science in knowledge management degree from The Hong Kong Polytechnic University in December 2006 and a master of business administration degree from The Chinese University of Hong Kong in December 2010. He is currently a postgraduate of the Executive Master in Public Administration Hong Kong Administrative Talents Program conducted by the School of Public Policy & Management at Tsinghua University.

Mr. Lam joined Li & Fung Group in September 2003, where he served as the group chief representative and general manager of Southern China of Li & Fung Development (China) Limited prior to his departure in July 2015. From June 2020 to December 2020, he was a brand and new retail strategic officer of Bonjour Holdings Limited.

Biographical Details of Directors and Senior Management

Mr. Lam has been a deputy to the 14th National People's Congress（第十四屆全國人大代表）, a member of each of the 12th and 13th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference（中國人民政治協商會議第十二屆及第十三屆廣東省委員會）and a member of each of the 11th and 12th Zhongshan Municipal Committee of the Chinese People's Political Consultative Conference（中國人民政治協商會議第十一屆及第十二屆中山市委員會）. Mr. Lam is currently a vice-chairman of each of the Hong Kong Guangdong Youth Association（香港廣東青年總會）, the council of the Guangdong Society of Commercial Economy（廣東省商業經濟學會理事會）, the Council for the Promotion of Guangdong-Hong Kong-Macao Cooperation（廣東省粵港澳合作促進會）and the Federation of Hong Kong Zhong Shan Community Organisations Limited（香港中山社團總會）. He is also currently an adjunct associate professor of the department of information systems, business statistics and operations management of the Business School of The Hong Kong University of Science and Technology, and co-director and an adjunct professor of the Center of Innovation Design and Entrepreneurship of the School of Management and Economics of The Chinese University of Hong Kong, Shenzhen. Mr. Lam served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from 2011 to 2012.

From July 2020 to December 2020, Mr. Lam was an Executive Director of Bonjour Holdings Limited (stock code: 653) listed on the Main Board of the Hong Kong Stock Exchange. Currently, Mr. Lam serves as an independent non-executive director of Wai Hung Group Holdings Limited (a company listed on the Stock Exchange of Hong Kong Limited, stock code: 3321) and MTT Group Holdings Limited (a company listed on the Stock Exchange of Hong Kong Limited, stock code: 2350). Mr. Lam has also served as an independent non-executive director of Aidigong Maternal & Child Health Limited (a company listed on the Stock Exchange of Hong Kong Limited, stock code: 0286) and resigned in December 2022.

Mr. TANG Sher Kin ("Mr. Tang"), aged 53, has about 30 years of experience in the engineering industry and project management. Mr. Tang obtained a bachelor's degree of engineering in mechanical engineering from the Oxford Polytechnic (now known as the Oxford Brookes University) in the United Kingdom in July 1992 and a master's degree of arts in global business management from the City University of Hong Kong in November 2006. Mr. Tang was admitted as a chartered engineer of the Engineering Council in December 2004, a registered professional engineer of the Engineer Registration Board in April 2009, a BEAM professional of the Hong Kong Green Building Council in July 2010 and a registered energy assessor of the Electrical and Mechanical Services Department of the Government in August 2012. Mr. Tang is a council member of The Hong Kong Institution of Engineers (HKIE) and also a fellow member of HKIE in five disciplines including (i) building services; (ii) control, automation and instrumentation; (iii) environmental; (iv) energy; and (v) mechanical. He is currently an independent non-executive director of Kwong Luen Engineering Holdings Limited, a company listed on the Stock Exchange (stock code: 1413).

Senior Management

Mr. LAI Ka Fung ("Mr. Lai"), aged 32, joined Advance Packaging Limited ("APL"), one of the major subsidiaries of the Company, as its financial controller in June 2022. Before joining AEL, Mr. Lai has over 8 years of experience in auditing, accounting and finance field. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lai holds a degree of Bachelor of Business Administration granted by The Hong Kong University of Science and Technology.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (version up to 31 December 2021) (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"). During the year ended 31 March 2023 ("Year"), the Company has complied all the applicable code provisions of the Code.

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.

Board composition

The Board currently comprises two executive Directors, namely Mr. HO Chak Yu and Mr. LEI Kam Chao and three independent non-executive Directors, namely Mr. CHU Hoi Kan, Mr. LAM Chi Wing and Mr. TANG Sher Kin.

All independent non-executive Directors are appointed for a term of three years.

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

Board diversity policy

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The nomination committee of the Company will review the board diversity policy from time to time to ensure its continued effectiveness.

Responsibilities and accountabilities of the Board and Senior Management

The Board is the primary decision making body of the Company and takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. Before entering into any significant transactions or commitments on behalf of the Company, members of the senior management should obtain prior approval and authorization from the Board.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day management and operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Directors' attendance at Board/general meetings

Twelve Board meetings and a general meeting were held during the year ended 31 March 2023. The attendance of each Director is set out as follows:

	Attended/Eligible to attend	
Members of the Board	**Board Meeting**	**General Meeting**
Executive Directors		
Mr. LIU Hoi Keung (re-appointed on 10 June 2022 and resigned on 9 August 2022)	1/2	0/0
Mr. CHUNG Hau Yeung (resigned on 27 January 2023)	8/8	1/1
Mr. YIP Wing Shing (retired on 9 September 2022)	6/6	0/0
Mr. LEUNG Kam Fai (retired on 4 July 2022)	3/3	0/0
Mr. LEI Kam Chao (appointed on 9 August 2022)	4/4	1/1
Mr. HO Chak Yu (appointed on 27 January 2023)	1/1	0/0
Non-executive Director		
Ms. HONG Ting (appointed on 16 June 2022 and resigned on 27 January 2023)	4/4	1/1
Independent Non-executive Directors		
Ms. CHOI Ka Ying (appointed on 16 June 2022 and resigned on 9 September 2022)	1/2	0/0
Mr. CHU Hoi Kan (appointed on 9 September 2022)	3/3	1/1
Mr. LAM Chi Wing (appointed on 16 June 2022)	4/5	0/1
Mr. TANG Sher Kin (appointed on 16 June 2022)	5/5	1/1
Mr. WONG Siu Kee (appointed on 9 April 2022 and resigned on 16 June 2022)	1/2	0/0
Mr. CHEUNG, Johnson (resigned on 9 April 2022)	0/0	0/0
Mr. LEE Tak Chi (resigned on 16 June 2022)	1/2	0/0
Mr. WU Zhi-Ling (resigned on 7 June 2022)	1/2	0/0

Corporate Governance Report

CHAIRMAN

At the dated of this report, Mr. LEI Kam Chao is the Chairman of the Board.

RE-ELECTION OF DIRECTORS

All the Directors 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 2023.

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. TANG Sher Kin (chairman of the Remuneration Committee), Mr. CHU Hoi Kan and Mr. LAM Chi Wing, all of whom are independent non-executive Directors.

The Remuneration Committee reviews and recommends to the Board the remuneration and other benefits paid by the Group to its Directors and senior management. The primary duties of the Remuneration Committee include, but are not limited to (i) establishing, reviewing and providing advices to the Board on the Group's policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management member; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

Two Remuneration Committee meetings were held during the Year for making recommendations to the Board on the remuneration packages of individual Directors and the senior management. The attendance of each Committee member is set out as follows:

Members of the Remuneration Committee	Attended/Eligible to attend
Ms. CHOI Ka Ying (appointed on 16 June 2022 and resigned on 9 September 2022)	1/2
Mr. CHU Hoi Kan (appointed on 9 September 2022)	1/1
Mr. LAM Chi Wing (appointed on 16 June 2022)	3/3
Mr. TANG Sher Kin (appointed on 16 June 2022)	3/3
Mr. CHEUNG, Johnson (resigned on 9 April 2022)	0/0
Mr. LEE Tak Chi (resigned on 16 June 2022)	0/0
Mr. WU Zhi-Ling (resigned on 7 June 2022)	0/0
Mr. WONG Siu Kee (appointed on 9 April 2022 and resigned on 16 June 2022)	0/0

AUDIT COMMITTEE

The Audit Committee currently comprises Mr. CHU Hoi Kan (chairman of the Audit Committee), Mr. LAM Chi Wing and Mr. TANG Sher Kin, all of whom are independent non-executive Directors.

The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and supervising the Group's financial reporting process and internal control system of the Group, risk management and internal audit; (ii) providing advice and comments to the Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

Two Audit Committee meetings were held during the Year to review the Group's interim and annual financial results for submission to the Board for approval, make recommendation on the re-appointment of the external auditor, review the internal control and risk management systems of the Group, review and monitor the effectiveness of internal audit function and oversee the audit process. The attendance of each Committee member is set out as follows:

Members of the Audit Committee	Attended/Eligible to attend
Ms. CHOI Ka Ying (appointed on 16 June 2022 and resigned on 9 September 2022)	1/1
Mr. CHU Hoi Kan (appointed on 9 September 2022)	2/2
Mr. LAM Chi Wing (appointed on 16 June 2022)	3/3
Mr. TANG Sher Kin (appointed on 16 June 2022)	3/3
Mr. CHEUNG, Johnson (resigned on 9 April 2022)	0/0
Mr. LEE Tak Chi (resigned on 16 June 2022)	0/0
Mr. WU Zhi-Ling (resigned on 7 June 2022)	0/0
Mr. WONG Siu Kee (appointed on 9 April 2022 and resigned on 16 June 2022)	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. LAM Chi Wing (chairman of the Nomination Committee), Mr. CHU Hoi Kan and Mr. TANG Sher Kin.

The primary duties of the Nomination Committee include, but are not limited to, (i) reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorship, and ensuring the diversity of our Board members; (iii) assessing the independence of the independent non-executive Directors; and (iv) making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors and succession planning for the Directors.

Two Nomination Committee meetings were held during the Year to review the structure, size and composition (including the skills, knowledge and experience) of the Board, the board diversity policy, assess the independence of independent non-executive Directors, and make recommendations to the Board on the appointment of the new Director in accordance with the Company's nomination policy including the nomination procedures and criteria listed below and composition of the Board Committees. The attendance of each Committee member is set out as follows:

Members of the Nomination Committee	Attended/Eligible to attend
Ms. CHOI Ka Ying (appointed on 16 June 2022 and resigned on 9 September 2022)	1/2
Mr. CHU Hoi Kan (appointed on 9 September 2022)	1/1
Mr. LAM Chi Wing (appointed on 16 June 2022)	3/3
Mr. TANG Sher Kin (appointed on 16 June 2022)	3/3
Mr. LEUNG Wai Sing, Wilson (deceased on 28 December 2021)	0/0
Mr. LEE Tak Chi (resigned on 16 June 2022)	0/0
Mr. CHEUNG, Johnson (resigned on 9 April 2022)	0/0
Mr. WU Zhi-Ling (resigned on 7 June 2022)	0/0
Mr. WONG Siu Kee (appointed on 9 April 2022 and resigned on 16 June 2022)	0/0

Nomination policy

The Company has adopted a nomination policy which sets out the selection criteria and procedures to nominate board candidates. The Nomination Committee aims to nominate suitable candidates to the Board and advise the Board on the appointment of directors and make recommendation to the Board, after assessing a number of factors of a candidate as set out in the nomination policy.

Pursuant to the nomination policy, the Nomination Committee shall identify suitable board candidates and make recommendation to the Board, after assessing a number of factors of a candidate, including, but not limited to:

- reputation for integrity
- accomplishment and experience
- compliance with legal and regulatory requirements
- commitment in respect of available time and relevant interest
- diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and the shareholders as a whole.

The Nomination Committee will review the nomination policy, as appropriate, and recommend revision to the Board for consideration and approval from time to time.

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.

Disclaimer of Opinion (the "Disclaimer of Opinion")

The Company's auditor, Prism Hong Kong and Shanghai Limited (the "Auditor") issued a disclaimer of opinion on the consolidated financial statements of the Group, details of which are set out in the independent auditor's report.

Corporate Governance Report

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As described in Note 1 to the consolidated financial statements, the Group reported net loss from continuing operations of approximately HK$91,919,000 for the year ended 31 March 2023. As at 31 March 2023, the Group had net current liabilities of approximately HK$921,749,000 which included bank and other borrowings (including which classified as held for sale) of approximately HK$199,874,000 were in default and the lenders have the right to demand for immediate repayment of the entire outstanding balances. As at 31 March 2023, the Group's bank balances and cash (including which classified as held for sale) amounted to approximately HK$2,940,000 only. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been formulating and undertaking a number of plans and measures to mitigate the Group's liquidity pressure, to improve the financial position of the Group and to remediate the delayed repayments to lenders and creditors.

The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of those plans and measures as mentioned in Note 1 to the consolidated financial statements, which are subject to multiple uncertainties.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable because of (i) the lack of sufficient supporting basis from the management on the successfulness of negotiation with the lenders and creditors on restructuring or extension of repayment terms of shareholders' loan, bank and other borrowings and trade payables; and (ii) the lack of sufficient supporting basis that the improvement of future operating results and cash flows would be realised, in particular, the uncertainty of outcome of those plans and measures and how variability in outcome would affect the future cash flows of the Group. Hence, we were unable to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements by the management of the Group.

