ANNUAL REPORT

年報 2021

ALCO HOLDINGS LIMITED

Stock Code 股份代號 : 328

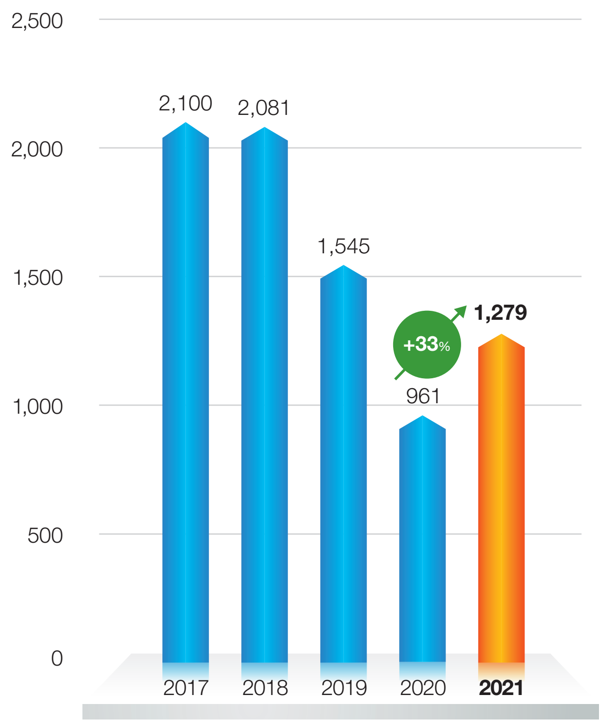
Contents

Corporate Information

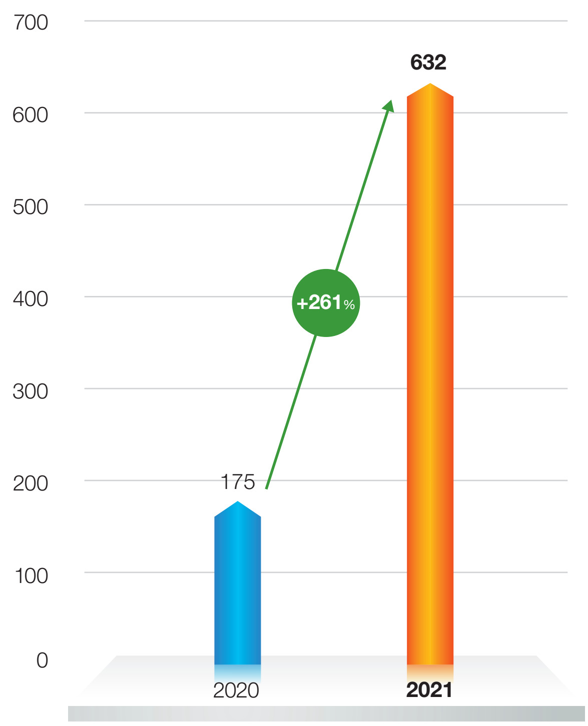
Directors	Mr LEUNG Wai Sing, Wilson *(Chairman)* Mr LEUNG Kam Fai, Peter Mr YIU Wang Tsun Mr LEE Tak Chi* Mr CHEUNG, Johnson* Mr WU Zhi-Ling* * *Independent non-executive directors*
Company Secretary	Mr YIU Wang Tsun
Principal Bankers	Hang Seng Bank Limited Shanghai Commercial Bank Limited
Auditor	SHINEWING (HK) CPA Limited *Registered Public Interest Entity Auditor*
Legal Advisers on Bermuda Law	Conyers
Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business	11/F, Metropole Square 2 On Yiu Street Sha Tin New Territories Hong Kong
Principal Registrars	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda
Registrars in Hong Kong	Tricor Abacus Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Website	http://www.alco.com.hk
Stock Code	328

Financial Highlights

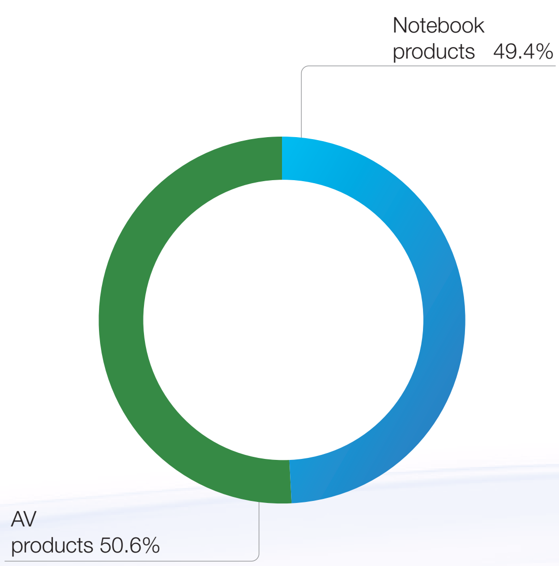
REVENUE
(HK$ MILLION)



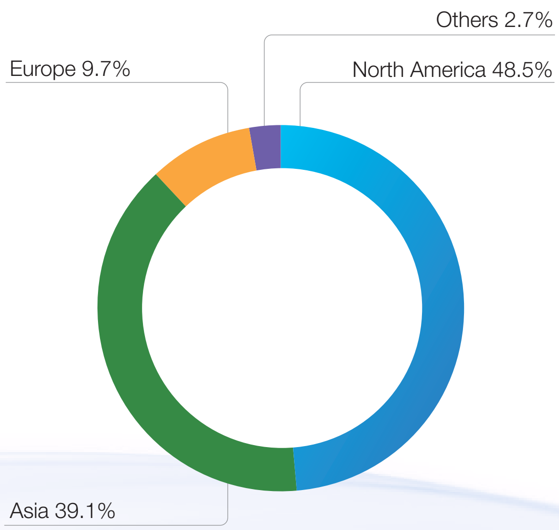
GROWTH — REVENUE (Notebook products)
(HK$ MILLION)



REVENUE MIX IN 2021

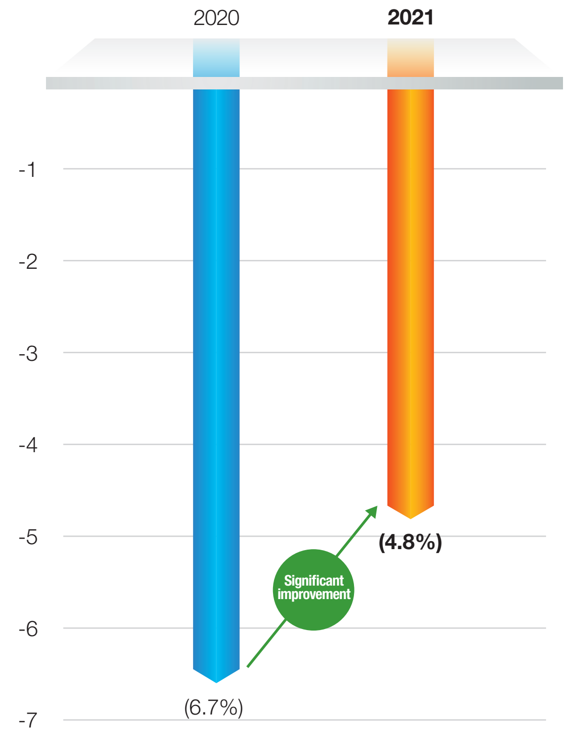


REVENUE BY GEOGRAPHICAL SEGMENT IN 2021



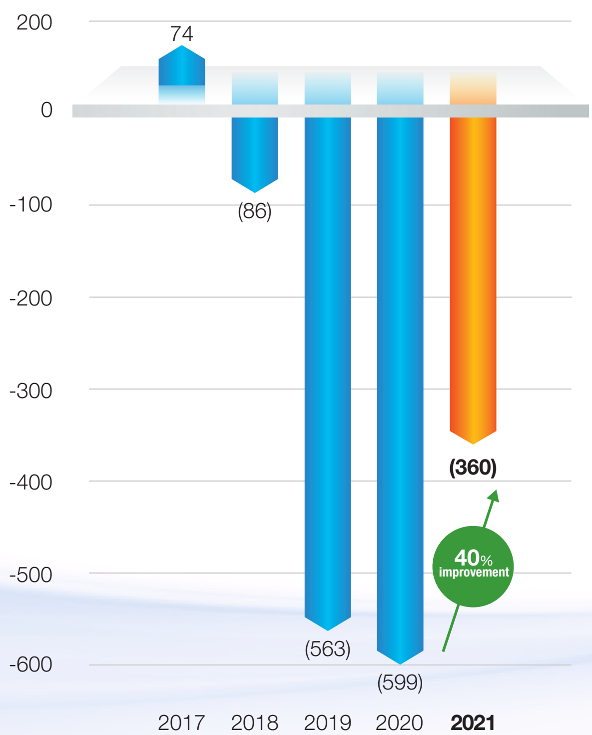
Financial Highlights

IMPROVEMENT – GROSS LOSS



PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS

(HK$ MILLION)



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 2021.