Should the Group fail to achieve its plans and measures as mentioned in Note 1 to the consolidated financial statements, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed a disclaimer of opinion on those statements on 27 July 2022. Any adjustments to the balances as at 31 March 2022 would affect the balances of these financial statements items as at 1 April 2022 and the corresponding movements, if any, during the year ended 31 March 2023. The balances as at 31 March 2022 and the amounts for the year then ended are presented as corresponding figures in the consolidation financial statements for the year ended 31 March 2023. In view of the significance of and the potential interaction of the multiple uncertainties described above and their possible cumulative effects on the consolidated financial statements, we disclaimed our audit opinion on the consolidated financial statements relating to the going concern issue only and not any other issues for the year ended 31 March 2023 and also for the possible effect of the comparability of the current year's figures and the corresponding figures.

The Management's Position, View and Assessment on the Disclaimer of Opinion

In view of the uncertainties relating to going concern, the Directors have undertaken a number of plans and measures to improve the Group's liquidity and financial position, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future including:

(i) Restructure of bank and other borrowings

The bank and other borrowings which are repayable on demand or within one year (including which classified as held for sale) and was defaulted in repayment amounted to approximately HK$199,874,000 as at 31 March 2023.

The Group is negotiating with the banks for debt restructuring. The management is of the view that the Group will be able to obtain consent from the banks to extend the repayment of borrowings and continue to provide the banking facility to improve the liquidity position of the Group, considering the valuation of the office premise and investment properties of the Group amounting to approximately HK$181,115,000, with reference to valuation performed by independent qualified professional valuers and market data information from bank, and other properties held by Mr. Leung Wai Sing, Wilson ("Wilson") pledged to the banks.

(ii) Future treatment of the loans from shareholders

As at 31 March 2023, the Group has loans from past and existing shareholders (including which classified as held for sale) of approximately HK$476,190,000, of which approximately HK$289,766,000 was loan from the deceased ex-chairman of the Group, Wilson and approximately HK$78,200,000 was loan from another deceased shareholder, Leung Kai Ching, Kimen ("Kimen"). Wilson was one of the administrators of Kimen's estate, another deceased shareholder. As the estate of Wilson is frozen before the appointment of the estate administrator, the extension agreements related to loans from Wilson and Kimen could not be arranged. As the loans are repayable within one year, the Company will discuss the extension of the loans with the estate administrator once he/she is appointed. The Company will also discuss with other shareholders for the extension on repayment for the remaining loans from shareholders of approximately HK$108,224,000 which are repayable on demand.

(iii) Restructure of trade payables

As at 31 March 2023, trade payables amounted to approximately HK$194,938,000. Subsequent to the end of reporting period, the Group is involved in litigations requesting the Group to settle outstanding amount (details refer to Note 33). The Group will negotiate with certain creditors to further extend the repayment.

(iv) *Cash inflow from operations*

The Group is taking measures to streamline the product mix and production mode, to tighten cost controls over various costs and expenses and is adopting a more flexible procurement policy to control the purchase costs with the aim to attain gross profit and positive operating cash flow.

Based on the sales orders on hand for the notebook products up to June 2023, the Board expects an increase in sales in the coming months comparing to the corresponding period for the year ended 31 March 2023. The directors of the Company will continue with its effort in sales and marketing to promote the Group's notebook products in existing market and explore opportunities in other countries.

(v) *Proceeds from rights issue*

On 13 June 2023, the Board proposed to raise up to approximately HK$90,690,000 (before expense) by issuing up to 63,645,492 rights shares to the qualifying shareholders by way of the rights issue at the subscription price of HK$1.425 per rights share on the basis of four rights shares for every one share held on the record date (the "Rights Issue"), details of the Rights Issue are set out in the Company's announcement dated 13 June 2023. The Rights Issue is expected to complete in July 2023. The Board currently intends to apply the net proceeds from the Rights Issue primarily for repayment of bank loans and other borrowings, and for general working capital of the Group.

The Board believes that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2024. However, should the Group fail to achieve the above mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

The Company will continue to take proactive measures so to resolve its liquidity issue and will publish an appropriate announcement if there is any material development in accordance with the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Auditor has indicated to the Company that whether the multiple uncertainties relating to going concern can be adequately addressed depends on the implementation of the Company's actions taken/proposed plans and measures to be taken as mentioned above to address the Disclaimer of Opinion.

The Company's auditor also issued an other matter (the "Other Matter") paragraph, details of which are set out in the independent auditor's report.

Other Matter

The consolidated financial statements of the Group for the year ended 31 March 2022, were audited by another auditor who expressed a disclaimer of opinion on those statements on 27 July 2022.

Had we not disclaimed our opinion, we would have issued a qualified opinion on the basis that the scope limitation on assets and liabilities classified as held for sale for the year ended 31 March 2023 and the corresponding balances instead of a disclaimer of opinion. The other issues mentioned below do not form part of paragraphs in relation to the disclaimer of opinion or the basis of disclaimer opinion.

As set out in Note 11 to the consolidated financial statements, on 31 August 2022, the directors of the Company have made the strategic decision to cease the operation of the production line in Dongguan and has obtained the approval from the local government on the same date. The related deregistration and insolvency application is in progress with the assistance from the local government as at this report date. The results of the discontinued operation for the year ended 31 March 2023 and 2022 and the balances of assets and liabilities related to the discontinued operation as at 31 March 2023 and 2022 are set out in Note 11 to the consolidated financial statements.

As the deregistration and insolvency application is in progress with the assistance from the local government from the date of cessation of business up to the date of this report date. The Group's management were unable to access the Dongguan production facility and offices where the accounting records and documents located. Accordingly, we were not able to obtain sufficient appropriate audit evidence to verify the amount of loss for the year from discontinued operations, assets classified as held for sale and liabilities associated with assets classified as held for sale on the consolidated statement of profit or loss and the consolidated statement of financial position and related Note 11 to the consolidated financial statements.

Given the above scope limitation, we were unable to obtain sufficient appropriate audit evidence with respect to the result of the Group's discontinued operation for the year ended 31 March 2023, the carrying values of the assets and liabilities classified as held for sale as at 31 March 2023 as well as their corresponding comparative figures as set out in Note 11. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments were necessary in respect of the Group's loss for the year from discontinued operations of HK$423,695,000, assets classified as held for sale of HK$82,954,000 and certain liabilities associated with assets classified as held for sale of HK$90,782,000 and their corresponding comparative figures.

Corporate Governance Report

The Management's Position, View and Assessment on the Other Matter

Due to the ongoing trade war between China and the United States of America and the outbreak of coronavirus pandemic which in turn has resulted in the tremendous increase in operational cost, the maintenance of the production line under Alco Electronics Dongguan Limited ("AEDGL") ("the Production Line") has become more difficult. As a strategic move to achieve the Group's overall goal to streamline its operation and better cost control, the Group announced the cessation of the Production Line on 31 August 2022. Once the Dongguan local government granted the approval of cessation of the Production line and started to arrange settling outstanding debt in relation to AEDGL. The local government seized the factory together with the office area within the factory where the books and records located. Therefore the access to the books and records is lost.

The auditor has requested to inspect the books and records in relation to AEDGL for the year ended 31 March 2022. As most of the vouchers are locked up in the office within the factory so the audit team could not access the books and records for audit.

The management has already make the best effort to provide all supporting documents related to AEDGL which is not locked up in the PRC factory. Therefore only part of the supporting is not able to provide to the auditor during the audit. The management has also applied to the Dongguan local court to release the accounting documents and the Other Matter is expected to be solved by the next annual audit.

Audit Committee's View on the Disclaimer of Opinion and the Other Matter

The Audit Committee had critically reviewed the Disclaimer of Opinion and the Other Matter, the management's position concerning the Disclaimer of Opinion and the Other Matter (the "Management's Position") and measures taken by the Group for addressing the Disclaimer of Opinion and the Other Matter. The Audit Committee agreed with the Management's Position based on the reasons above. Moreover, the Audit Committee requested the management to take all necessary actions to address the uncertainties regarding going concern underlying the Disclaimer of Opinion that no such Disclaimer of Opinion will be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

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

AUDITOR'S REMUNERATION

For the Year, the remuneration paid to the Company's auditor, Prism Hong Kong and Shanghai Limited, is set out as follows:

Services rendered	Fees paid/payable
	HK$'000
Audit-related services	780

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.

During the Year, we have outsourced the internal control review work to a third party consulting company to review the effectiveness and adequacy of the internal controls over the various systems of the Group. Recommendations for internal control will be communicated with management and proper improvement plans will be 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.

Corporate Governance Report

DIRECTOR'S TRAINING

During the year, 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 year.

DIVIDEND POLICY

The Company does not have any pre-determined dividend payout ratio. The Board considers a number of factors in declaration and payment of dividends, including the financial condition, results of operation and level of cash; statutory and regulatory restrictions; future prospects and any other factors that the Board may consider relevant. The Board has the discretion to declare and distribute dividends to the shareholders of the Company to the extent that the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth.

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.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 20 to the consolidated financial statements.

Analysis of the Group's performance for the Year by product and geographical area is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 34.

The Directors did not declare an interim dividend.

The Directors do 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 Chairman's Statement 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

Please refer to Note 37 of the financial statements for events after the reporting period.

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 deficit and total deficit per share as at 31 March 2023 were HK$795 million (2022: total equity HK$273 million) and HK$52.22 (2022: total deficit per share HK$18.87) respectively.

As at 31 March 2023, we had bank balances and cash of HK$2 million (2022: HK$10 million). After deducting bank and other borrowings of HK$68 million (2022: HK$285 million), loans from shareholders of HK$86 million (2022: HK$402 million) and lease liability of HK$2 million (2022: HK$64 million), we had net borrowing of HK$154 million (2022: HK$741 million).

As at 31 March 2023, our inventory was HK$38 million (2022: HK$354 million), which consisted of HK$10 million (2022: HK$83 million) of raw material, HK$nil (2022: HK$16 million) of work-in-progress and HK$28 million (2022: HK$255 million) of finished goods. We take a cautious approach to monitor the inventory level especially during this environment with uncertainty.

Trade receivables as at 31 March 2023 were HK$8 million (2022: HK$151 million). Some of the customers have counter claims on the Group which have been included in other payables. We are actively following the receivable with our customers for payments.

Trade payables as at 31 March 2023 were HK$49 million (2022: HK$208 million).

Capital expenditure on fixed assets during the year was HK$ Nil (2022: HK$26 million). As at 31 March 2023, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK$ Nil (2022: HK$1 million).

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 were no speculative activities during the reporting financial year.

Report of the Directors

LITIGATION UPDATE

Subsequent to the end of reporting period, the Group received one writ of summon issued by a supplier in respect of outstanding sums due and owing by the Group and a winding-up order against the wholly-owned subsidiary of the Group. Details are set out in the announcements of the Company dated 27 June 2023 and 28 June 2023. Subsequent to this report, the Group has the following updates:

On 24 April 2023, the wholly-owned subsidiary of the Group received the writ of summons issued by Bando Electronics (HK) Co., Limited ("Bando") against Alco Electronics Limited to recover an amount of US$582,375.78 under High Court Action No. 606 of 2023.

On 28 June 2023, a winding-up order has been granted by the High Court of Hong Kong against the wholly-owned subsidiary of the Group during the hearing of the Petition held on 28 June 2023. Mr. Pui Chiu Wing and Mr. Iu Chi Leung of Ho, Lok & Pui CPA Limited have been appointed as the provisional liquidators to the wholly-owned subsidiary of the Group pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

EMPLOYEES

As at 31 March 2023, the Group had approximately 59 (2022: 625) employees in Mainland China, 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 are as follows:

Purchases	
– the largest supplier	38%
– five largest suppliers combined	63%
Sales	
– the largest customer	31%
– five largest customers combined	68%

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.

DISTRIBUTABLE RESERVES AND RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 29 and Note 36(b) to the consolidated financial statements respectively.

Distributable reserves of the Company as at 31 March 2023 amounted to nil (2022: Nil), comprising the contributed surplus and accumulated losses.

DONATIONS

No donations had been made by the Group during the year (2022: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

PRINCIPAL PROPERTY

Detail of the principal property held for investment purposes as at 31 March 2023 is set out on page 115.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 28 to the consolidated financial statements.

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 116.

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 and the Company has not redeemed any of its shares during the same Year.

BANK LOANS AND OTHER BORROWINGS

An analysis of the Group's bank borrowings as at 31 March 2023 and 2022 is set out below:

	Bank borrowings	
	2023	2022
	HK$'000	HK$'000
Within one year	**68,318**	250,460
After one year but within two years	**–**	2,122
After two years but within five years	**–**	6,558
After five years	**–**	25,827
	68,318	284,967

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2023 are set out in Note 20 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes are set out in Note 12 to the consolidated financial statements.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors
Mr. LIU Hoi Keung (re-appointed on 10 June 2022 and resigned on 9 August 2022)
Mr. CHUNG Hau Yeung (resigned on 27 January 2023)
Mr. YIP Wing Shing (retired on 9 September 2022)
Mr. LEUNG Kam Fai (retired on 4 July 2022)
Mr. LEI Kam Chao (appointed on 9 August 2022)
Mr. HO Chak Yu (appointed on 27 January 2023)

Non-executive Director
Ms. HONG Ting (appointed on 16 June 2022 and resigned on 27 January 2023)

Independent non-executive Directors
Ms. CHOI Ka Ying (appointed on 16 June 2022 and resigned on 9 September 2022)
Mr. CHU Hoi Kan (appointed on 9 September 2022)
Mr. LAM Chi Wing (appointed on 16 June 2022)
Mr. TANG Sher Kin (appointed on 16 June 2022)
Mr. WONG Siu Kee (appointed on 9 April 2022 and resigned on 16 June 2022)
Mr. CHEUNG, Johnson (resigned on 9 April 2022)
Mr. LEE Tak Chi (resigned on 16 June 2022)
Mr. WU Zhi-Ling (resigned on 7 June 2022)

In accordance with clauses 87(1) and 86(2) of the Company's Bye-laws, all the Directors will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years.

Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with the Company for a term of 3 years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 5 to 6.

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

As at 31 March 2023, none of the Directors and chief executives or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO), which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

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.

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 2023, 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 Wai Sing, Wilson (deceased)	Beneficial owner	76,706,986 (Note i)	9.64%
Mr. Webb David Michael	Beneficial owner/Interest in controlled corporation	46,840,884 (Note ii)	5.88%
Ms. LEE Wing Yin	Beneficial owner	45,584,000	5.73%

Notes:

(i) Mr. LEUNG Wai Sing, Wilson (deceased) beneficially owned 76,706,986 shares. Mr. LEUNG Wai Sing, Wilson's interests are now undergoing probate.

(ii) Mr. Webb David Michael beneficially owned 18,091,043 shares, and in addition he held 28,749,841 shares through Preferable Situation Assets Limited, which was 100% directly owned by him.

Save as disclosed above, as at 31 March 2023, 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.

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 7 to 21.

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.

The Audit Committee currently comprises three independent non-executive Directors of the Company, namely Mr. CHU Hoi Kan, Mr. LAM Chi Wing and Mr. TANG Sher Kin.

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 and up to the date of this report.

AUDITOR

The consolidated financial statements have been audited by Prism Hong Kong and Shanghai Limited 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

LEI Kam Chao
Chairman

Hong Kong, 27 June 2023

Independent Auditor's Report

TO THE SHAREHOLDERS OF ALCO HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Alco Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 114, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in Note 1 to the consolidated financial statements, the Group reported net loss from continuing operations of approximately HK$91,919,000 for the year ended 31 March 2023. As at 31 March 2023, the Group had net current liabilities of approximately HK$921,749,000 which included bank and other borrowings (including which classified as held for sale) of approximately HK$199,874,000 were in default and the lenders have the right to demand for immediate repayment of the entire outstanding balances. As at 31 March 2023, the Group's bank balances and cash (including which classified as held for sale) amounted to approximately HK$2,940,000 only. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

Multiple Uncertainties Relating to Going Concern (Continued)

The directors of the Company have been formulating and undertaking a number of plans and measures to mitigate the Group's liquidity pressure, to improve the financial position of the Group and to remediate the delayed repayments to lenders and creditors.

The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of those plans and measures as mentioned in Note 1 to the consolidated financial statements, which are subject to multiple uncertainties.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable because of (i) the lack of sufficient supporting basis from the management on the successfulness of negotiation with the lenders and creditors on restructuring or extension of repayment terms of shareholders' loan, bank and other borrowings and trade payables; and (ii) the lack of sufficient supporting basis that the improvement of future operating results and cash flows would be realised, in particular, the uncertainty of outcome of those plans and measures and how variability in outcome would affect the future cash flows of the Group. Hence, we were unable to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements by the management of the Group.

Should the Group fail to achieve its plans and measures as mentioned in Note 1 to the consolidated financial statements, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed a disclaimer of opinion on those statements on 27 July 2022. Any adjustments to the balances as at 31 March 2022 would affect the balances of these financial statements items as at 1 April 2022 and the corresponding movements, if any, during the year ended 31 March 2023. The balances as at 31 March 2022 and the amounts for the year then ended are presented as corresponding figures in the consolidation financial statements for the year ended 31 March 2023. In view of the significance of and the potential interaction of the multiple uncertainties described above and their possible cumulative effects on the consolidated financial statements, we disclaimed our audit opinion on the consolidated financial statements relating to the going concern issue only and not any other issues for the year ended 31 March 2023 and also for the possible effect of the comparability of the current year's figures and the corresponding figures.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2022, were audited by another auditor who expressed a disclaimer of opinion on those statements on 27 July 2022.

Had we not disclaimed our opinion, we would have issued a qualified opinion on the basis that the scope limitation on assets and liabilities classified as held for sale for the year ended 31 March 2023 and the corresponding balances instead of a disclaimer of opinion. The other issues mentioned below do not form part of paragraphs in relation to the disclaimer of opinion or the basis of disclaimer opinion.

As set out in note 11 to the consolidated financial statements, on 31 August 2022, the directors of the Company have made the strategic decision to cease the operation of the production line in Dongguan and has obtained the approval from the local government on the same date. The related deregistration and insolvency application is in progress with the assistance from the local government as at this report date. The results of the discontinued operation for the year ended 31 March 2023 and 2022 and the balances of assets and liabilities related to the discontinued operation as at 31 March 2023 and 2022 are set out in note 11 to the consolidated financial statements.

As the deregistration and insolvency application is in progress with the assistance from the local government from the date of cessation of business up to the date of this report date. The Group's management were unable to access the Dongguan production facility and offices where the accounting records and documents located. Accordingly, we were not able to obtain sufficient appropriate audit evidence to verify the amount of loss for the year from discontinued operations, assets classified as held for sale and liabilities associated with assets classified as held for sale on the consolidated statement of profit or loss and the consolidated statement of financial position and related note 11 to the consolidated financial statements.

Given the above scope limitation, we were unable to obtain sufficient appropriate audit evidence with respect to the result of the Group's discontinued operation for the year ended 31 March 2023, the carrying values of the assets and liabilities classified as held for sale as at 31 March 2023 as well as their corresponding comparative figures as set out in note 11. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments were necessary in respect of the Group's loss for the year from discontinued operations of HK$423,695,000, assets classified as held for sale of HK$82,954,000 and certain liabilities associated with assets classified as held for sale of HK$90,782,000 and their corresponding comparative figures.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chin Wang Leung.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Chin Wang Leung
Practising Certificate Number: P07806
Hong Kong
27 June 2023

Consolidated Statement of Profit or Loss

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations			
Revenue	6	**89,321**	542,408
Cost of goods sold	8	**(100,273)**	(654,219)
Gross loss		**(10,952)**	(111,811)
Other income, gain and loss	7	**11,464**	14,688
Selling expenses	8	**(10,565)**	(86,939)
Administrative expenses	8	**(42,038)**	(67,999)
Research and development expenses	8	**(18,870)**	(63,855)
Other operating expenses	8	**(1,590)**	(1,480)
Impairment losses on trade and other receivables		**(7,678)**	(570)
Impairment loss on property, plant and equipment	16	**(3,043)**	–
Impairment loss on right-of-use assets	18	**(1,717)**	–
Impairment loss on intangible assets	19	**–**	(3,500)
		(84,989)	(321,466)
Finance income	9	**28**	4
Finance costs	9	**(6,958)**	(10,216)
Loss before income tax		**(91,919)**	(331,678)
Income tax expense	10	**–**	–
Loss for the year from continuing operations		**(91,919)**	(331,678)
Discontinued operations			
Loss for the year from discontinued operations	11	**(423,695)**	(262,916)
Loss for the year		**(515,614)**	(594,594)

Consolidated Statement of Profit or Loss

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000 (Restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(86,547)**	(331,659)
– from discontinued operations		**(423,695)**	(262,916)
Loss for the year attributable to owners of the Company		**(510,242)**	(594,575)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(5,372)**	(19)
– from discontinued operations		**–**	–
Loss for the year attributable to non-controlling interests		**(5,372)**	(19)
		(515,614)	(594,594)
Loss per share	14		
From continuing and discontinued operations			
– Basic *(HK$)*		**(33.53)**	(41.10)
– Diluted *(HK$)*		**(33.53)**	(41.10)
From continuing operations			
– Basic *(HK$)*		**(5.69)**	(22.93)
– Diluted *(HK$)*		**(5.69)**	(22.93)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000 (Restated)
Loss for the year	**(515,614)**	(594,594)
Other comprehensive expense, net of tax:		
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(13,113)**	(8,515)
Total comprehensive expense for the year	**(528,727)**	(603,109)
Total comprehensive expense for the year attributable to:		
– Owners of the Company	**(523,355)**	(603,090)
– Non-controlling interests	**(5,372)**	(19)
Total comprehensive expense for the year	**(528,727)**	(603,109)

Consolidated Statement of Financial Position

As At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**43,159**	133,963
Investment properties	17	**43,610**	53,430
Right-of-use assets	18	**58,854**	71,582
Intangible assets	19	**–**	–
Prepayments, deposits and other receivables	23	**826**	5,570
		146,449	264,545
CURRENT ASSETS			
Inventories	22	**38,496**	353,939
Trade and other receivables	23	**11,273**	203,068
Other current assets		**–**	602
Income tax recoverable		**1,724**	1,421
Bank balances and cash	24	**2,392**	10,202
		53,885	569,232
Assets classified as held for sale	11	**82,954**	–
		136,839	569,232
CURRENT LIABILITIES			
Trade and other payables	25	**96,040**	337,414
Income tax payable		**1,356**	6,853
Lease liabilities	18	**949**	62,352
Bank and other borrowings	26	**68,318**	284,967
Loans from shareholders	27	**85,553**	401,966
		252,216	1,093,552
Liabilities associated with assets classified as held for sale	11	**806,372**	–
		1,058,588	1,093,552
Net current liabilities		**(921,749)**	(524,320)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(775,300)**	(259,775)

Consolidated Statement of Financial Position

As At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	28	**79,557**	72,324
Reserves		**(867,161)**	(344,597)
Reserves relating to assets and liabilities classified as held for sale	11	**(1,044)**	–
Equity attributable to owners of the Company		**(788,648)**	(272,273)
NON-CONTROLLING INTERESTS		**(6,022)**	(650)
Total deficit		**(794,670)**	(272,923)
NON-CURRENT LIABILITIES			
Other payables	25	**17,879**	11,455
Lease liabilities	18	**1,491**	1,693
		19,370	13,148
TOTAL DEFICIT AND NON-CURRENT LIABILITIES		**(775,300)**	(259,775)

The consolidated financial statements on pages 34 to 114 were approved and authorised for issue by the board of directors on 27 June 2023 and are signed on its behalf by:

LEI Kam Chao
Director

HO Chak Yu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company						
	Share capital HK$'000	Other reserves (Note 29) HK$'000	Accumulated losses HK$'000	Reserve of a disposal group held for sale HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2021	72,324	484,152	(225,659)	–	330,817	(631)	330,186
Loss for the year	–	–	(594,575)	–	(594,575)	(19)	(594,594)
Other comprehensive expense for the year:							
– Currency translation differences	–	(8,515)	–	–	(8,515)	–	(8,515)
Total comprehensive expense	–	(8,515)	(594,575)	–	(603,090)	(19)	(603,109)
As at 31 March 2022 and 1 April 2022	72,324	475,637	(820,234)	–	(272,273)	(650)	(272,923)
Loss for the year	–	–	(510,242)	–	(510,242)	(5,372)	(515,614)
Other comprehensive expense for the year:							
– Currency translation differences	–	(13,113)	–	–	(13,113)	–	(13,113)
Total comprehensive expense	–	(13,113)	(510,242)	–	(523,355)	(5,372)	(528,727)
Issue of new shares (Note 28)	7,233	(253)	–	–	6,980	–	6,980
Transfer to amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held for sale	–	1,044	–	(1,044)	–	–	–
As at 31 March 2023	79,557	463,315	(1,330,476)	(1,044)	(788,648)	(6,022)	(794,670)

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Loss for the year from continuing operations	**(91,919)**	(331,678)
Loss for the year from discontinued operations	**(423,695)**	(262,916)
Loss for the year	**(515,614)**	(594,594)
Adjustments for:		
Finance income	**(29)**	(3,339)
Finance costs	**23,378**	25,887
Gain on termination of lease	**(51,515)**	–
Amortisation of intangible assets	**–**	874
Loss on disposal of property, plant and equipment	**8,047**	217
Depreciation of property, plant and equipment	**14,198**	20,332
Depreciation of right-of-use assets	**13,913**	22,074
Bad debt written-off on trade and other receivables	**122,960**	–
Written-off of property, plant and equipment	**2,266**	–
Impairment of inventories	**274,259**	198,195
Impairment losses on trade and other receivables	**9,723**	5,999
Fair value loss (gain) on investment properties	**2,631**	(4,568)
Impairment loss on intangible assets	**–**	3,500
Impairment loss on property, plant and equipment	**3,043**	4,194
Impairment loss on right-of-use assets	**1,717**	15,787
Rent concession	**–**	(1,552)
Operating cash flows before movements in working capital	**(91,023)**	(306,994)
Decrease in inventories	**40,601**	71,743
Decrease in trade and other receivables	**32,902**	170,063
Increase (decrease) in trade and other payables	**24,434**	(69,280)
Cash generated from (used in) operations	**6,914**	(134,468)
Interest received	**29**	4
Interest paid	**(6,156)**	(17,794)
Income tax (paid) refunded	**(944)**	13,274
NET CASH USED IN OPERATING ACTIVITIES	**(157)**	(138,984)

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(981)**	(26,092)
Purchase of intangible assets	**–**	(4,374)
Proceeds from disposal of property, plant and equipment	**11,949**	1,220
Increase in restricted bank balances	**(2,652)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**8,316**	(29,246)
FINANCING ACTIVITIES		
Proceeds from trust receipt loans	**–**	311,854
Proceeds from bank and other borrowings	**–**	305,155
Proceeds from loans from shareholders	**–**	123,766
Repayments of trust receipt loans	**–**	(349,920)
Repayments of bank and other borrowings	**(11,416)**	(273,718)
Repayments of principal element of lease liabilities	**(12,677)**	(34,208)
Net proceeds from issue of shares	**6,980**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(17,113)**	82,929
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,954)**	(85,301)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**10,202**	98,149
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**1,692**	(2,646)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash (including which classified as held for sale)	**2,940**	10,202

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Alco Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in designing and selling of consumer electronic products including AV products and notebook products. In current year, the Group discontinued the manufacturing operations as described in Note 6.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars ("HK$") while that of the subsidiaries established in the People's Republic of China (the "PRC") are Renminbi ("RMB"). For the purpose of presenting the consolidated financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") adopted HK$ as its presentation currency which is the same as the functional currency of the Company.