For the year under review, the Group recorded a 33% increase in turnover from HK$961 million (in 2020) to HK$1,279 million and a 40% reduction in net loss attributable to shareholders from HK$599 million (in 2020) to HK$360 million.

The increase in revenue was mainly due to very high demand for the Group's notebook computers during the year under review; in particular, the quantity of notebook computers, with most of them being AVITA brand, sold through by the Group for the year ended 31 March 2021 was close to a quarter million units, clearly affirming the high popularity and consumers acceptance of AVITA notebook computers.

Due to well publicized worldwide shortages of various electronic parts and components, however the Group was forced to abandon certain orders from dealers and distributors for notebook computers and tablets; in some cases, the Group even had to substitute more expensive versions for cheaper versions that could not be produced due to lack of parts. All these affected the Group's revenue and profitability since notebook computers and tablets are now the main source of income for the Group.

One of the main reasons for the reduction of the Group's net loss attributable to shareholders is the much higher quantity of notebook computers produced during the period under review, which not only allowed for fixed costs, such as those for manufacturing facilities, costs for advertising and branding, and costs for products engineering and development, to be shared by a much higher number of units, but most significantly also allowed for more favorable costs for materials to be negotiated. Furthermore, the Group's administrative expenses decreased by around 22% to HK$114 million, mainly due to costs saving measures such as the streamlining of operations, the decrease of outside professional expenses, and the lowering of travel and exhibition costs (many meetings with customers were conducted online and many exhibitions were postponed or cancelled outright). The wage subsidies under the Hong Kong Government's "Anti-epidemic Fund" measures also helped to mitigate somewhat the Group's administrative expenses.

Another factor for the decrease in net loss was the revaluation gain of HK$26 million from the sales of the Group's land holdings in Kam Tin, Yuen Long, the New Territories.

The directors do not recommend the payment of a final dividend (2020: Nil) for the financial year ended 31 March 2021.

Chairman's Statement

REVIEW OF OPERATIONS

During the year under review, COVID-19 brought unprecedented challenges to many people as well as many businesses and industries all over the world. In particular, when many consumers worldwide almost at the same time shifted en masse to working or studying from home due to lock-down, global demand for notebook computers and tablets skyrocketed virtually overnight; suddenly, notebook computers and tablets became essential devices and consumers all over the world suddenly required one device per person instead of one device shared among family members. Most importantly, due to consumers' demand for notebook computers and tablets rising multiple folds within a matter of weeks, the supply chains for these devices' critical components, as well as in some cases even supply chains for normally non-critical and very low-value components, became virtually broken and unable to cope. Such tsunamic surge in demand for notebook computers and tablets unavoidably resulted in unprecedented shortages and thus dramatic and multiple folds increase of the costs for these devices' parts and components. In order to secure and cope with the supply shortages of critical electronic parts (as well as normally non-critical and low-value parts), the Group had to pay large deposits up-front as well as highly inflated market prices, which deeply impacted the Group's profitability. However, bulk-purchasing and operating leverage (attributable to geometric volume growth) will continue to enhance profitability in long term. Whenever there are challenges there are always opportunities and the high demand for notebook computers and tablets helped made the Group's notebook computers and tablets achieving double-digit growths in various countries and markets in the Asia Pacific region. In fact, the quantity of notebook computers, with most of them being AVITA brand, sold through by the Group for the year ended 31 March 2021 was close to a quarter million units, clearly affirming the high popularity and consumers acceptance of AVITA notebook computers. In certain markets such as India, the quantity of AVITA notebook computers sold during the year under review grew more than 10 times compared to last year.

With shortages of critical electronic parts and components being one of the most prominent challenges faced by many manufacturers all over the world, even for many famous and powerful automobile makers, the Group's supply chain resources in Hong Kong, Shenzhen, and Taiwan have been further strengthened. Most importantly, since the head offices and decision making for many major semiconductor companies and TFT LCD companies are located in Taiwan, the Group's subsidiary company there, Taiwan Nexstgo Limited, has been absolutely indispensable and instrumental in obtaining allocations of critical parts and components during such worldwide shortages.

As regard to the Group's manufacturing facilities located in Dongguan, China, apart from and in addition to continuous upgrade in robotization and automation to minimize the need for additional direct labor even though the Group's notebook computers production has been increasing by multiple folds year on year, further investments have been made to allow the Group to produce in-house processes that have been carried out by vendors. New facilities such as water-based paint shop, UV printers, and keyboard printing & assembly equipment (to name just a few) have been added during the period under review to allow the Group to more flexibly and quickly accommodate various colors, patterns, and keyboard specification requirements from different markets.

Chairman's Statement

PROSPECTS

With more and more people around the world getting inoculated against the COVID-19 virus, it is of course the wish of many that the world's economies will gradually get back on their feet; however, it is for sure won't be an exaggeration to say that the financial year 2021/2022 will still be full of challenges for the Group. On the bright side, however, it is exactly for circumstance such as the pandemic that the Group a few years ago decided to implement and execute the strategy of developing, producing, selling, and marketing products, and in particular notebook computers and tablets, under the Group's own brands. Having implemented such own-brand strategy, the Group can decide and control directly to develop products and enter markets that have the potential to generate the highest possible business success; instead of replying solely on OEM/ODM customers' or retailers' orders, which can very often be affected by geopolitical competition or outright trade wars, the Group now has the leverage to plan ahead to avoid markets where non-commercial factors could significantly affect business prospects. For example, by deciding to develop notebook computers and tablets more specifically catered to markets in Asia, the Group's revenue from North America has now dropped below 50% for the first time in years.

According to many industry forecasts, strong demand for notebook computers and tablets should continue and persist well into the end of 2021 and even into 2022; one of the reasons being the situation that many companies will still need to continue to support and allow their employees to work from home, even if not for the entire work week but at least for a couple of days or even more per week. As a consequence, the trend of notebook computers and tablets being a necessity rather than a luxury in many homes around the world will continue. In order to benefit from this, the Group will continue to invest in resources to develop and promote more variety of notebook computers and tablets to capture new price points, new markets, and most importantly new consumers. In the year under review and as a result of the growing trend for study-from-home and distant/virtual learning, the Group has also received ample enquiry regarding, and therefore has been developing, LTE enabled tablets for markets and countries where Wi-Fi is not commonly available in private homes.

Chairman's Statement

As mentioned above, the Group has been investing continuously in robotization and automation in order to minimize the need for additional direct labor for coping with geometric increase in notebook computers production year on year; based on the growth path of AVITA notebook computers as well as recent enquiries for private-label notebook computers, the Group is cautiously optimistic that the quantity of notebook computers and tablets to be manufactured could soon reach 7 digits per year. Also as mentioned above, new facilities have been added in the Group's manufacturing facilities to allow for more flexibly and speed in accommodating various changes in specifications and requirements for AVITA notebook computers from different markets; going forward, the Group will continue to strategically look into investing in resources and facilities that will allow for production of unique features on AVITA notebook computers. Additionally, the Group will also develop various accessories complement to AVITA notebook computers and tablets, in direct response to such requests by distributors and retail channels (in various markets) who have been convinced of AVITA brand's commercial potential other than only on notebook computers and tablets.

Chairman's Statement

In addition to being in the manufacturing field for over half a century, next year will be the Group's 30th anniversary for being a publicly listed company; basing on the own-brand strategy and with the foundation already set by the success and experience of AVITA notebook computers, the Group will further invest and follow the path of developing high-value-add products such as notebook computers, tablets, and possibly even never-invented-before computing devices or features. Last but not least, the Group will pay close attention to such technology trends such as the IoT products, 5G enabled devices, edge computing, and even electric mobility, with the aim of making strategic investments in any of those that will allow the next decades of growth.

APPRECIATION

On behalf of the Board of Directors, I want to thank the management team for their commitment and efforts over the past years. Furthermore, I want to thank all members of Alco's Group of Companies for their perseverance and dedication. Equally important, I want to extend my sincere gratitude to our customers, partners, and shareholders for their unwavering support.

LEUNG Wai Sing, Wilson
Chairman and Chief Executive Officer

Hong Kong, 29 June 2021

Biographical Details of Directors and Senior Management

Executive Directors

Mr LEUNG Wai Sing, Wilson, aged 61, joined the Group in 1985 and is the Chairman and the Chief Executive Officer of the Group and takes full charge of the Group's overall strategy and operations. He holds a Master of Science degree in electrical engineering from Queen's University, Canada.

Mr LEUNG Kam Fai, Peter, aged 64, joined the Group in 1979 and was appointed as an executive director of the Company in 2019. He has more than 30 years of experience in the field of electronics products and he oversees the Group's supply chain function.