Basis of preparation

In preparing the consolidated financial statements, the directors of the Company (the "Board") have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred loss from continuing operations of approximately HK$91,919,000 for the year ended 31 March 2023 and net current liabilities of approximately HK$921,749,000 as at 31 March 2023.

During the year ended 31 March 2023, the Group has failed to repay certain bank borrowings amounted to approximately HK$178,118,000 according to their scheduled repayment date and remained outstanding as at 31 March 2023. In addition, during the year ended 31 March 2023, a controlling shareholder of the Company disposed of its entire shares held and ceased to be a controlling shareholder of the Company. The disposal of shares held by a controlling shareholder resulted in breach of covenants according to the relevant facility agreement for the Group's bank borrowing of approximately HK$133,068,000 as at 31 March 2023. The convenant of such bank borrowing was entered in 2017 and stated that Mr. LEUNG Kai Ching, Kimen and his family members shall maintain not less than 40% of issued shares of Alco Holdings Limited throughout the entire period of facilities. No specific duration is stated on the facility. Such non-compliance of covenants and default in repayment amounted to bank borrowings of approximately HK$178,118,000 as at 31 March 2023 became immediately repayable if requested by the banks and the relevant banks have the right to cancel or suspend the facilities.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation (Continued)

The Board considers that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

(i) Restructure of bank and other borrowings

The bank and other borrowings which are repayable on demand or within one year (including which classified as held for sale) and was defaulted in repayment amounted to approximately HK$199,874,000 as at 31 March 2023.

The Group is negotiating with the banks for debt restructuring. The management is of the view that the Group will be able to obtain consent from the banks to extend the repayment of borrowings and continue to provide the banking facility to improve the liquidity position of the Group, considering the valuation of the office premise and investment properties of the Group amounting to approximately HK$181,115,000, with reference to valuation performed by independent qualified professional valuers and market data information from bank, and other properties held by Mr. Leung Wai Sing, Wilson ("Wilson") pledged to the banks.

(ii) Future treatment of the loans from shareholders

As at 31 March 2023, the Group has loans from past and existing shareholders (including which classified as held for sale) of approximately HK$476,190,000, of which approximately HK$289,766,000 was loan from the deceased ex-chairman of the Group, Wilson and approximately HK$78,200,000 was loan from another deceased shareholder, Leung Kai Ching, Kimen ("Kimen"). Wilson was one of the administrators of Kimen's estate, another deceased shareholder. As the estate of Wilson is frozen before the appointment of the estate administrator, the extension agreements related to loans from Wilson and Kimen could not be arranged. As the loans are repayable within one year, the Company will discuss the extension of the loans with the estate administrator once he/she is appointed. The Company will also discuss with other shareholders for the extension on repayment for the remaining loans from shareholders of approximately HK$108,224,000 which are repayable on demand.

(iii) Restructure of trade payables

As at 31 March 2023, trade payables amounted to approximately HK$194,938,000. Subsequent to the end of reporting period, the Group is involved in litigations requesting the Group to settle outstanding amount (details are set out in note 33). The Group will negotiate with certain creditors to further extend the repayment.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation (Continued)

(iv) Cash inflow from operations

The Group is taking measures to streamline the product mix and production mode, to tighten cost controls over various costs and expenses and is adopting a more flexible procurement policy to control the purchase costs with the aim to attain gross profit and positive operating cash flow.

Based on the sales orders on hand for the notebook products up to June 2023, the Board expects an increase in sales in the coming months comparing to the corresponding period for the year ended 31 March 2023. The directors of the Company will continue with its effort in sales and marketing to promote the Group's notebook products in existing market and explore opportunities in other countries.

(v) Proceeds from rights issue

On 13 June 2023, the Board proposed to raise up to approximately HK$90,690,000 (before expense) by issuing up to 63,645,492 rights shares to the qualifying shareholders by way of the rights issue at the subscription price of HK$1.425 per rights share on the basis of four rights shares for every one share held on the record date (the "Rights Issue"), details of the Rights Issue are set out in the Company's announcement dated 13 June 2023. The Rights Issue is expected to complete in July 2023. The Board currently intends to apply the net proceeds from the Rights Issue primarily for repayment of bank loans and other borrowings, and for general working capital of the Group.

The Board believes that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2024. However, should the Group fail to achieve the above mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)")

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group' s financial year beginning 1 April 2022:

Amendments to HKFRS 16	Property, Plant and Equipment: Proceeds before intended Use
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvement to HKFRSs 2018-2020	Amendments to HKFRS 9, HKFRS 16 and HKAS 41
Amendments to HKFRS 3	Reference to Conceptual Framework

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 and related amendments	Insurance Contracts[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at revalued amounts at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and senior management that make strategic decisions.

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 HK$, 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

(c) Group companies

The results and financial position of foreign operations (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 statement of financial position presented are translated at the closing rate at the end of that reporting period;

(ii) income and expenses for each statement of profit or loss and statement of profit or loss and other comprehensive income 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);

(iii) and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ownership interest in leasehold land

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs over their estimated useful lives or, in the case of leasehold improvements the shorter lease term. Certain furniture, fixture 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	9% to 20%
Motor vehicles	20%
Moulds	25%
Buildings	2.5%
Leasehold improvements	20% and 33.3%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. Those are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are recorded in profit or loss as part of "other income, gain and loss".

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.

Intangible assets

(a) Acquired licence right

An acquired licence right is carried at cost less accumulated amortisation and impairment losses. The economic useful life of an acquired licence right is estimated at the time of purchase.

Amortisation is calculated using the straight-line method to allocate the cost of the acquired licence over its estimated useful life of 5-10 years.

(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;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

***(b) Deferred development costs** (Continued)*

(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.

Impairment of non-financial assets

Non-financial assets are tested 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 disposal 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 which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

(a) Classification

The Group classifies its financial assets category as 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.

(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, gain and loss". Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(d) Impairment

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at 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 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. See Note 4.1(b) for a description of the Group's impairment policies.

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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 and other 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 and investment properties, which continue to be measured in accordance with the relevant accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

Deferred income tax is provided on full, 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and deferred income tax (Continued)

(b) Deferred income tax *(Continued)*

Inside basis differences (Continued)

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

Employee benefits

Employee leave entitlement

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 end of the reporting period.

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

(a) Pension obligations

The Group operates a number of defined contribution plans. Under 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.

(b) 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 at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from the following major source:

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 9 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Leases

The Group as lessee

A right-of-use asset and a corresponding liability are recognised at the date of commencement of a lease.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee *(Continued)*

A lessee shall reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that: (a) is within the control of the lessee; and (b) affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of warehouse, equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee *(Continued)*

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increase the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

4. 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.

4.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 92% of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst majority of costs is denominated in the group entity's respective functional currency.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	United States Dollars ("USD") HK$'000	Great British Pound ("GBP") HK$'000	Canadian Dollars ("CAD") HK$'000
31 March 2023			
Assets			
Trade receivables	–	633	–
Cash and cash equivalents	1,023	2	–
Liabilities			
Trade payables	(45,165)	–	–
Other payables	–	(37)	–

	United States Dollars ("USD") HK$'000	Great British Pound ("GBP") HK$'000	Canadian Dollars ("CAD") HK$'000
31 March 2022			
Assets			
Trade receivables	159,591	5,436	3,707
Cash and cash equivalents	3,542	121	–
Liabilities			
Trade payables	(204,556)	–	–
Bank borrowings	(28,172)	–	–

Since HKD is pegged to USD, the Group does not have significant currency risks arising from USD.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Sensitivity analysis

The Group is mainly exposed to foreign currency risk arising from GBP and CAD.

The following table details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in HKD against the relevant foreign currencies. 10% (2022: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 10% change in foreign currency rate.

A negative number below indicates an increase in post-tax loss where HKD strengthen 10% (2022: 10%) against the relevant currency. For a 10% (2022: 10%) weakening of HKD against the relevant currency, there would be an equal and opposite impact on the loss and the balances below would be positive.

	2023 **HK$'000**	2022 HK$'000
Effect on post-tax loss:		
GBP (Note (i))	**(50)**	(464)
CAD (Note (ii))	**–**	(310)

Note:

(i) This is mainly attributable to the exposure outstanding on GBP of bank balances and cash and trade receivables at year end.

(ii) This is mainly attributable to the exposure outstanding on CAD of trade receivables at year end.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from bank and other borrowings and loans from shareholders. The Group's bank and other borrowings and loans from shareholders 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 2023, the Group's bank and other borrowings and loans from shareholders at variable rates were denominated in HKD, RMB and USD.

As at 31 March 2023, 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$570,000 higher/lower (2022: HK$2,443,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 March 2023, 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$19,000 lower/higher (2022: HK$79,000 lower/higher) due to interest income earned on market interest rate.

Interest rate benchmark reform

Certain loans of the Group are linked to interbank offered rates which may be subject to interest rate benchmark reform. The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk

(i) Risk management

Credit risk arises from bank balances and cash, trade and other receivables, other current assets and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's bank balances and cash are placed with reputable banks and financial institutions. The Group reviews regularly the recoverable amount of deposits and other receivables 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.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the ECL model:

- trade receivables; and
- other financial assets carried at amortised cost.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Impairment of financial assets (Continued)

Trade receivables

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

To measure the ECL, 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. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2023		
	The range of expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.5%-25.0%	5,512	(444)
1 - 30 days past due	2.7% - 44.4%	494	(103)
31 - 60 days past due	2.7% - 44.4%	875	(133)
61 - 90 days past due	44.4%	129	(57)
Over 90 days but less than 1 year past due	2.7% - 44.4%	2,991	(1,065)
Over 1 year past due	100%	4,414	(4,414)
		14,415	(6,216)

The ECL rates are assessed to be approximately 1% to 7.2% for trade receivables and the ECL of these collectively assessed trade receivables as at 31 March 2022 are assessed to be approximately HK$8,744,000.

The lifetime ECL in respect of individually assessed trade receivables as at 31 March 2023 was nil (2022: nil).

Other financial assets at amortised cost

The Group applies a 12-month ECL on other financial assets at amortised cost. Management considered among other factors, analysed credit risk of the counterparties and historical repayment pattern and concluded that the ECL for other financial assets at amortised cost as at 31 March 2023 was approximately HK$2,317,000 (2022: HK$3,115,000).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

The directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$921,749,000 as at 31 March 2023. 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 and loans from shareholders.

As at 31 March 2023, the Group's total available banking facilities (including those classified as held for sale) amounted to approximately HK$405,878,000 (2022: HK$405,878,000), of which approximately HK$178,118,000 (2022: HK$214,359,000) has been utilised.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for lease liabilities are based on the contractual repayment dates.

	On demand or 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
As at 31 March 2023						
Bank and other borrowings	**68,318**	**–**	**–**	**–**	**68,318**	**68,318**
Loans from shareholders	**85,553**	**–**	**–**	**–**	**85,553**	**85,553**
Trade and other payables	**96,040**	**–**	**–**	**–**	**96,040**	**96,040**
Financial liabilities associated with assets classified as held for sale	**801,516**	**–**	**–**	**–**	**801,516**	**801,516**
In addition, the Group's maturity profile of lease liabilities is as follows:						
Lease liabilities	**1,020**	**1,020**	**510**	**–**	**2,550**	**2,440**
As at 31 March 2022						
Bank and other borrowings	284,967	–	–	–	284,967	284,967
Loans from shareholders	401,966	–	–	–	401,966	401,966
Trade and other payables	337,414	–	–	–	337,414	337,414
In addition, the Group's maturity profile of lease liabilities is as follows:						
Lease liabilities	64,077	817	960	–	65,854	64,045

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Certain of the Group's bank borrowings that are repayable on demand due to default in payment, as disclosed in Note 26, are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 March 2023, the aggregate carrying amounts of these bank borrowings (including those classified as held for sale) amounted to HK$178,118,000 (2022: HK$214,359,000). The Group is actively formulating and undertaking a number of plans and measures as disclosed in Note 1 to remediate the default in payment.

The following table details the Group's aggregate principal and interest cash outflows based on scheduled repayments for bank borrowings that became repayable on demand due to the aforesaid default in payment by the Group or having repayable on demand clause. To the extent that the interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand	Within one year	In the second year	In the third to fifth year	Over five years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2023	**178,118**	**–**	**–**	**–**	**–**	**178,118**	**178,118**
As at 31 March 2022	221	180,407	2,647	7,940	28,010	219,225	214,359

(d) Fair value risk

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

4.2 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. The Group's overall strategy remains unchanged from prior year.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, raise or repay loans from shareholders and bank and other borrowings, issue new shares or sell assets to reduce debt.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management (Continued)

The Group had net deficit of approximately HK$794,670,000 as at 31 March 2023 and going concern assumptions adopted by the directors of the Company are stated in Note 1. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings net of bank balances and cash (including those classified as held for sale) divided by total equity as shown in the consolidated statement of financial position.

The gearing ratios as at 31 March 2023 and 2022 were as follows:

	2023 HK$'000	2022 HK$'000
Bank balances and cash (Notes 11 and 24)	2,940	10,202
Less: Bank and other borrowings (Notes 11 and 26)	(199,874)	(284,967)
Loans from shareholders (Notes 11 and 27)	(476,190)	(401,966)
Lease liabilities (Note 18)	(2,440)	(64,045)
Net debt	(675,564)	(740,776)
Total deficit	(794,670)	(272,923)
Gearing ratio	(85.01%)	(271.4%)

The Group has a negative gearing ratio due to the Group's deficit position as at 31 March 2023. The negative gearing ratio is primarily resulted from the increase in net debt and the deficit as a result of the net loss for the current year.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expense reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Going concern and liquidity

The assessment of the going concern assumptions involves making judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Going concern assumptions adopted by the directors of the Company are stated in Note 1.

(b) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices and factory, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in lease of offices have not been included in determination of lease term, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Provision for slow-moving and obsolete inventories

The Group makes provision for slow-moving and obsolete inventories based on consideration of obsolescence and net realisable value of inventories considering the production plan and expected future market demand. The identification of inventory obsolescence and estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and expectation of future market condition 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.

As at 31 March 2023 the carrying amount of inventories of the Group was approximately HK$38,496,000 (2022: HK$353,939,000), net of accumulated allowance for inventories of approximately HK$40,782,000 (2022: HK$270,190,000).

(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 17.

As at 31 March 2023, the carrying amount of investment properties of the Group was approximately HK$43,610,000 (2022: HK$53,430,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

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

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

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

(d) Impairment of non-financial assets

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

- property, plant and equipment
- right-of-use assets
- intangible assets

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated statement of profit or loss 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 costs to disposal or its value in use. Changes in any of these estimates could result in a material change to the asset's carrying amount in the consolidated financial statements.

As at 31 March 2023, the carrying amount of property, plant and equipment was approximately HK$43,159,000 (2022: HK$133,963,000). An impairment loss of approximately HK$3,043,000 (2022: nil, as restated) has been recognised during the year ended 31 March 2023 from continuing operations.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

(d) Impairment of non-financial assets *(Continued)*

As at 31 March 2023, the carrying amount of right-of-use assets was approximately HK$58,854,000 (2022: HK$71,582,000). An impairment loss of approximately HK$1,717,000 (2022: nil, as restated) has been recognised during the year ended 31 March 2023 from continuing operations.

As at 31 March 2023 and 2022, the carrying amount of intangible assets was nil. No impairment loss has been recognised during the year ended 31 March 2023 (2022: HK$3,500,000, as restated) from continuing operations.

(e) Recognition of deferred income tax assets

According to the accounting policy as stated in Note 3, 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.

6. REVENUE AND SEGMENT INFORMATION

Revenues recognised during the year are from continuing operations as follows:

	2023 HK$'000	2022 HK$'000 (Restated)
AV products	–	73,179
Notebook products	89,321	469,229
	89,321	542,408
Timing of revenue recognition		
– At a point in time	89,321	542,408

The chief operating decision-makers have been identified as the executive directors and senior management. 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-maker. A management approach has been used for the operating segment reporting.

The Group mainly operates in the Mainland China, Taiwan and Hong Kong for continuing operations and is principally engaged in designing and selling of consumer electronic product including AV products and notebook products.

The production line in Dongguan of AV products and manufacturing business of Notebook products was discontinued during year ended 31 March 2023. The segment information reported and comparatives do not include any amounts for these discontinued operations, which are described in more detail in note 11.

The chief operating decision-makers examine the Group's performance and has identified two reportable segments of its business for current year:

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

The Group's inter-segment transactions mainly consist of sale of assembly parts among subsidiaries. Inter-segment sales are charged with reference to market prices.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments:

Continuing operations

	2023				2022			
	AV products HK$'000	Notebook products HK$'000	Elimination HK$'000	Total HK$'000	AV products HK$'000 (Restated)	Notebook products HK$'000 (Restated)	Elimination HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue								
External sales	–	89,321	–	89,321	73,179	469,229	–	542,408
Inter-segment sales	–	–	–	–	–	751	(751)	–
	–	89,321	–	89,321	73,179	469,980	(751)	542,408
Segment results	–	(27,919)	–	(27,919)	(11,081)	(196,529)	–	(207,610)
Unallocated income				11,464				14,688
Unallocated corporate expenses				(59,705)				(125,044)
Impairment losses on trade and other receivables				(4,069)				–
Impairment loss on right-of-use assets				(1,717)				–
Impairment loss on property, plant and equipment				(3,043)				–
Impairment loss on intangible assets				–				(3,500)
Finance income				28				4
Finance costs				(6,958)				(10,216)
Loss before tax				(91,919)				(331,678)

(b) Geographical information

The Group's revenue analysed by geographical area are as follows:

	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations		
North America	–	43,545
Asia	60,479	417,286
Europe	23,695	73,179
Others	5,147	8,398
	89,321	542,408

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

The analysis of revenue from continuing operations by geographical area is based on the destination to which the goods are delivered.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations		
Hong Kong	**145,269**	133,024
The Mainland China	**328**	125,292
Taiwan	**26**	601
Others	**–**	58
	145,623	258,975

Note: Non-current assets excluded non-current portion of prepayments, deposits and other receivables.

(c) Information about major customers

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

	2023 HK$'000	2022 HK$'000 (Restated)
Customer A[1]	**N/A***	132,565
Customer B[1]	**27,294**	N/A*
Customer C[1]	**14,794**	N/A*
Customer D[1]	**10,336**	N/A*

1 Revenue from Notebook products segment

* Revenue from relevant customers was less than 10% of the Group's total revenue for the respective year.

7. OTHER INCOME, GAIN AND LOSS

	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations		
Rental income from investment properties (Note 17)	**1,452**	2,016
Sub-lease income	**766**	28
Fair value (loss) gain on investment properties (Note 17)	**(2,631)**	4,568
Government grant (note)	**82**	–
Gain on termination of lease	**2,655**	–
Exchange gains, net	**8,524**	7,698
Others	**616**	378
	11,464	14,688

Note: During the year 31 March 2023, the Group recognised government grants respect of COVID-19-related subsidies, of which amounted to approximately HK$82,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

8. EXPENSES BY NATURE

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

	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations		
Amortisation of intangible assets (Note 19)	**–**	874
Auditor's remuneration	**780**	1,500
Cost of inventories (Note 22)	**91,352**	524,867
Impairment of inventories	**2,671**	120,695
Depreciation of property, plant and equipment (Note 16)	**2,337**	5,326
Depreciation of right-of-use assets (Note 18)	**4,248**	1,714
Employee benefit expenses (including directors' emoluments) (Note 12)	**30,085**	58,756
Bad debts written-off on other receivable	**1,471**	–
Short-term lease expenses (Note 18)	**3,080**	2,115

9. FINANCE INCOME AND FINANCE COSTS

	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations		
Finance income:		
– Bank interest income	**28**	4
Finance costs:		
– Interest expense on bank and other borrowings	**5,052**	5,621
– Interest expense on loans from shareholders (Note 35)	**1,858**	3,982
– Interest expense on lease liabilities (Note 18)	**48**	613
	6,958	10,216

10. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax, the People's Republic of China corporate income tax and oversea corporate income tax for continuing operations have been made as there are no assessable profits for the years ended 31 March 2023 and 2022.

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:

	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations		
Loss before income tax	**(91,919)**	(331,678)
Tax calculated at a tax rate of 16.5 % (2022: 16.5%)	**(15,167)**	(54,727)
Effect of different tax rates in other jurisdictions	**(1,152)**	(5,452)
Tax effect of income not taxable for tax purposes	**(14)**	(2,452)
Tax effect of expenses not deductible for tax purposes	**3,831**	3,225
Tax effect of tax losses not recognised	**12,502**	60,656
Utilisation of tax losses previously not recognised	**–**	(1,250)
Income tax expense	**–**	–

11. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 31 August 2022, the Board has made the strategic decision to cease the operation of the production line in Dongguan (the "Disposal Group") and has obtained the approval from the local government on the same date. The related deregistration and insolvency application is in progress with the assistance from the local government as at this report date. The disposal of self-owned contract processing manufacturing business line enables the Group to free up the resources and redirect its resources to other business segments which may have higher growth potential to maximise the benefit of the shareholders of the Group. The assets and liabilities attributable to the production line, which is expected to be disposed of within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below).

The results of the Disposal Group for the year were as follows:

	2023 **HK$'000**	2022 HK$'000
Revenue	**–**	48,884
Cost of goods sold	**(271,715)**	(233,071)
Other income, gain and loss	**83,905**	21,579
Selling expenses	**(11,579)**	(15,271)
Administrative expenses	**(203,961)**	(46,544)
Other operating expenses	**(1,881)**	(747)
Impairment losses on trade and other receivables	**(2,045)**	(5,429)
Impairment loss on property, plant and equipment	**–**	(4,194)
Impairment loss on right-of-use assets	**–**	(15,787)
	(407,276)	(250,580)
Finance income	**1**	3,335
Finance costs	**(16,420)**	(15,671)
Loss before tax	**(423,695)**	(262,916)
Income tax expense	**–**	–
Loss for the year	**(423,695)**	(262,916)

11. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (CONTINUED)

Loss for the year from discontinued operating include the following:

	2023 HK$'000	2022 HK$'000
Cost of inventories	–	121,225
Impairment of inventories	271,588	77,500
Depreciation of property, plant and equipment (Note 16)	11,861	15,006
Depreciation of right-of-use assets (Note 18)	9,665	20,360
Gain on termination of lease	48,860	–
Loss on disposal of property, plant and equipment	8,047	217
Bad debt written-off on other receivable	28,230	–
Bad debt written-off on trade receivable	93,259	–
Employee benefit expenses	16,565	138,482
Severance payment	339	1,109
Interest expenses on lease liabilities (Note 18)	882	2,551
Rental concession	–	(1,552)

During the year, the Disposal Group contributed approximately HK$3,854,000 (2022: HK$258,221,000) to the Group's net operating cash flows, net cash from investing activities of approximately HK$8,316,000 (2022: net cash used in investing activities of approximately HK$24,585,000) and net cash used in financing activities of approximately HK$15,360,000 (2022: HK$275,203,000).

The major classes of assets and liabilities of the Disposal Group as at 31 March 2023, which have been presented separately in the consolidated statement of financial position, are as follows:

	2023 HK$'000	2022* HK$'000
Property, plant and equipment	52,677	81,236
Right-of-use assets	–	9,665
Inventories	1,185	284,939
Trade and other receivables (note a)	25,892	159,138
Restricted bank balances	2,652	–
Bank balances and cash	548	3,739
Total assets classified as held for sale	82,954	N/A
Trade and other payables (note b)	279,323	255,107
Income tax payable	4,856	5,342
Bank and other borrowings	131,556	333,887
Loans from shareholders	390,637	–
Lease liabilities	–	64,045
Total liabilities associated with assets classified as held for sale	806,372	N/A
Reserves relating to assets and liabilities classified as held for sale	(1,044)	N/A

* *The amounts of the major classes of assets and liabilities of the Disposal Group as at 31 March 2022 is for comparative purposes, those assets and liabilities were not classified as held for sale as at 31 March 2022 and included in corresponding line items in the consolidated statement of financial position.*

11. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (CONTINUED)

During the year ended 31 March 2023, in respect of bank and other borrowings included in Disposal Group with a carrying amount of approximately HK$131,556,000 as at 31 March 2023, the Group was default in repayment. Thus, the relevant bank borrowings become immediately due and payable should the lenders exercise their rights under the bank loan agreement. The directors of the Company commenced to discuss the terms of the borrowings with the relevant banks. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress.

As at 31 March 2023, the loans from shareholders are repayable within one year.

a) As at 31 March 2023, the ageing analysis of the trade receivables based on revenue recognition dates:

	2023 HK$'000
0-30 days	–
31-60 days	–
61-90 days	–
Over 90 days	1,071
	1,071

b) As at 31 March 2023, the ageing analysis of the trade payable based on invoice dates:

	2023 HK$'000
0-30 days	–
31-60 days	–
61-90 days	–
Over 90 days	145,804
	145,804

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK$'000	2022 HK$'000 (Restated)
Wages and salaries	22,285	55,120
Other staff benefits and pension costs	7,800	3,636
	30,085	58,756

Note:

(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 require 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 statement of profit or loss for the year amounted to approximately HK$840,000 (2022: HK$3,122,000).