Mr YIU Wang Tsun, Angus, aged 44, joined the Group in May 2021 and is the chief financial officer, the executive director and the company secretary of the Group. He holds a Master's Degree in Advanced Finance and a Bachelor's Degree in Accounting and Finance from the University of New South Wales in Australia. He is a member of CPA Australia and Hong Kong Institute of Certified Public Accountants. He was also a Councilor of CPA Australia's Greater China Division. Before joining the Group, Mr YIU held senior executive positions in a number of listed and private companies. He has over 20 years of experience in the field of auditing, accounting, finance, management, strategy and business development.

Independent Non-executive Directors

Mr LEE Tak Chi, Tak, aged 66, joined the Group in 2011 and was previously Associate Dean and Professor of School of Design, The Hong Kong Polytechnic University. He served as Board of Director of Automotive Parts and Accessory Systems R&D Centre and currently serves as Member of Assessment Panel of the Innovation and Technology Fund for Better Living established by the Hong Kong Government.

Mr CHEUNG, Johnson, aged 55, joined the Group in 2016 and holds a Master of Studies Degree from the University of Cambridge, and a Master of Arts Degree in Economics and Bachelor of Science (Hons) Degree in Biology from the University of British Columbia. He has accumulated more than 29 years of financial management experience in the equity market and has extensive experience in research and financial analysis. He currently is the Head of Institutional Sales at China Galaxy International Securities (Hong Kong) Co., Ltd. He is responsible for management and overseeing coverage of institutional investors, and marketing ideas and providing execution on shares listed in Mainland China and Hong Kong. Prior to this, he had gained accounting and financial experience by serving in different international companies such as Goldman Sachs, Credit Lyonnais, Minsheng Bank and HSBC.

Mr WU Zhi-Ling, Darwin, aged 49, holds a Bachelor of Science degree in Bio-Industrial Mechatronics Engineering from National Taiwan University and an MBA degree from National University of Singapore. He has more than 25 years of experience working in leadership positions in well-known electronics and industrial companies, among which are ASUSTek Computer Inc. and Dynacast International, and is currently President of Acaltronic Private Limited, an engineering solutions company, and Director of International Tooling and Engineering Consultants Pte. Ltd.

Biographical Details of Directors and Senior Management

Senior Management

Mr LEUNG Wai Lap, David, aged 60, is a brother of the Chairman of the Group. He joined the Group in 2005 and is the senior sales manager of the Group. He oversees the sales and marketing for the Group's products and services in North America.

Mr YIP Wing Shing, David, *S.B.S., M.H., J.P.*, aged 63, joined the Group in 1973. He is the Group's general manager and oversees the whole operation of the Dongguan factory. He has over 36 years of experience in the field of consumer electronic products.

Mr CHEUNG Ka Wing, Ringo, aged 60, joined the Group in May 2019 as an independent non-executive director ("INED") of the Company. Ringo resigned as an INED of the Company and has been appointed as General Manager–Global Strategic Sourcing of the Group in 2020. Ringo holds a Bachelor's Degree in Management Science from the Taiwan National Chiao Tung University and has more than 35 years of experience in various well-known companies mainly in the electronics industry including Acer and E-Ink.

Mr CHUNG Hau Yeung, Alex, aged 51, joined the Group in 2016 as CEO of Nexstgo Company Limited, a wholly owned subsidiary carrying the business of notebook trading. He has over 27 years of experience in technology, IT, mobile and consumer electronics sectors. Prior to joining NEXSTGO, Mr Chung held various senior management positions at Lenovo HK, Samsung Electronics HK Co. Ltd., Sony Corporation of HK Ltd., and Sony Marketing Asia Pacific. He holds an EMBA from The University of Western Ontario, Canada. He is the President of the Hong Kong Information Technology Federation, a fellow member (FCIM) of the Chartered Institute of Marketing (UK) and a Chartered Marketer. Mr Alex Chung is one of the Advisory Committee on Graduate Employment of Hong Kong Baptist University, Programme Advisor of MScGMM and Internationalization Advisory Committee of HKBU School of Business. He is also a General Committee of the Hong Kong Exporters Association facilitating Hong Kong as a smart innovation centre in the world. He was awarded with the Outstanding Entrepreneur Award from CAPITAL Magazine recognizing his innovation and excellent entrepreneurship.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the 12 months ended 31 March 2021 ("Year"), except with deviation from code provision A.2.1; rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code of the Listing Rules.

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

Following the resignation of Mr CHEUNG Ka Wing on 14 December 2020, the number of independent non-Executive directors of the Company did not meet the requirement under rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, the composition of the audit committee, the remuneration committee, and the nomination committee of the Company no longer satisfies the requirements under rules 3.21, 3.25 and code provision A.5.1 of the Corporate Governance Code of the Listing Rules, respectively. On 12 March 2021, with the appointment of Mr WU Zhi-Ling, as the Independent non-Executive Director, and the Audit Committee, the Remuneration and the Nomination Committee of the Company has once again complied with the requirements of relevant Listing Rules above.

THE BOARD

The Board is responsible for the formulation of the Group's business and strategic decisions and monitoring the performances of the management team.

The Board currently comprises three executive directors, namely Mr LEUNG Wai Sing, Wilson, Mr LEUNG Kam Fai, Peter and Mr YIU Wang Tsun and three independent non-executive directors, namely Mr LEE Tak Chi, Mr CHEUNG, Johnson and Mr WU Zhi-Ling.

Corporate Governance Report

Six Board meetings were held during the year ended 31 March 2021. The attendance of each director is set out as follows:

Members of the Board	Attended/Eligible to attend
Executive Directors	
Mr LEUNG Wai Sing, Wilson	6/6
Mr LEUNG Kam Fai, Peter	6/6
Mr YIU Wang Tsun (appointed on 25 June 2021)	0/0
Mr LIU Hoi Keung (resigned on 25 June 2021)	6/6
Independent Non-executive Directors	
Mr LEE Tak Chi	6/6
Mr CHEUNG, Johnson	6/6
Mr WU Zhi-Ling (appointed on 12 March 2021)	0/0
Mr CHEUNG Ka Wing (resigned on 14 December 2020)	3/3

The Company has received an annual confirmation of independence from each of the independent non-executive directors in accordance with rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all independent non-executive directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

RE-ELECTION OF DIRECTORS

Mr YIU Wang Tsun and Mr WU Zhi-Ling will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In addition, the Board has assessed the independence of Mr LEE Tak Chi, who has been Independent Non-Executive Director of the Company for more than nine years and considers that he continues to be independent, notwithstanding the length of his tenure, as he satisfied all the criteria for independence as set out in rule 3.13 of the Listing Rules. The re-election of Mr LEE Tak Chi as Independent Non-Executive Director will be subject to a separate resolution to be approved by shareholders at the forthcoming annual general meeting.

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 2021.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference in accordance with the Code provisions.

The Remuneration Committee currently comprises Mr CHEUNG, Johnson (chairman of the Remuneration Committee), Mr LEE Tak Chi and Mr WU Zhi-Ling, all of whom are independent non-executive directors.

The primary duties of the Remuneration Committee are to make recommendation on the policy and structure for the remuneration of the directors and senior management, and to consider and approve remuneration of the directors and senior management by reference to corporate goals and objectives. The existing remuneration package contains a combination of basic salary, discretionary performance bonus and fringe benefits. For the Year, the Remuneration Committee was of the opinion that the remuneration packages were fair and commensurate with the market.

Two Remuneration Committee meetings were held during the Year and the attendance of each Committee member is set out as follows:

Members of the Remuneration Committee	Attended/Eligible to attend
Mr CHEUNG, Johnson	2/2
Mr LEE Tak Chi	2/2
Mr WU Zhi-Ling (appointed on 12 March 2021)	0/0
Mr CHEUNG Ka Wing (resigned on 14 December 2020)	0/0

AUDIT COMMITTEE

The Audit Committee currently comprises Mr CHEUNG, Johnson (chairman of the Audit Committee), Mr LEE Tak Chi and Mr WU Zhi-Ling, all of whom are independent non-executive directors.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the financial statements of the Group for the Year.

Three Audit Committee meetings were held during the Year and the attendance of each Committee member is set out as follows:

Members of the Audit Committee	Attended/Eligible to attend
Mr CHEUNG, Johnson	3/3
Mr LEE Tak Chi	3/3
Mr WU Zhi-Ling (appointed on 12 March 2021)	0/0
Mr CHEUNG Ka Wing (resigned on 14 December 2020)	2/2

NOMINATION COMMITTEE

The Company established a Nomination Committee with written terms of reference in accordance with the Code provisions.

The Nomination Committee currently comprises Mr LEUNG Wai Sing, Wilson (chairman of the Nomination Committee), Mr LEE Tak Chi, Mr CHEUNG, Johnson and Mr WU Zhi-Ling.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, and to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorship. Besides, the Nomination Committee has adopted a board diversity policy in which the diversity of board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, skills, knowledge and professional experience. The above aspects will be taken into account when the selection of board members is necessary.

Two Nomination Committee meetings were held during the Year and the attendance of each Committee member is set out as follows:

Members of the Nomination Committee	Attended/Eligible to attend
Mr LEUNG Wai Sing, Wilson	2/2
Mr LEE Tak Chi	2/2
Mr CHEUNG, Johnson	2/2
Mr WU Zhi-Ling (appointed on 12 March 2021)	0/1
Mr CHEUNG Ka Wing (resigned on 14 December 2020)	0/1

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

For the Year, the remuneration paid to the Company's auditor, SHINEWING (HK) CPA Limited, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit-related services	1,380

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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.

Environmental, Social and Governance Report

ABOUT THIS REPORT

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

Reporting Principle and Scope

As identified by the materiality assessment, this ESG report covers the Group's overall performance, risks, strategies, measures and commitment in terms of quality of workplace environment, environmental protection, operating practice and community involvement for the business operations in Hong Kong and China during the reporting period for the year ended 31 March 2021 ("Reporting Period").

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

Information about corporate governance structure of the Group and other relevant disclosure, please refer to page 13 to 18 of this annual report.

Materiality Assessment

Management and employees of the Group participated in preparing this ESG Report and assessing and reviewing its operating practices with regards to environment, social and governance aspects, as well as how these operating practices are material to our business operations and stakeholders. Pursuant to the ESG Guide, the ESG Report provides a quantitative description of the effectiveness of our ESG-related practices, together with general disclosure of these practices. During the Reporting Period, no KPI target was set; however, to the best knowledge of the Board and the management, our environmental and social impact was, if any, within the industry standard and maximum limit as required by the government authorities.

Environmental, Social and Governance Report

CORPORATE SOCIAL RESPONSIBILITY – APPROACH AND POLICY

We embrace a high moral standard as a manufacturer and are dedicated to running in a socially and environmentally responsible manner while remaining economically viable. As we seek numerous ways to communicate with stakeholders in order to balance their interests, we have made corporate social responsibility ("CSR") an important aspect of our business processes. We evaluate our environmental protection, employee relations, community involvement, corporate governance, and other efforts on a regular basis to ensure that we are following best practices that contribute to a more sustainable society. Individual and collaborative efforts of our team and the Group are required to meet this pledge. As a result, we make sure that all our employees follow the guidelines. All Directors, senior executives, and other staff are subject to the Group's CSR policy.

STAKEHOLDER ENGAGEMENT

Key stakeholders including investors, shareholders, and employees have all been engaged on a regular basis to discuss and evaluate our ESG performance in order for the Group to fulfill their expectations and identify new challenges. We strive to consistently improve our ESG performance and management by maintaining close connection with our stakeholders. Your opinions on the Group's approaches on the environmental, social, and governance aspects upon reading this ESG Report are welcomed. Please share with us via email at investor.enquiry@alco.com.hk.

ENVIRONMENTAL ASPECT

The Group is highly cautious of the environmental impact of its business operations, as it establishes new goals and performance indicators every year based on its environmental approaches, results of impact and risk assessment, as well as other internal and external factors. The Group's environmental goals are centered around the reduction of consumption in water, electricity and energy, lawful and safe disposal of waste as well environmental protection.

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

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

ENVIRONMENTAL ASPECT (CONTINUED)

During the Reporting Period, to the best knowledge of the Director and management, there was no incident of non-compliance with local relevant environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste that has a significant impact on the Group. No penalties were imposed on the Group during the Reporting Period.

Emissions

We have a manufacturing facility based in Houjie Town, Dongguan City, Guangdong Province in Mainland China ("Houjie Factory"). Upon an acceptance inspection of the facility's construction and a thorough environmental assessment, Houjie Factory has received the Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources from the Environmental Protection Bureau of Dongguan City, which is a prerequisite for commencement of manufacturing activities. Houjie Factory has also obtained the certification of ISO14001:2015 for meeting the required standards for environmental management system.

Air Pollution – Exhaust Gas and Green Gas

We conduct workplace air quality inspections for benzene, methylbenzene, p-Xylene, as well as other pollutants, and the results reveal that all emissions complied with the Guangdong Province's Emission Limits of Air Pollutants Emission limits of air pollutants (DB44/27-2001). Our Houjie Factory has received the Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources from the Environmental Protection Bureau of the Dongguan Municipal Government for its environmental performance evaluation.

Waste Management

Internal requirements, such as Waste Control Procedures, are strictly followed in the handling of all waste created from manufacturing and daily operations. Under normal circumstances, waste recycling and reuse are recommended. Hazardous and non-hazardous wastes are disposed of by qualified collectors, whilst electronic solid wastes including electronic devices, electronic parts and printed circuit boards are collected by companies approved by the government. Internal guidelines are in place to promote efficiency in consuming resources and reducing waste. To reduce electronic solid waste, there is a designated department responsible for the repairs and maintenance of electronic hardware to allow computers and other electronic devices to function properly in a longer lifespan.

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT (CONTINUED)

Emissions (Continued)

Waste Management *(Continued)*

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

Emission Data:

Emissions	Unit	2021 Quantity	2020 Quantity
Greenhouse gas			
– Scope 1 – direct emission – fuel consumption		69,084	64,284
– Scope 2 – indirect emission – electricity purchased	kg of CO_2 equivalents	2,569,412	4,867,154
– Scope 3 – other indirect emission			
(i) paper consumption		6,960	6,672
(ii) water consumption		171,339	151,000
Exhaust gas			
– Nitrogen Oxide (NO_x)	gram	269,985	259,250
– Sulfur Oxide (SO_x)	gram	403	398
– Particulate matter (PM)	gram	26,518	25,444
Others			
– Wastewater	tonnes	171,339	151,000
– Non-hazardous waste	tonnes	104	123
– Other domestic waste	tonnes	170	180
– Hazardous waste	tonnes	2	1

Remarks: Emission factors for Greenhouse Gas were following HKEx ESG Guideline Appendix 2: Reporting Guidance on Environmental KPIs updated on 28 May 2021.

ENVIRONMENTAL ASPECT (CONTINUED)

Emissions (Continued)

Waste Management *(Continued)*

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

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

Use of Resources

The Group's environmental efforts extend to its product design and introduction, production processes, and other areas. We strive to reduce carbon emissions through a more efficient use of resources in every business process. Electricity was used as the main energy sources for production and heat. In light of this, we focus our efforts on improving operating efficiency and strengthening conservation of energy, water and other raw materials.

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

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

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

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

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

– promoting paperless office by using electronic documents

ENVIRONMENTAL ASPECT (CONTINUED)

Use of Resources (Continued)

To support the use of clean energy, a 3,450 kWp solar photovoltaic power station was installed on the rooftop of factory buildings. During the Reporting Period, Alco purchased 2,411,443 kWh clean energy from the system to cater our commitment on GHG emission reduction.

Photo of solar photovoltaic power station

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

Our Houjie Factory is strategically located whereby transportation distance is shortened and indirectly reduces our fuel consumption of vehicles.

Resource Consumption Data

Resources Consumed	Unit	2021 Quantity	2020 Quantity
Electricity Purchased	kWh	4,211,461	4,035,960
Total electricity consumption	kWh	6,622,904	6,083,942
Total electricity consumption per product produced	kWh/pcs of product produced	3.467	3.714
Paper	kg	1,450	1,390
Water	tonnes	190,377	188,789
Total water consumption per product produced	tonnes/pcs of product produced	0.0997	0.115
Fuel – vehicles	litre	25,913	25,612
Packaging materials – plastic	tonnes	3	51
Packaging materials – corrugate	tonnes	705	730

ENVIRONMENTAL ASPECT (CONTINUED)

Use of Resources (Continued)

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

KPI A2.1	Details of energy consumption by type and intensity are set forth above.
KPI A2.2	Details of water consumption and intensity are set forth above.
KPI A2.3	Description of energy use efficiency initiatives can be referred to in the above paragraphs.
KPI A2.4	There is no issue in sourcing water that is fit for purpose whereas the Group considers its water consumption level is reasonable.
KPI A2.5	Details of packaging materials are set forth above.

Environmental and Natural Resources

We stress the importance of protecting biodiversity and ecosystems and learn from our decades of experience in the manufacturing sector to promote green practices. We are devoted to minimise negative impacts from our business operations through our efforts in raising employees' awareness and enhancing our environmental control.

We have built, followed and maintained an effective environmental management system in accordance with the ISO 14001:2015 standards. We begin with our product design as environmental considerations are incorporated. Where applicable, our products meet the environmental and safety requirements of Restriction of Hazardous Substances Directive (RoHS), Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), Federal Communications Commission (FCC) and Edison Testing Laboratories (ETL); whilst materials used in products are inspected against harmful substances and durability at design stage.