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contribution in respect of the defined contribution retirement scheme was utilised during the year (2022: nil). No forfeited contribution was available as at 31 March 2023 to reduce future contributions (2022: nil).

The Company's subsidiaries in the People's Republic of China (the "PRC") are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement benefits scheme contributions of approximately HK$2,192,000 (2022: HK$8,099,000), which are based on a certain percentage of the salaries of the subsidiaries' employees, are charged to the consolidated statement of profit or loss 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.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

Note: (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2022: four) directors whose emoluments are reflected in the analysis presented in Note 13. The emoluments payable to the remaining three (2022: one) individual during the year are as follows:

	2023 **HK$'000**	2022 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,002**	1,560
Contributions to pension schemes	**59**	18
	2,061	1,578

Their emoluments fell within the following band:

	Number of individual	
	2023 **HK$'000**	2022 HK$'000
Emolument band		
HK$500,000 – HK$1,000,000	**3**	–
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**–**	–
	3	1

During the years ended 31 March 2023 and 2022, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

Directors' remuneration, including remuneration of chief executive officer, 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 2023:

Name	Fees HK$'000	Salaries and other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors:				
Mr. LEI Kam Chao (i)	–	1,071	–	1,071
Mr. HO Chak Yu (ii)	–	108	–	108
Mr. LEUNG Kam Fai, Peter (iii)	–	311	12	323
Mr. LIU Hoi Keung (iv)	–	413	–	413
Mr. YIU Wang Tsun (v)	–	–	–	–
Mr. CHUNG Hau Yeung (vi)	–	2,452	201	2,653
Mr. YIP Wing Shing (vii)	–	612	22	634
Non-Executive Director:				
Ms. HONG Ting (viii)	220	–	–	220
Independent non-executive directors:				
Mr. LAM Chi Wing (ix)	143	–	–	143
Mr. TANG Sher Kin (x)	143	–	–	143
Mr. CHU Hoi Kan (xi)	101	–	–	101
Mr. CHEUNG, Johnson (xii)	–	–	–	–
Mr. LEE Tak Chi (xiii)	75	–	–	75
Mr. WU Zhi-Ling (xiv)	55	–	–	55
Mr. WONG Siu Kee (xv)	35	–	–	35
Ms. CHOI Ka Ying (xvi)	53	–	–	53
	825	4,967	235	6,027

13. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

Note:

(i) Appointed on 9 August 2022

(ii) Appointed on 27 January 2023

(iii) Retired on 4 July 2022

(iv) Resigned on 25 June 2021, re-appointed on 10 June 2022, chief executive officer for the period from 10 June 2022 to 9 August 2022, resigned on 9 August 2022

(v) Resigned on 5 April 2022

(vi) Appointed on 11 January 2022, acting chief executive officer for the period from 28 December 2021 to 9 June 2022, resigned on 27 January 2023

(vii) Appointed on 24 January 2022 and retired on 9 September 2022

(viii) Appointed on 16 June 2022 and resigned on 27 January 2023

(ix) Appointed on 16 June 2022

(x) Appointed on 16 June 2022

(xi) Appointed on 9 September 2022

(xii) Resigned on 9 April 2022

(xiii) Resigned on 16 June 2022

(xiv) Resigned on 7 June 2022

(xv) Appointed on 9 April 2022 and resigned on 16 June 2022

(xvi) Appointed on 16 June 2022 and resigned on 9 September 2022

13. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 March 2022:

Name	Fees	Salaries and other benefits	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Mr. LEUNG Wai Sing, Wilson (i)	–	3,113	156	3,269
Mr. LEUNG Kam Fai, Peter (ii)	–	960	48	1,008
Mr. LIU Hoi Keung (iii)	–	708	16	724
Mr. YIU Wang Tsun (iv)	–	2,097	90	2,187
Mr. CHUNG Hau Yeung (v)	–	519	4	523
Mr. YIP Wing Shing (vi)	–	193	3	196
Independent non-executive directors:				
Mr. CHEUNG, Johnson (vii)	300	–	10	310
Mr. LEE Tak Chi (viii)	300	–	–	300
Mr. WU Zhi-Ling (ix)	300	–	–	300
	900	7,590	327	8,817

Note:

(i) Deceased on 28 December 2021, former chief executive officer

(ii) Retired on 4 July 2022

(iii) Resigned on 25 June 2021 and re-appointed on 10 June 2022, chief executive officer for the period from 10 June 2022 to 9 August 2022, resigned on 9 August 2022.

(iv) Appointed on 25 June 2021 and resigned on 5 April 2022

(v) Appointed on 11 January 2022, acting chief executive officer for the period from 28 December 2021 to 9 June 2022 and resigned on 27 January 2023

(vi) Appointed on 24 January 2022 and retired on 9 September 2022

(vii) Resigned on 9 April 2022

(viii) Resigned on 16 June 2022

(ix) Resigned on 7 June 2022

None of the directors of the Company waived any emoluments during the current and prior years.

13. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' and chief executives emoluments

No payment was made to directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2022: nil).

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

No payment was made to the third parties for making available directors' services (2022: nil).

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

The information about loans, quasi-loans and other dealings entered into by the company or subsidiary undertaking of the company, where applicable, in favour of directors are set out in Note 27.

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

Other than those disclosed in Note 27, no significant transactions, arrangements and contracts 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 (2022: nil).

14. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2023 **HK$'000**	2022 HK$'000
Loss		
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(510,242)**	(594,575)

14. LOSS PER SHARE (CONTINUED)

Number of shares

	2023	2022 (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**15,217,855**	14,464,893

For the year ended 31 March 2023, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the share placing in September 2022 and share consolidation effective on 10 May 2023.

Comparative figures of the weighted average number of shares for calculating basic loss per share has been adjusted on the assumption that the share consolidation had been effective in prior year.

There were no dilutive potential ordinary shares during the years ended 31 March 2023 and 2022. Therefore, the diluted loss per share is the same as basic loss per share.

For continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2023 HK$'000	2022 HK$'000 (Restated)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share from continuing operations	**(86,547)**	(331,659)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic loss per share for the discontinued operations is HK$27.84 per share (2022: HK$18.17 per share) and diluted loss per share for the discontinued operations is HK$27.84 per share (2022: HK$18.17 per share), based on the loss for the year from the discontinued operations of HK$423,695,000 (2022: HK$262,916,000) and the denominators detailed above for both basic and diluted loss per share.

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For the year ended 31 March 2023

15. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

16. PROPERTY, PLANT AND EQUIPMENT

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

	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
As at 1 April 2021							
Cost	49,685	336,880	132,880	194,028	81,716	8,565	803,754
Accumulated depreciation and impairment	(5,364)	(336,880)	(132,880)	(137,647)	(54,256)	(5,845)	(672,872)
Net book amount	44,321	–	–	56,381	27,460	2,720	130,882
Year ended 31 March 2022							
Opening net book amount	44,321	–	–	56,381	27,460	2,720	130,882
Additions	–	4,936	2,967	14,523	3,666	–	26,092
Disposals	–	–	–	(1,320)	(21)	(96)	(1,437)
Depreciation	(2,398)	(742)	(500)	(10,618)	(5,553)	(521)	(20,332)
Impairment loss (Note (b))	–	(4,194)	–	–	–	–	(4,194)
Exchange differences	–	–	105	1,614	1,233	–	2,952
Closing net book amount	41,923	–	2,572	60,580	26,785	2,103	133,963
As at 31 March 2022							
Cost	49,685	2,125	3,333	207,717	86,243	8,172	357,275
Accumulated depreciation and impairment	(7,762)	(2,125)	(761)	(147,137)	(59,458)	(6,069)	(223,312)
Net book amount	41,923	–	2,572	60,580	26,785	2,103	133,963

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	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 2023							
Opening net book amount	41,923	–	2,572	60,580	26,785	2,103	133,963
Additions	–	–	279	–	–	702	981
Disposals	–	–	–	(16,856)	(1,446)	(1,694)	(19,996)
Depreciation	(644)	–	(667)	(8,150)	(4,484)	(253)	(14,198)
Write-off	–	–	(45)	(2,185)	(16)	(20)	(2,266)
Impairment loss (Note (b))	–	–	(15)	(3,028)	–	–	(3,043)
Transfer to assets held for sale (Note 11)	–	–	(1,736)	(30,782)	(19,981)	(178)	(52,677)
Exchange differences	–	–	(382)	1,660	(858)	(25)	395
Closing net book amount	41,279	–	6	1,239	–	635	43,159
As at 31 March 2023							
Cost	49,685	–	111	28,599	–	2,558	80,953
Accumulated depreciation and impairment	(8,406)	–	(105)	(27,360)	–	(1,923)	(37,794)
Net book amount	41,279	–	6	1,239	–	635	43,159

* The Moulds were fully written-off during the year ended 31 March 2023.

(b) In view that the business performance had been below management's expectation, management considered that there was indication for impairment and conducted impairment assessment on the recoverable amounts of property, plant and equipment, right-of-use assets (Note 18) and intangible assets (Note 19) of the Group.

The recoverable amounts of the above assets were determined on a value-in-use ("VIU") calculation using cash flow projections based on financial budgets approved by the management. The cash flow projection is discounted at pre-tax discount rate of 17.3% (2022: 18.9%) per annum which reflects the specific risks relating to the Group. Key assumptions for the value-inuse calculation include expected product sales, budgeted gross margin and operating costs, which were determined based on past performance, the Group's business plan and management expectations for the market development.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) (Continued)

Based on the result of the assessment, management of the Group determined that the estimated recoverable amounts of the above assets determined under the VIU method are lower than their carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment, right-of-use assets and intangible assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value-in-use calculation and the allocation, impairment losses of approximately HK$3,043,000 (2022: nil, as restated), HK$1,717,000 (2022: nil, as restated) and nil (2022: HK$3,500,000, as restated) have been recognised against the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets respectively from continuing operations.

(c) As at 31 March 2023, certain of the Group's bank and other borrowings is secured by the Group's buildings, equipment and machineries with aggregate carrying amounts of approximately HK$41,279,000 (2022: HK$49,408,000) (Note 26).

17. INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
Beginning of the year	**53,430**	46,788
(Loss) gain on fair value changes (Note 7)	**(2,631)**	4,568
Exchange difference	**(7,189)**	2,074
End of the year	**43,610**	53,430

Rental income derived from the investment properties amounted to approximately HK$1,452,000 (2022: HK$2,016,000) during the year (Note 7).

As at 31 March 2023, certain of the Group's bank borrowing is secured by the Group's investment properties of approximately HK$43,610,000 (2022: HK$51,715,000) (Note 26).

Valuation process of the Group

The Group measures its investment property at fair value. The fair value of the Group's investment property as at 31 March 2023 has been determined on the basis of valuation carried out by an independent qualified valuer, Valplus Consulting Limited (2022: Valtech Valuation Advisory Limited) (the "Valuer"). The valuation, which conforms to the valuation standards issued by Hong Kong Institute of Surveyors ("HKIS") was arrived at by reference to the recent market prices for similar properties in the similar locations and conditions. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

Fair value of the Group's investment properties is mainly derived using the direct comparison approach, the Valuer refers to market price of similar comparable properties. There was no change to the valuation technique with that of prior year.

For the investment properties of the Group, the prevailing market price are estimated based on recent sales transactions nearby. The lower the prices, the lower is the fair value. As at 31 March 2023, prevailing market prices ranged from RMB20,000 to RMB20,200 (2022: RMB20,000 to RMB24,000) per square meter on saleable area basis were adopted for the Group's investment properties located in the PRC.

18. LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

(a) Right-of-use assets

	Leasehold land HK$'000	Office and buildings HK$'000	Total HK$'000
As at 1 April 2021	63,631	–	63,631
Additions	–	45,812	45,812
Depreciation	(1,714)	(20,360)	(22,074)
Impairment loss	–	(15,787)	(15,787)
As at 31 March 2022	**61,917**	**9,665**	**71,582**
Additions	**–**	**2,902**	**2,902**
Depreciation	**(3,765)**	**(10,148)**	**(13,913)**
Impairment loss	**–**	**(1,717)**	**(1,717)**
As at 31 March 2023	**58,152**	**702**	**58,854**

The Group has lease arrangements for leasehold land, office and buildings. The lease terms of leasehold land, office and buildings are generally 30 years (2022: 30 years) and 3 years (2022: ranged from 1.5 to 8 years) respectively. The Group also entered into short-term lease arrangements in respect of warehouse, equipment and vehicles.

During the year ended 31 March 2023, an impairment of approximately HK$1,717,000 (2022: nil, as restated) from continuing operations. Details of the impairment assessment are set out in Note 16(b).

As at 31 March 2023, certain of the Group's bank borrowing is secured by the Group's leasehold land of approximately HK$58,152,000 (2022: HK$61,917,000) (Note 26).

18. LEASES (CONTINUED)

(i) Amounts recognised in the consolidated statement of financial position (Continued)

(b) Lease liabilities

	HK$'000
As at 1 April 2021	52,252
Additions	45,812
Finance costs incurred	3,164
Payments	(37,372)
Exchange differences	1,741
Rent concession	(1,552)
As at 31 March 2022	**64,045**
Additions	**2,902**
Finance costs incurred	**930**
Termination of lease	**(51,515)**
Payments	**(13,607)**
Exchange differences	**(315)**
As at 31 March 2023	**2,440**

	2023 **HK$'000**	2022 HK$'000
Analysed into:		
Within 1 year	**949**	62,352
After 1 year but within 2 years	**985**	779
After 2 years but within 5 years	**506**	914
After 5 years	**–**	–
	2,440	64,045

During the year ended 31 March 2023, the Group entered in a new lease of office and buildings with an addition of approximately HK$2,902,000 and terminated a lease of office and buildings on lease liabilities of approximately HK$2,655,000 respectively, resulting in a gain on termination of lease of approximately HK$2,655,000 from continuing operations. In the discontinued operations, there was deprecation of approximately HK$9,665,000, finance cost of approximately HK$882,000 and termination of lease of approximately HK$48,860,000 resulting in a gain on termination of lease of approximately HK$48,860,000 being recognised.

18. LEASES (CONTINUED)

(ii) Amounts recognised in profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases for continuing operations:

	2023 HK$'000	2022 HK$'000 (Restated)
Depreciation charge of right-of-use assets		
– Leasehold land	**3,765**	1,714
– Office and buildings	**483**	–
	4,248	1,714
Impairment of right-of-use assets	**1,717**	–
Interest expense on lease liabilities (Note 9)	**48**	613
Expenses relating to leases of short-term leases (Note 8)	**3,080**	2,115

The total cash outflow for leases for the year ended 31 March 2023 was approximately HK$16,687,000 (2022: HK$39,487,000).

19. INTANGIBLE ASSETS

	Licence right	Deferred development costs	Total
	HK$'000	HK$'000	HK$'000
As at 1 April 2021			
Cost	82,156	45,469	127,625
Accumulated amortisation and impairment	(82,156)	(45,469)	(127,625)
Net book amount	–	–	–
For the year ended 31 March 2022			
Opening net book amount	–	–	–
Additions	4,374	–	4,374
Amortisation	(874)	–	(874)
Impairment loss	(3,500)	–	(3,500)
Closing net book amount	–	–	–
As at 31 March 2022			
Cost	86,530	45,469	131,999
Accumulated amortisation and impairment	(86,530)	(45,469)	(131,999)
Net book amount	–	–	–
For the year ended 31 March 2023			
Opening and closing net book amount	**–**	**–**	**–**
As at 31 March 2023			
Cost	**–**	**–**	**–**
Accumulated amortisation and impairment	**–**	**–**	**–**
Net book amount	**–**	**–**	**–**

During the year ended 31 March 2022, impairment loss of approximately HK$3,500,000 was recognised in profit or loss from continuing operations. The license right and deferred development costs were fully amortised in previous year, and fully written-off during the year ended 31 March 2023. Details of the impairment assessment are set out in Note 16(b).

20. PRINCIPAL SUBSIDIARIES

As at 31 March 2023, 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 activity
			2023 Direct	**2023 Indirect**	2022 Direct	2022 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 ("AEL")	Hong Kong	Ordinary HK$1,000 non-voting deferred HK$5,000,000	**–**	**100**	–	100	Design, manufacture and sale of AV and Notebook products[2]
Alco Electronics (Dongguan) Limited[1] 愛高電業(東莞)有限公司("AELDG")	The PRC	Registered capital HK$134,000,000	**–**	**100**	–	100	Manufacture of AV and Notebook products[2]
Alco Electronics (Shenzhen) Limited[1] 愛高電子(深圳)有限公司	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
Avita Technologies International Company Limited	Hong Kong	Ordinary HK$780,102	**–**	**51**	–	–	Trading of Notebook products

Note:

1 Wholly foreign owned enterprise.

2 AEL and AELDG ceased operations on 31 August 2022 and considered as Disposal Group as set out in Note 11.

The above table lists out the principal subsidiaries of the Company as at 31 March 2023 and 2022 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.

21. FINANCIAL INSTRUMENTS BY CATEGORY

	2023 HK$'000	2022 HK$'000
Financial assets at amortised cost		
Trade and other receivables	**9,687**	200,586
Bank balances and cash	**2,392**	10,202
Total	**12,079**	210,788

	2023 HK$'000	2022 HK$'000
Financial liabilities at amortised cost		
Trade and other payables	**89,005**	319,026
Bank and other borrowings	**68,318**	284,967
Loans from shareholders	**85,553**	401,966
Total	**242,876**	1,005,959

22. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**41,256**	420,578
Work in progress	**–**	16,194
Finished goods	**38,022**	187,357
	79,278	624,129
Less: Provision for impairment	**(40,782)**	(270,190)
Total	**38,496**	353,939

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$91,352,000 (2022: HK$524,867,000, as restated) from continuing operations.

During the year ended 31 March 2023, there was a fall in the net realisable value of inventories as the price has dropped significantly due to technical obsolescence of products. In addition, as stated in Note 1, to improve the operational efficiency, the Group is taking measure to simplify product mix. As a result of these, an impairment of inventories from continuing operation of approximately HK$2,671,000 (2022: HK$120,695,000, as restated) had been recognised, and approximately HK$271,588,000 (2022: HK$77,500,000, as restated) where recognised as discontinued operation.

23. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Non-current		
Prepayments, deposits and other receivables	**826**	8,685
Less: loss allowance	**–**	(3,115)
	826	5,570
Current		
Trade receivables	**14,415**	159,310
Less: loss allowance (note a)	**(6,216)**	(8,744)
Trade receivables, net	**8,199**	150,566
Prepayments, deposits and other receivables	**5,391**	52,502
Less: loss allowance (note b)	**(2,317)**	–
Prepayments, deposits and other receivables, net	**3,074**	52,502
	12,099	208,638

At as 31 March 2023, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK$14,415,000 (2022: HK$159,310,000).

The Group allows an average credit period of 30 to 150 days to its customers. 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.

23. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

As at 31 March 2023 and 2022, the ageing analysis of the trade receivables based on revenue recognition dates is as follows:

	2023 HK$'000	2022 HK$'000
0-30 days	5,056	4,669
31-60 days	–	4,244
61-90 days	209	2,777
Over 90 days	2,934	138,876
	8,199	150,566

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix and such information is disclosed in Note 4.1(b)(ii).

Note:

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

	2023 HK$'000	2022 HK$'000
As at 1 April	8,744	2,745
Amount written-off as uncollectible	(7,889)	–
Impairment losses recognised	5,387	5,999
Transfer to held for sale	(26)	–
As at 31 March	6,216	8,744

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, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

b) Movement in the loss allowance for other receivables is set out below:

	2023 HK$'000	2022 HK$'000
As at 1 April	3,115	3,115
Impairment losses recognised	4,336	–
Transfer to held for sale	(5,134)	–
As at 31 March	2,317	3,115

24. BANK BALANCES AND CASH

	2023 HK$'000	2022 HK$'000
Cash at bank and on hand	**2,392**	10,202
Maximum exposure to credit risk	**2,256**	9,447

As at 31 March 2023, the Group's bank balances and cash of approximately HK$17,000 (2022: HK$2,984,000) 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.

25. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Non-current		
Other payables	**17,879**	11,455
Current		
Trade payables	**49,134**	207,553
Other payables and accruals	**45,433**	119,501
Provision for warranty	**1,473**	10,360
	96,040	337,414
	113,919	348,869

As at 31 March 2023 and 2022, the ageing analysis of the trade payables based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
0-30 days	**1,396**	16,203
31-60 days	**–**	2,061
61-90 days	**–**	5,121
Over 90 days	**47,738**	184,168
	49,134	207,553

26. BANK AND OTHER BORROWINGS

	2023 HK$'000	2022 HK$'000
Non-current		
Other borrowings, secured (Note iii)	–	–
Current		
Bank borrowing, secured (Note i)	68,318	186,187
Bank borrowings, unsecured (Note ii)	–	28,172
Other borrowings, secured (Note iii)	–	70,608
	68,318	284,967
	68,318	284,967

Note:

(i) As at 31 March 2023, the bank borrowing is secured by the Group's buildings (Note 16), investment properties (Note 17) and leasehold land (Note 18) with aggregate carrying amounts of approximately HK$143,041,000 (2022: HK$155,555,000).

(ii) The unsecured bank borrowings are guaranteed by the Company (Note 32).

(iii) As at 31 March 2022, the other borrowings are secured by the Group's equipment and machineries of approximately HK$7,485,000 (Note 16).

Bank and other borrowings are secured by certain properties held by Wilson.

As at 31 March 2023 and 2022, the following is a carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2023 HK$'000	2022 HK$'000
On demand or within one year	68,318	250,460
After one year but within two year	–	2,122
After two year but within five year	–	6,558
After five years	–	25,827
	68,318	284,967

26. BANK AND OTHER BORROWINGS (CONTINUED)

	2023 HK$'000	2022 HK$'000
Carrying amount that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause or default in payment (Note)	**68,318**	214,359
Carrying amount repayable on demand or within one year	**–**	70,608
Amounts shown under current liabilities	**68,318**	284,967
Amounts shown under non-current liabilities	**–**	–
	68,318	284,967

As at 31 March 2023, bank and other borrowings were interest-bearing at fixed rates from 1.3% to 5.2% per annum or a margin over Hong Kong Interbank Offered Rate ("HIBOR"), Lender's Costs of Funds or loan prime rate (2022: fixed rates from 5.2% to 13.2% per annum or a margin over HIBOR, Lender's Costs of Funds or loan prime rate) and are repayable within one year.

Note: During the year ended 31 March 2022, in respect of bank borrowings with a carrying amount of approximately HK$214,359,000 as at 31 March 2022, the Group was default in repayment. Thus, the relevant bank borrowings become immediately due and payable should the lenders exercise their rights under the bank loan agreement. The directors of the Company commenced to discuss the terms of the borrowings with the relevant banks. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress.

27. LOANS FROM SHAREHOLDERS

	2023 HK$'000	2022 HK$'000
Current		
Mr. Leung Kai Ching, Kimen (deceased)	–	78,200
Mr. Leung Wai Sing, Wilson (deceased)	50,052	277,766
Mr. Leung Wai Lap, David	13,000	26,000
Ms. Leung Ka Yan, Karen	20,000	20,000
Top Team Development Limited (Note)	2,501	–
	85,553	401,966
	85,553	401,966

As at 31 March 2023 and 2022, the maturity of loans from shareholders analysis:

	2023 HK$'000	2022 HK$'000
Within one year	85,553	401,966

The carrying amounts of the loans from shareholders approximate their fair values.

As at 31 March 2023, the loans from shareholders were interest-bearing at a fixed rate of 4% per annum or 1.3% over HIBOR or London Interbank Offered Rate ("LIBOR") per annum (2022: fixed rate of 4.5% per annum or 1.3% over HIBOR or London Interbank Offered Rate ("LIBOR") per annum). Balances of HK$476,190,000 as at 31 March 2023 would be repayable within one year or on demand.

Note: Top Team Development Limited is 100% directly owned by Mr. Leung Wai Sing, Wilson (deceased).

28. SHARE CAPITAL

	2023 Number of shares	2023 HK$'000	2022 Number of shares	2022 HK$'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	**723,244,650**	**72,324**	723,244,650	72,324
Issue of shares (note)	**72,324,000**	**7,233**	–	–
At the end of the year	**795,568,650**	**79,557**	723,244,650	72,324

Note:

On 23 September 2022, the Company had completed a placing of an aggregate of 72,234,000 new shares at a placing price of HK$0.1 each share. The net proceed from the placing of new shares amounted to approximately HK$6,980,000.

29. OTHER RESERVES

	Share premium HK$'000	Capital Redemption reserve (Note a) HK$'000	Revaluation reserve (Note b) HK$'000	Exchange reserves HK$'000	Staff Compensation reserve (Note c) HK$'000	Total HK$'000
As at 1 April 2021	417,679	1,089	65,423	(11,822)	11,783	484,152
– Currency translation differences	–	–	–	(8,515)	–	(8,515)
Total comprehensive expense	–	–	–	(8,515)	–	(8,515)
As at 31 March 2022	417,679	1,089	65,423	(20,337)	11,783	475,637
As at 1 April 2022						
– Currency translation differences	–	–	–	(13,113)	–	(13,113)
Total comprehensive expense	–	–	–	(13,113)	–	(13,113)
Issue of new shares	(253)	–	–	–	–	(253)
Transfer to amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held for sale	–	–	–	1,044	–	1,044
As at 31 March 2023	417,426	1,089	65,423	(32,406)	11,783	463,315

Note:

a. Capital redemption reserve represents the excess of market prices over par value of shares upon repurchase of shares of the Company in prior years.

b. Revaluation reserve represents revaluation gain on transfer of owner occupied property to investment property in prior years.

c. Staff compensation reserve represented the value of equity-settled share option expenses incurred in prior years.