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

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

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

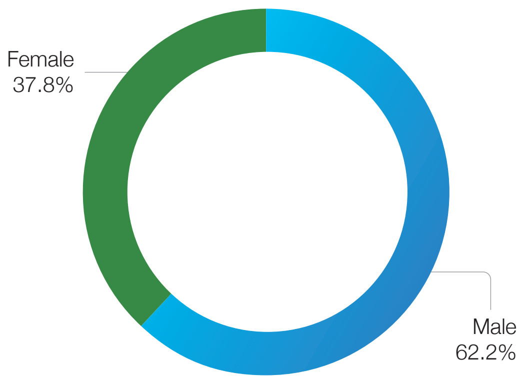
Environmental, Social and Governance Report

SOCIAL ASPECT

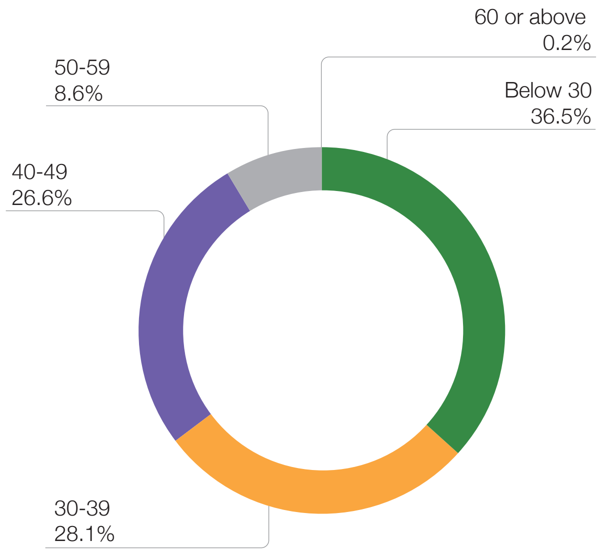
Employment and labour practices

Employment

Total Workforce (%) by Gender



Total Workforce (%) by Age



SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Employment *(Continued)*

Employment Data (As at 31 March):

	Unit	2021 Quantity	2020 Quantity
Total employees	No. of people	946	961
By gender			
– male	percentage	62.2	59.0
– female		37.8	41.0
By employment type			
– permanent	percentage	100	100
– temporary/part-time		0	0
By rank			
– executives	percentage	6.9	12.5
– others		93.1	87.5
By age			
– below 30	percentage	36.5	23.3
– 30-39		28.1	29.9
– 40-49		26.6	35.2
– 50-59		8.6	10.9
– 60 or above		0.2	0.7
Average service tenure			
By rank			
– executives	No. of years	13.9	11.2
– others		5.7	9.1
By gender			
– male		6.2	9.4
– female		6.3	9.4
New employees			
– male	No. of people	311	83
– female		161	47
Employee turnover			
– male	No. of people	346	295
– female		141	170

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Employment *(Continued)*

Recruitment and remuneration policies

The Group had 946 employees as at 31 March 2021. We undertake to provide a workplace where our staff is respected. Our employment and labour practices were made in compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and other applicable laws, as well as industry practices. All employees, upon joining the Group, are given briefing sessions, which cover terms of employment, remuneration packages, working hours, rest periods and holidays, termination, confidentiality and other areas.

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

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

We tend to recruit short-term temporary workers during the peak season as supply of permanent, long-term workers is relatively limited in the market. Nevertheless, we offer healthy and safe work environment and salaries at a level not less than other long-term, permanent workers with the same position. As at 31 March 2021, there were no short-term temporary workers in the Group.

During the Reporting Period, we experienced a higher voluntary turnover rate of employees. The management believes that one of the reasons is that younger employees might prefer choosing jobs with higher flexibility than working in a factory. Meanwhile, the inland provinces of China are enjoying rapid development, and the gap between inland and coastal provinces is narrowing down, which provides increasing job opportunities and leads to higher turnover rate. The Group does not consider the turnover rate to be significant compared to the industry level.

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

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Employment *(Continued)*

Equal opportunities, diversity and inclusion

While we tend to employ local citizens residing close to our Houjie Factory as a support to local employment, we embrace diversity and inclusion. Employees of all backgrounds are entitled to fair and adequate promotion opportunities. Our recruitment and development programs are supervised under our human resources management system to ensure no discrimination in any forms such as gender, age, nationality, sexual orientation, family status, race or religion, within the Group as we hire suitable candidates based on their work experience, knowledge and capabilities.

Employee communication

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

Dismissal policies

For departure of employees, our human resources department coordinates the transition according to the procedures in the human resources management system and applicable labour laws. Termination clauses are set out in all employees' contracts. In case of special situations, human resources department will consult our legal advisors and/or management to ensure such employment termination is in compliance with applicable laws.

Health and Safety

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

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Health and Safety *(Continued)*

Work safety

Houjie Factory is equipped with adequate protective gear and equipment, including first-aid equipment, protective helmets, gloves and goggles, fire extinguishers, ear mugs and plugs, and particulate respirators. We also have regular fire drills and qualified fire aiders as well as an on-site medical staff, who will also be responsible for personal hygiene education. We perform regular check on production machines and equipment to make sure they function safely. Provision of annual body check is in place for workers in designated positions. We also have insurance coverage for possible injuries and fatality incidents from work. For certain job positions, we require our employees to obtain professional qualifications or licenses, such as drivers, forklift drivers, electrician, lifts operators, fire control room staff, and chemical substance handlers, which are under regular review. Meanwhile, we arrange regular trainings for employees to obtain the related qualifications or licenses. For certain types of works, like welder and employees exposed to chemicals, extra occupational health check will be provided.

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

We encourage our employees and our Safe Production Committee to keep close communication with our management in order to ensure prompt reaction to any situations when they arise.

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

Employee care

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

During the Reporting Period, there was no significant incident of safety and work-related injury. There was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Development and Training

Training statistics

	Unit	2021 Quantity	2020 Quantity
Participating employees	No. of people	670	723
Participating employees as % of total employees	percentage	71	75.2
By gender			
– male	Total hours	14,940	15,300
– female		9,180	10,728
By gender			
– male	Average hours per employee	36	36
– female		36	36
By rank			
– executives	Total hours	2,340	2,448
– others		21,780	23,580
By rank			
– executives	Average hours per employee	36	36
– others		36	36

The Group always seeks for talents for our business operation and future development. Through a series of target-oriented and systematic development and training programs, we are devoted to nurture their growth. The Group has organised and subsidised various internal and external staff training to enhance their skills and knowledge, including machine operating, work safety and production environment management, industry and market knowledge, business administration and so on. In Houjie Factory, employees have to go through at least 32 hours of required annual training.

SOCIAL ASPECT (CONTINUED)

Employment and labour practices (Continued)

Development and Training *(Continued)*

Training statistics (Continued)

Training courses are designed and updated based on our business requirement and development. For instance, due to change of our product mix, participation rates of training of Robotic Process Automation ("RPA") and laptop project-related training increased during the Reporting Period. Relevant qualifications and certificates are required for employees to perform certain duties. The Group will help arrange trainings for these employees. For other employees, we promote continuous learning, whereby we encourage our staff to obtain professional qualifications, such as engineering, human resources management, trainers, etc.

Meanwhile, the Group also keeps abreast of the latest development in the industry as well as the laws and regulations, which is essential to the Group's operation. Training on obligations, duties and responsibilities of directors and senior management of publicly listed companies are also carried out regularly in accordance with the Securities and Futures Ordinance and the Listing Rules.

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

Labour Standard

The Group's internal rules and labour system are made in strict adherence to the Employment Ordinance and the Regulation on Labour Security Supervision, the Labour Standards Law and other applicable laws and regulations. All recruitment process and promotion activities are closely monitored under the Group's human resources management scheme to prevent child labour, forced labour, or any discrimination by race, religion, age or disability. The Group will conduct investigations, punishment or dismissal of relevant employees immediately when any noncompliance is being discovered. If necessary, the Group will further improve the labour mechanism against illegal behaviors.

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

OPERATING PRACTICES

Supply Chain Management

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

The Group endeavors to maintain an appropriate and legitimate supply chain management to promote sound practices in our supply chain. We have a set of supplier management procedures and supplier evaluation standards on production capacity, quality, social responsibility, environmental and health safety, etc., for which site inspections are performed from time to time at suppliers' premises in order to evaluate and ensure the quality of the suppliers.

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

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

Product Responsibility

Through strict implementation of the guidelines and policies, we undertake to provide high quality products to customers. While we make products that satisfy customers' needs, we also carry out quality and safety assurance work during manufacturing processes to ensure compliance with the safety and environmental standards of the respective sale regions. We will promptly handle and investigate customer complaints when they arise to ensure constant customer satisfaction improvement of our service and product quality.

Customer satisfaction

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

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

OPERATING PRACTICES (CONTINUED)

Product Responsibility (Continued)

Data privacy and intellectual property

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

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

Advertising and labeling

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

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

Anti-corruption

To the best knowledge of the Directors and management, the Group has complied with all relevant anti-corruption laws and regulations, including the Prevention of Bribery Ordinance of Hong Kong Laws, the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China, and other relevant laws and regulations that are related to corruption, bribery, extortion, money-laundering and other frauds.

To ensure a good practice of corporate governance, we have established an audit committee of the Board for monitoring the financial and internal control processes of the Group. External legal advisors and independent auditors are engaged to opine on our financial reporting and other legal and compliance matters. We have complied with Stock Exchange's corporate governance requirements on listing companies and we endeavor to keep up with our improvement in corporate governance.

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

OPERATING PRACTICES (CONTINUED)

Anti-corruption (Continued)

Whistle-blowing policy

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

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

COMMUNITY

Community Investment

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

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

Environmental, Social and Governance Report

REFERENCES TO HKEX ESG REPORTING GUIDE

Subject Areas	Content	Section in This ESG Report
A. Environmental Aspect		
A1 Emissions		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Aspect – Emissions
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Aspect – Use of Resources
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Aspect – Environment and Natural Resources
B. Social Aspect		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social Aspect – Employment and Labour Practices – Employment
B2 Health and Safety		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social Aspect – Employment and Labour Practices – Health and Safety

Subject Areas	Content	Section in This ESG Report
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social Aspect – Employment and Labour Practices – Development and Training
B4 Labour Standard		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social Aspect – Employment and Labour Practices – Labour Standards
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social Aspect – Operating Practices – Supply Chain Management
B6 Product Responsibility		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Social Aspect – Operating Practices – Product Responsibility
B7 Anti-corruption		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Social Aspect – Operating Practices – Anti-corruption
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social Aspect – Community – Community Investment

Report of the Directors

The directors submit their report together with the audited financial statements for the Year.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 19 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 56.

The directors did not declare an interim dividend.

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

BUSINESS REVIEW

A review of the business of the Group during the Year as required by Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is included in the 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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity and total equity per share as at 31 March 2021 were HK$330 million (2020: HK$681 million) and HK$0.46 (2020: HK$0.94) respectively.

As at 31 March 2021, we had bank balances and cash of HK$98 million (2020: HK$104 million). After deducting bank and other borrowings of HK$291 million (2020: HK$157 million), loans from shareholders of HK$278 million (2020: HK$161 million) and lease liability of HK$52 million (2020: HK$78 million), we had net borrowing of HK$523 million (2020: HK$292 million).

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 31 March 2021, our inventory was HK$624 million (2020: HK$337 million), which consisted of HK$353 million (2020: HK$163 million) of raw material, HK$26 million (2020: HK$9 million) of work in progress and HK$245 million (2020: HK$165 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 2021 were HK$301 million (2020: HK$387 million). It is our policy to deal with creditworthy customers and to adopt a prudent credit policy, and we have been closely monitoring credit risk.

Trade payables as at 31 March 2021 were HK$291 million (2020: HK$40 million).

Capital expenditure on fixed assets during the Year was HK$23 million (2020: HK$39 million). As at 31 March 2021, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK$3 million (2020: HK$3 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.

EMPLOYEES

As at 31 March 2021, the Group had approximately 950 (2020: 960) 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	15%
– five largest suppliers combined	49%
Sales	
– the largest customer	35%
– five largest customers combined	66%

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 28 and Note 34(a) to the consolidated financial statements respectively.

Distributable reserves of the Company as at 31 March 2021 amounted to nil (2020: HK$178,045,000), comprising the contributed surplus and accumulated losses/(retained earnings).

DONATIONS

No donations had been made by the Group during the Year (2020: HK$20,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

PRINCIPAL PROPERTY

Detail of the principal property held for investment purposes as at 31 March 2021 is set out on page 131.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 27 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 132.

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 at 31 March 2021 and 2020 is set out below:

	Bank borrowings	
	2021	2020
	HK$'000	HK$'000
Within one year	**247,621**	107,618
After one year but within two years	**8,792**	13,152
After two years but within five years	**6,445**	6,347
After five years	**28,072**	30,253
	290,930	157,370

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2021 are set out in Note 19 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes are set out in Note 9 to the consolidated financial statements.

Directors

The directors during the Year and up to the date of this report were:

Mr LEUNG Wai Sing, Wilson
Mr LEUNG Kam Fai, Peter
Mr YIU Wang Tsun (appointed on 25 June 2021)
Mr LIU Hoi Keung (resigned on 25 June 2021)
Mr LEE Tak Chi [1]
Mr CHEUNG, Johnson [1]
Mr CHEUNG Ka Wing [1] (resigned on 14 December 2020)
Mr WU Zhi-Ling[1] (appointed on 12 March 2021)

[1] *Independent non-executive directors*

In accordance with clauses 87(1) and 86(2) of the Company's Bye-laws, Mr YIU Wang Tsun and Mr WU Zhi-Ling will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In addition, in accordance with the guidelines of independence as set out in Rules 3.13 of the Listing Rules, Mr LEE Tak Chi, who has been Independent Non-Executive Director of the company for more than 9 years, will retire at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

Report of the Directors

DIRECTORS' SERVICE CONTRACT

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

Each of the independent non-executive directors has entered into a service contract with the Company for a term of 3 years and such contract shall continue until terminated by either party giving to the other not less than 2 months notice in writing.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 11 and 12.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISION

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

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

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

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

As at 31 March 2021, the interests and short positions of each director and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

	Number of shares held			Percentage of the issued share capital of the Company
	Personal interest	Corporate interest	Total	
Mr LEUNG Wai Sing, Wilson	68,311,153	–	68,311,153	9.45%

(b) Long positions in underlying shares of the Company

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

Save as disclosed above, as at 31 March 2021, none of the directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2021, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name	Capacity in which shares were held	Number of shares – Long position	Percentage of the issued share capital of the Company
Mr LEUNG Kai Ching, Kimen (deceased)	Beneficial owner	293,000,000 (Note i)	40.51%
Shundean Investments Limited	Beneficial owner	267,812,500 (Note i)	37.03%
Mr Webb David Michael	Beneficial owner	75,344,884 (Note ii)	10.42%
Mr LEUNG Wai Lap, David	Beneficial owner	52,280,631	7.23%
Preferable Situation Assets Limited	Beneficial owner	48,080,841 (Note ii)	6.65%

Notes:

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

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

Save as disclosed above, as at 31 March 2021, 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.

CORPORATE GOVERNANCE

The Company is maintaining a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 13 to 18.

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 CHEUNG, Johnson, Mr LEE Tak Chi and Mr WU Zhi-Ling.

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 SHINEWING (HK) CPA 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

LEUNG Wai Sing, Wilson
Chairman and Chief Executive Officer

Hong Kong, 29 June 2021

Independent Auditor's Report

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

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

OPINION

We have audited the consolidated financial statements of Alco Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 130, which comprise the consolidated statement of financial position as at 31 March 2021, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 1 to the consolidated financial statements, which states that, the Group incurred a net loss of HK$360,440,000 and an operating cash outflow of HK$234,834,000 for the year ended 31 March 2021. As at 31 March 2021, the Group had total bank and other borrowings of HK$290,930,000 while its bank balances and cash was HK$98,149,000. These events or 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 over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for slow-moving and obsolete inventories

Refer to notes 5 and 21 to the consolidated financial statements and the accounting policies on page 75.

The key audit matter	How the matter was addressed in our audit
At 31 March 2021, the carrying value of the Group's inventories amounted to HK$623,877,000. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements.	We understood and tested the controls by which management identified obsolescence and determined the net realisable value of inventories. We reviewed the utilisation of inventories and sales contracts awarded and entered in to among the Group and its customers.

KEY AUDIT MATTERS (CONTINUED)

Provision for slow-moving and obsolete inventories (Continued)

The key audit matter	How the matter was addressed in our audit
Management assessed the provision at each period end for slow-moving and obsolete inventories based on consideration of obsolescence of raw materials and work in progress, and the net realisable value of finished goods. The identification of inventory obsolescence and determination of estimated selling price less cost to sell require the use of significant judgement and estimates on factors such as their nature, ageing, latest selling price, and expectation of future sales orders. We focused on this area due to the significance of the balance and of the management judgement and estimates involved in determining the impairment of slow-moving and obsolete inventories.	We also tested, on a sample basis, by comparing the estimated selling price with post year-end sales data of the selected items and tested the inventory aging by comparing the inventory records with the underlying documents. In addition, we discussed with management the adequacy of allowance made by the management based on subsequent sales, aging analysis, expected future sales orders and current market conditions.