30. DEFERRED INCOME TAX

As at 31 March 2023, the Group did not recognise deferred tax assets in respect of tax losses of approximately HK$1,756,221,000 (2022: HK$1,675,185,000) as it was uncertain that future taxable profits against which the tax losses could be utilised would be available in the relevant tax jurisdiction. Tax losses of approximately HK$1,604,322,000 (2022: HK$1,584,735,000) do not expire under current tax legislation and approximately HK$134,299,000 (2022: HK$90,450,000) and HK$17,600,000 (2022: nil) would expire within five years and ten years from the year of origination respectively.

31. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

	Liabilities from financing activities			
	Bank and other borrowings	Loans from shareholders	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2021	(290,930)	(278,200)	(52,252)	(621,382)
Financing cash flows	6,629	(123,766)	34,208	(82,929)
Operating cash flows	–	–	3,164	3,164
Foreign exchange adjustments	(666)	–	(1,741)	(2,407)
Finance costs incurred	–	–	(3,164)	(3,164)
Other changes (Note)	–	–	(44,260)	(44,260)
As at 31 March 2022 and 1 April 2022	**(284,967)**	**(401,966)**	**(64,045)**	**(750,978)**
Financing cash flows	**11,416**	**–**	**12,677**	**24,093**
Operating cash flows	**–**	**–**	**930**	**930**
Foreign exchange adjustments	**1,978**	**(2,525)**	**315**	**(232)**
Finance costs incurred	**–**	**–**	**(930)**	**(930)**
Transfer to liabilities associated with asset classified as held for sale (Note 11)	**131,556**	**390,637**	**–**	**571,053**
Transfer from bank and other borrowings to loans from shareholders	**71,699**	**(71,699)**	**–**	**–**
Other changes (Note)	**–**	**–**	**48,613**	**(247)**
As at 31 March 2023	**(68,318)**	**(85,553)**	**(2,440)**	**(156,311)**

Note: Other changes represent non-cash transactions, including addition or termination of lease liabilities and rent concession.

32. BANKING FACILITIES

As at 31 March 2023, banking facilities of approximately HK$405,878,000 (2022: HK$405,878,000) were granted by banks to the Group, of which approximately HK$178,118,000 (2022: HK$214,359,000) have been utilised by the Group. All banking facilities were supported by corporate guarantees given by the Company and as at 31 March 2023, bank and other borrowings of approximately HK$175,614,000 (2022: HK$256,795,000) are secured by charges over the Group's investment properties, buildings, equipment, machineries and leasehold land with carrying amounts of approximately HK$143,041,000 (2022: HK$163,040,000).

During the year ended 31 March 2023 and 31 March 2022, the Group had failed to repay certain bank borrowings according to their scheduled repayment date, details are stated in Note 26.

33. CONTINGENT LIABILITIES

On 22 April 2022, the wholly-owned subsidiary of the Group received the writ of summons issued by Ching Kung against Alco Electronics Limited (indirectly wholly own subsidiary of the Company) ("AEL") in Court of First Instance of the High Court of Hong Kong to recover an amount of HK$9,386,954.55 plus interest and costs. On 11 October 2022, AEL received the sealed judgment entered against AEL in the sum of HK$9,386,954.55 with 8% interest per annum from 22 April 2022 to the date of judgment and thereafter until payment. On 10 November 2022, Ching Kung applied for the Garnish nisi order and the bank accounts of AEL were frozen. On 14 February 2023, Ching Kung filed a winding up petition against AEL. On 26 April 2023, the winding up petition was heard at the High Court of Hong Kong before a Master and the hearing was adjourned to 24 May 2023. On 24 May 2023, the hearing was adjourned to 28 June 2023. The related balances are included in trade payables and no additional provision is necessary.

On 28 April 2022, the wholly-owned subsidiary of the Group received the writ of summons issued by Shenzhen Tianjiang Electronics Company Limited*（深圳市天將電子有限公司）("Tianjiang") against AEL in District Court of Hong Kong to recover an amount of HK$537,767.96 plus interest and costs. On 11 November 2022, AEL received the sealed judgment against AEL in the sum of HK$537,767.96 together with interest thereon at judgment rate from the date hereof until payment plus HK$6,000.00 fixed cost. On 2 December 2022, Tianjiang issued the statutory demand against AEL which was expired 21 days after service to the Company. The related balances are included in trade payables and no additional provision is necessary.

33. CONTINGENT LIABILITIES (CONTINUED)

On 9 June 2022, the Company received the statutory demand by World Crown Investments Limited ("World Crown") against the Company in respect of a claim of RMB3,700,000.00 and HK$652,174.00 being a purported loan from World Crown. On 23 June 2022, the Company filed an injunction against World Crown in presenting a winding-up petition against the Company pursuant to the statutory demand filed by World Crown. On 22 November 2022, the Company received the judgment against the Company in the relation to the injunction filed by the Company. On 6 December 2022, World Crown and the Company agreed on the payment schedule on the said amount. On 21 April 2023, the Company received a winding up petition ("Petition") filed by World Crown against the Company in the High Court of Hong Kong, on the basis of the alleged failure by the Company to repay an outstanding amount of HK$1,000,000.00 on the agreed settlement date. On 28 April 2023, the Company fully settled the outstanding amount due to World Crown and was notified by World Crown that they would proceed to withdraw the Petition accordingly. World Crown will not have any further claim in this matter. On 3 May 2023, World Crown and the Company filed a consent summons to the High Court of Hong Kong to withdraw the Petition. On 6 June 2023, the Company received the order of the High Court of Hong Kong, which ordered, among other things, that the Winding-up Petition be withdrawn and hearing of the Winding-up Petition on 28 June 2023 be vacated.

On 15 July 2022, the wholly-owned subsidiary of the Group received the writ of summons issued by Sunwell Science & Technology Co. Limited ("Sunwell") against AEL to recover the amount US$709,868.21 and HK$172,401.43 under High Court Action No. 876 of 2022. On 20 December 2022, AEL received the sealed judgment against AEL in the sum of US$709,868.21 and HK$172,401.43 together with interest thereon at the judgment rate from the date hereof until payment plus cost. The related balances are included in trade and other payables and no additional provision is necessary.

On 3 October 2022, the wholly-owned subsidiary of the Group received the writ of summons issued by Forever Products Company ("Forever Products") against AEL in District Court of Hong Kong to recover an amount of HK$2,363,250.00 plus interest and costs. On 14 November 2022, AEL received the sealed judgment against AEL in the sum of HK$2,363,250.00 together with interest thereon at 8% per annum from the date hereof until payment plus HK$7,130.00 fixed cost. On 14 December 2022, Forever Products issued the statutory demand against AEL which was expired 21 days after its service to the Company. The related balances are included in trade payables and no additional provision is necessary.

On 31 August 2022, the wholly-owned subsidiary of the Group received the writ of summons issued by Eurboln Mold and Molding Co., Limited ("Eurboln") against AEL to recover an amount of HK$5,585,160.00 plus interest and costs under High Court Action No. 1113 of 2022. On 2 February 2023, AEL received the sealed judgment against AEL in the sum of HK$5,585,160.00 together with interest thereon at the rate of 8% per annum from 31 August 2022 to 13 January 2023 and thereafter at judgment rate until full payment date hereof until payment plus HK$11,045.00 fixed cost. The related balances are included in trade payables and no additional provision is necessary.

34. COMMITMENTS

(a) Capital commitments

	2023 HK$'000	2022 HK$'000
Capital expenditure in respect of the acquisition of moulds, plant and machinery contracted but not provided for in the consolidated financial statements	–	1,232

(b) Operating lease arrangements (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 certain properties are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	1,315	21,412
After one year but within two years	1,168	12,231
After two years but within three years	1,227	–
	3,710	33,643

The lease terms are from one to two years.

35. RELATED PARTY TRANSACTIONS

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

	2023 HK$'000	2022 HK$'000
Continuing operations		
Interest expense on loans from shareholders		
– Mr. Leung Wai Sing, Wilson	–	3,129
– Mr. Leung Wai Lap, David	529	372
– Mr. Leung, Jimmy	–	406
– Ms. Leung Ka Yan, Karen	800	75
	1,329	3,982
Discontinued operations		
Interest expense on loans from shareholders		
– Mr. Leung Wai Sing, Wilson	–	2,201
– Mr. Leung Wai Lap, David	529	373
	529	2,574

	2023 HK$'000	2022 HK$'000
Short-term lease payments		
– Advance Leather Products Limited	–	2,016

Note: Mr. LEUNG Wai Sing, Wilson (deceased), Mr. LEUNG Wai Lap, David and Mr. LEUNG, Jimmy are shareholders of both the Company and Advance Leather Products Limited.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	2023 HK$'000	2022 HK$'000
Short-term employee benefits	5,792	13,414
Retirement benefit scheme contributions	235	363
	6,027	13,777

Further details of the directors' and chief executive's emoluments are included in Note 13.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Interests in subsidiaries	(a)	**–**	–
Current assets			
Other receivables		**–**	213
Income tax recoverable		**8**	8
Bank balances and cash		**3**	27
		11	248
Current liabilities			
Other payables		**1,452**	331
Net current liabilities		**(1,441)**	(83)
Total assets less current liabilities		**(1,441)**	(83)
Capital and reserves attributable to owners of the Company			
Share capital		**79,557**	72,324
Reserves	(b)	**(80,998)**	(72,407)
Total deficit		**(1,441)**	(83)

(a) Interests in subsidiaries

	2023 HK$'000	2022 HK$'000
Investment cost in subsidiaries	**67,586**	67,586
Amounts due from subsidiaries	**1,200,135**	1,207,352
	1,267,721	1,274,938
Less: Accumulated impairment loss	**(1,267,721)**	(1,274,938)
	–	–

Note: As at 31 March 2023, interests in subsidiaries are carried at cost of HK$1,267,721,000 (2022: HK$1,274,938,000) less accumulated impairment loss of HK$1,267,721,000 (2022: HK$1,274,938,000). The amounts due from subsidiaries are unsecured, interest free and repayable on demand. The directors of the Company do not expect repayments from subsidiaries within next twelve months from the end of the reporting period.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(b) 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
As at 1 April 2021	417,679	1,089	40,586	11,783	(213,275)	257,862
Total comprehensive expense and loss for the year	–	–	–	–	(330,269)	(330,269)
As at 31 March 2022 and 1 April 2022	417,679	1,089	40,586	11,783	(543,544)	(72,407)
Total comprehensive expense and loss for the year	**–**	**–**	**–**	**–**	**(8,338)**	**(8,338)**
Issue of new shares	**(253)**	**–**	**–**	**–**	**–**	**(253)**
As at 31 March 2023	**417,426**	**1,089**	**40,586**	**11,783**	**(551,882)**	**(80,998)**

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.

37. EVENTS AFTER THE REPORTING PERIOD

Implementing Capital Reorganisation

On 8 May 2023, the shareholders at the EGM approved (i) Share Consolidation; (ii) Capital Reduction; (iii) Share Premium Reduction and (iv) share subdivision effective on 10 May 2023 on the following basis:

(i) every fifty (50) issued and unissued existing Shares of par value of HK$0.10 each in the authorised share capital of the Company be consolidated (the "Share Consolidation") into one (1) ordinary share of par value of HK$5.00 each;

(ii) cancelling the paid-up share capital to the extent of HK$4.99 on each issued Consolidated Share such that the par value of each issued Consolidated Share will be reduced from HK$5.00 to HK$0.01 (the "Capital Reduction");

(iii) the entire amount standing to the credit of the share premium account of the Company of approximately HK$417,426,000 be reduced to nil (the "Share Premium Reduction"); and

37. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Implementing Capital Reorganisation (Continued)

(iv) the subdivision of each authorised but unissued Consolidated Share of par value of HK$5.00 into five hundred (500) Adjusted Shares of par value of HK$0.01 each.

Right issue

On 13 June 2023, the Board proposed to raise up to approximately HK$90,690,000 (before expense) by issuing up to 63,645,492 rights shares to the qualifying shareholders by way of the rights issue at the subscription price of HK$1.425 per rights share on the basis of four rights shares for every one share held on the record date (the "Rights Issue"), details of the Rights Issue are set out in the Company's announcement dated 13 June 2023. The Rights Issue is expected to complete in July 2023. The Board currently intends to apply the net proceeds from the Rights Issue primarily for repayment of bank loans and other borrowings, and for general working capital of the Group.

Litigation

On 24 April 2023, the wholly-owned subsidiary of the Group received the writ of summons issued by Bando Electronics (HK) Co., Limited ("Bando") against Alco Electronics Limited to recover an amount of US$582,375.78 under High Court Action No. 606 of 2023.

Principal Property

For the year ended 31 march 2023

As at 31 March 2023, principal property held for investment purposes is as follows:

Location	Lot number	Existing use	Lease 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, Mainland China	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:

RESULTS

For the year ended 31 March	**2023 HK$'000**	2022 HK$'000 (Restated)	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**89,321**	542,408	1,278,686	961,246	1,545,212
Loss attributable to owners of the Company	**(510,242)**	(594,575)	(360,463)	(599,374)	(563,134)

ASSETS AND LIABILITIES

As at 31 March	**2023 HK$'000**	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Total assets	**283,288**	833,777	1,363,113	1,216,024	1,726,839
Total liabilities	**(1,077,958)**	(1,106,700)	(1,032,927)	(535,104)	(397,369)
Total (deficit) equity	**(794,670)**	(272,923)	330,186	680,920	1,329,470