KEY AUDIT MATTERS (CONTINUED)

Impairment of non-financial assets

Refer to notes 5, 15, 17 and 18 to the consolidated financial statements and the accounting policies on page 73.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2021, the carrying amount of property, plant and equipment, right-of-use assets and intangible assets amounted to HK$130,882,000 and HK$63,631,000 and nil respectively. In view of the business performance had been below management's expectation, management consider there were impairment indicators for these non-financial assets. Hence, the Group performed an impairment test and assessed the recoverable amounts of the above assets. The determination of recoverable amount involved the use of key assumptions in a discounted cash flow model, including expected product sales, gross margin, operating costs and discount rates. We have identified the impairment assessment of non-financial assets as a key audit matters due to judgement and management estimation involved in determining the recoverable amounts. During the year ended 31 March 2021, impairment losses of HK$14,896,000, HK$914,000 and HK$6,010,000 were recognised in respect of property, plant and equipment, right-of-use assets and intangible assets respectively.	Our audit procedures were designed to assess the reasonableness of selection of methodology, adoption of key assumptions and input data by reference to the historical information together with other external available information. In particular, we have tested the future cash flow forecast prepared by management on whether it is agreed to the budget approved by the directors of the Company and compared the budget with actual results available up to the report date. We have also evaluated the appropriateness of the assumptions, including the expected product sales, operating costs and gross margin, against latest market expectations. We have also assessed the discount rate employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources.

Independent Auditor's Report

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 29 June 2020.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
29 June 2021

Consolidated Statement of Profit or Loss

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**1,278,686**	961,246
Cost of goods sold	8	**(1,340,994)**	(1,025,369)
Gross loss		**(62,308)**	(64,123)
Other income, gain and loss	7	**45,958**	2,740
Selling expenses	8	**(111,943)**	(134,618)
Administrative expenses	8	**(113,789)**	(146,565)
Research and development expenses	8	**(79,518)**	(84,197)
Other operating expenses	8	**(13,523)**	(5,668)
Reversal of/(provision for) impairment losses on trade and other receivables		**5,025**	(9,585)
Provision for impairment of property, plant and equipment	15	**(14,896)**	(95,758)
Provision for impairment of right-of-use assets	17	**(914)**	(30,342)
Provision for impairment of intangible assets	18	**(6,010)**	(810)
		(351,918)	(568,926)
Finance income	11	**2,750**	1,109
Finance costs	11	**(11,471)**	(26,169)
Loss before income tax		**(360,639)**	(593,986)
Income tax credit/(expense)	12	**199**	(5,444)
Loss for the year		**(360,440)**	(599,430)
Attributable to:			
Equity holders of the Company		**(360,463)**	(599,374)
Non-controlling interests		**23**	(56)
		(360,440)	(599,430)
Loss per share attributable to equity holders of the Company			
– Basic *(HK cents)*	13	**(49.8)**	(82.9)
– Diluted *(HK cents)*	13	**(49.8)**	(82.9)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(360,440)**	(599,430)
Other comprehensive income/(expense), net of tax:		
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**9,706**	(6,734)
Total comprehensive expense for the year	**(350,734)**	(606,164)
Attributable to:		
Equity holders of the Company	**(350,757)**	(606,108)
Non-controlling interests	**23**	(56)
Total comprehensive expense for the year	**(350,734)**	(606,164)

Consolidated Statement of Financial Position

As At 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**130,882**	140,223
Investment properties	16	**46,788**	55,800
Right-of-use assets	17	**63,631**	65,661
Intangible assets	18	**–**	–
Prepayments, deposits, and other receivables	22	**33,754**	56,817
		275,055	318,501
CURRENT ASSETS			
Inventories	21	**623,877**	336,572
Trade and other receivables	22	**351,089**	442,155
Other current assets		**459**	459
Income tax recoverable		**14,484**	13,856
Bank balances and cash	23	**98,149**	104,481
		1,088,058	897,523
CURRENT LIABILITIES			
Trade and other payables	24	**398,137**	128,679
Income tax liabilities		**6,642**	4,961
Lease liabilities	17	**47,407**	31,050
Bank and other borrowings	25	**288,661**	157,370
Loans from shareholders	26	**13,000**	–
		753,847	322,060
Net current assets		**334,211**	575,463
TOTAL ASSETS LESS CURRENT LIABILITIES		**609,266**	893,964

Consolidated Statement of Financial Position

As At 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	27	**72,324**	72,324
Reserves	28	**258,493**	609,250
		330,817	681,574
NON-CONTROLLING INTERESTS		**(631)**	(654)
Total equity		**330,186**	680,920
NON-CURRENT LIABILITIES			
Other payables	24	**6,766**	4,666
Lease liabilities	17	**4,845**	47,178
Bank and other borrowings	25	**2,269**	–
Loans from shareholders	26	**265,200**	161,200
		279,080	213,044
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**609,266**	893,964

The consolidated financial statements on pages 56 to 130 were approved and authorised for issue by the board of directors on 29 June 2021 and are signed on its behalf by:

Leung Wai Sing, Wilson
Director

Yiu Wang Tsun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves (Note 28) HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2019	72,324	481,180	734,178	1,287,682	(598)	1,287,084
Loss for the year	–	–	(599,374)	(599,374)	(56)	(599,430)
Other comprehensive expense						
– Currency translation differences	–	(6,734)	–	(6,734)	–	(6,734)
Total comprehensive expense	–	(6,734)	(599,374)	(606,108)	(56)	(606,164)
At 31 March 2020	72,324	474,446	134,804	681,574	(654)	680,920
At 1 April 2020	**72,324**	**474,446**	**134,804**	**681,574**	**(654)**	**680,920**
(Loss)/profit for the year	**–**	**–**	**(360,463)**	**(360,463)**	**23**	**(360,440)**
Other comprehensive income						
– Currency translation differences	**–**	**9,706**	**–**	**9,706**	**–**	**9,706**
Total comprehensive income/(expense)	**–**	**9,706**	**(360,463)**	**(350,757)**	**23**	**(350,734)**
At 31 March 2021	**72,324**	**484,152**	**(225,659)**	**330,817**	**(631)**	**330,186**

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Loss before income tax	(360,639)	(593,986)
Adjustments for:		
Finance income	(2,750)	(1,109)
Finance costs	11,471	26,169
Amortisation of intangible assets	1,503	1,785
Loss on disposal of plant and equipment	6	323
Depreciation of property, plant and equipment	21,223	42,731
Depreciation of right-of-use assets	1,835	24,876
Provision for impairment for inventories	23,053	23,622
(Reversal of)/provision for impairment losses on financial assets	(5,025)	9,585
Fair value (gain)/loss on investment properties	(23,386)	18,209
Impairment of intangible assets	6,010	810
Impairment of property, plant and equipment	14,896	95,758
Impairment of right-of-use assets	914	30,342
Loss on early termination of lease	–	53
Operating loss before movements in working capital	(310,889)	(320,832)
(Increase)/decrease in inventories	(310,358)	127,581
Decrease in trade and other receivables	125,904	35,046
Increase/(decrease) in trade and other payables	270,096	(65,030)
Net cash used in operations	(225,247)	(223,235)
Interest received	103	1,109
Interest paid	(9,690)	(19,337)
Income tax paid	–	(1,012)
NET CASH USED IN OPERATING ACTIVITIES	(234,834)	(242,475)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(23,442)	(38,983)
Proceeds from disposal of property, plant and equipment and right-of-use assets	569	3,095
Proceeds from disposal of investment property	36,402	–
Payments for intangible assets	(7,513)	(657)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	6,016	(36,545)

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES			
Proceeds from trust receipt loans		**513,077**	671,857
Repayments of trust receipt loans		**(434,704)**	(690,094)
Proceeds from bank and other borrowings		**63,771**	–
Repayments of bank and other borrowings		**(8,584)**	(8,306)
Proceeds from loans from shareholders		**117,000**	181,200
Repayments of loans from shareholders		**–**	(20,000)
Repayments of principal element of leases liabilities		**(31,499)**	(23,426)
NET CASH FROM FINANCING ACTIVITIES		**219,061**	111,231
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(9,757)**	(167,789)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**104,481**	277,474
EFFECT OF FOREIGN EXCHANGE RATE CHANGE		**3,425**	(5,204)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	23	**98,149**	104,481

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Alco Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. 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, manufacturing and selling of consumer electronic products including AV products and notebook products.

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), which is the Company's functional and the Group's presentation currency.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated.

Basis of preparation

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred loss for the year of HK$360,440,000 and reported a net cash used in operation of HK$234,834,000 for the year ended 31 March 2021.

The directors of the Company consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

(i) Continuous financial support from shareholders

Mr Leung Wai Sing, Wilson ("Mr Leung"), one of the major shareholders of the Group, Chairman and Chief Executive Director, has agreed to provide financial support to the Group when in need. On 25 June 2021, the Group entered into a deed of funding undertakings with Mr Leung to provide additional funding to the Group. The funding request notice could be issued at the discretion of the Company to Mr Leung within eighteen months from the date of the deed, i.e. 25 December 2022. The total amount of funding undertakings shall not exceed HK$300,000,000.

The funding when provided shall be treated as an advance to the Company and be repayable by the Company at a suitable time to be agreed between the Company and Mr Leung, but in any event shall only be repaid after at least 12 months from the funding draw down date.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation (Continued)

(i) Continuous financial support from shareholders *(Continued)*

The undertakings shall cease to have effect after 18 months from the date of the deed or upon the Company or any member of the Group having obtained additional long-term external bank borrowings or other sources of long-term financing with an aggregated principal amount of not less than HK$300,000,000, whichever is earlier.

(ii) Cash inflow from operations

The Group is taking measures 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.

The Group will also continue to take active measures to improve profitability and cash flow through various initiatives including further leveraging on capital investments made in the automation of manufacturing process to reduce production costs, improve efficiency and further strengthening its relationships with major suppliers to negotiate for lower cost of critical components and for better trading terms, and negotiate with its landlord for more favourable lease terms.

Based on the sales orders on hand for the notebook products up to June 2021, the directors of the Company have seen significant increase in sales comparing to the corresponding period in the year ended 31 March 2021. The directors 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.

The directors of the Company believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2022. However, should the above financing be unavailable, if the Group is not able to generate the expected cash inflows from its operations and to refinance its borrowings, 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 HKFRS(s)

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRSs") and 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the amendment to HKFRS 16 COVID-19-related rent concessions and amendment to HKFRS 16 COVID-19-related rent concessions beyond 30 June 2021.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and 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.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted)

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS(s) (CONTINUED)

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted) (Continued)

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendments retrospectively, and has not restated prior period figure.

As a result of adoption of the above amendments, the COVID-19-related rent concessions recognised in the profit or loss amounted to approximately HK$2,399,000 during the year ended 31 March 2021. There is no impact on the opening balance of equity at 1 April 2020.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS(s) (CONTINUED)

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	Insurance Contracts and related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
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[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2018-2020 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 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 (the "Listing Rules") and by the Hong Kong Companies 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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 Hong Kong dollars ("HK$" or "HKD"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates 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.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

(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); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

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.

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 straightline method to allocate their costs over their estimated useful lives or, in the case of leasehold improvements the shorter lease term. Certain furniture, fixtures and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a reducing balance basis. The principal depreciation rates are as follows:

Furniture, fixtures and equipment	20%
Plant and machinery	14.5% to 20%
Motor vehicles	20%
Moulds	25%
Buildings	2.5%
Leasehold improvements	6.67%

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 on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses 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 expected credit losses 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 is 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 receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables 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.

Bank balances and cash

For the purpose of presentation in the consolidated statement of cash flows, bank balances and cash 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and deferred income tax (Continued)

(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.

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 on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(b) 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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' 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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.

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 11 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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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.

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.

Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

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 89% 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 or currency that is pegged to the functional currency of the group entity.

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:

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
United States Dollars ("USD")	**337,508**	454,929	**(429,130)**	(196,755)
Great British Pound ("GBP")	**6,862**	2,924	**–**	–
Canadian Dollars ("CAD")	**19,957**	18,315	**–**	–

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

It is the Group's policy not to engage in speculative activities. The Group has not entered into any contracts to hedge its exposure for foreign exchange risk.

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% (2020: 10%) increase and decrease in HKD against the relevant foreign currencies. 10% (2020: 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% (2020: 10%) against the relevant currency. For a 10% (2020: 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.

	2021 **HK$'000**	2020 HK$'000
Effect on post-tax loss:		
GBP (note (i))	**(573)**	(244)
CAD (note (ii))	**(1,666)**	(1,529)

Notes:

(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 2021, the Group's bank and other borrowings and loans from shareholders at variable rates were denominated in HKD, RMB and USD.

At 31 March 2021, 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$4,312,000 higher/lower (2020: HK$2,660,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 March 2021, 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 (2020: loss) for the year would have been approximately HK$815,000 lower/higher (2020: HK$862,000 lower/higher) due to interest income earned on market interest rate.

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 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 receivable to ensure that adequate impairment losses are made for irrecoverable amounts. For trade receivables from customers, management assesses the credit quality of each individual major customer, taking into account its financial position, past experience and other factors.

(ii) Impairment of financial assets

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

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

While 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)

(ii) Impairment of financial assets (Continued)

Trade receivables

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

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

The lifetime expected credit loss in respect of individually assessed trade receivables as at 31 March 2021 was nil (2020: nil).

The expected credit loss rates are assessed to be approximately 0.7% to 1.8% (2020: 1.5% to 2.6%) for trade receivables and the expected credit loss of these collectively assessed trade receivables as at 31 March 2021 are assessed to be approximately HK$2,745,000 (2020: HK$7,770,000).

Other financial assets at amortised cost

The Group applies a 12-month expected credit loss on other financial assets at amortised cost. Management considered among other factors, analysed historical pattern and concluded that the expected credit loss for other financial assets at amortised cost as at 31 March 2021 was approximately HK$3,115,000 (2020: HK$3,115,000).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

Banking facilities have been put in place for contingency purposes. As at 31 March 2021, the Group's total available banking facilities amounted to approximately HK$408,702,000 (2020: HK$553,750,000), of which approximately HK$251,159,000 (2020: HK$157,370,000) has been utilised.

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

	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
At 31 March 2021							
Bank and other borrowings	**268,035**	**28,975**	**2,648**	**–**	**–**	**299,658**	**290,930**
Loans from shareholders	**–**	**16,920**	**268,004**	**–**	**–**	**284,924**	**278,200**
Lease liabilities	**–**	**48,244**	**3,397**	**1,702**	**211**	**53,554**	**52,252**
Trade and other payables	**–**	**385,380**	**–**	**–**	**–**	**385,380**	**385,380**
At 31 March 2020							
Bank borrowings	159,803	–	–	–	–	159,803	157,370
Loans from shareholders	–	–	168,671	–	–	168,671	161,200
Lease liabilities	–	34,126	43,990	3,775	567	82,458	78,228
Trade and other payables	–	107,160	–	–	–	107,160	107,160

The table below summarises the maturity analysis of the bank and other borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts included interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained below.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Within one year HK$'000	In the second year HK$'000	In the third to fifth year HK$'000	Over five years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 March 2021	**226,980**	**7,132**	**7,886**	**30,670**	**272,668**	**261,159**
At 31 March 2020	109,394	9,857	13,876	39,016	172,143	157,370

(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.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings net of bank balances and cash divided by total equity as shown in the consolidated statement of financial position.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management (Continued)

The gearing ratios at 31 March 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Bank balances and cash (Note 23)	**98,149**	104,481
Less: Bank and other borrowings (Note 25)	**(290,930)**	(157,370)
Loans from shareholders (Note 26)	**(278,200)**	(161,200)
Lease liabilities (Note 17)	**(52,252)**	(78,228)
Net debt	**(523,233)**	(292,317)
Total equity	**330,136**	680,920
Gearing ratio	**158.5%**	42.9%

The gearing ratio increased to 158.5% (2020: 42.9%) as at 31 March 2021 mainly resulted from the increase in bank and other borrowings and loans from shareholders.

5. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATIONS

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 carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

Critical judgement in applying accounting policies

The following is the critical judgement, 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATIONS (CONTINUED)

Critical judgement in applying accounting policies (Continued)

(a) Going concern and liquidity

The assessment of the going concern assumptions involves making judgement by the Directors, 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 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 the 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 JUDGEMENT AND ESTIMATIONS (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 of raw materials and work in progress and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price less cost to sell in the ordinary course of business require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventory and impairment provision in the year in which such estimate has been changed.

As at 31 March 2021, the carrying amount of inventories of the Group was approximately HK$623,877,000 (31 March 2020: HK$336,572,000), net of accumulated allowance for inventories of approximately HK$168,899,000 (31 March 2020: HK$176,467,000).

(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 16.

As at 31 March 2021, the carrying amount of investment properties of the Group was approximately HK$46,788,000 (31 March 2020: HK$55,800,000).

(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.

5. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATIONS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(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 cost to sell or its value in use. Changes in any of these estimates could result in a material change to the asset carrying amount in the financial statements.

As at 31 March 2021, the carrying amount of property, plant and equipment was approximately HK$130,882,000 (31 March 2020: HK$140,223,000). An impairment loss of approximately HK$14,896,000 (2020: HK$95,758,000) has been recognised during the year ended 31 March 2021.

5. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATIONS (CONTINUED)

Key sources of estimation uncertainty (Continued)

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

As at 31 March 2021, the carrying amount of right-of-use assets was approximately HK$63,631,000 (31 March 2020: HK$65,661,000). An impairment loss of approximately HK$914,000 (2020: HK$30,342,000) has been recognised during the year ended 31 March 2021.

As at 31 March 2021, the carrying amount of intangible assets was approximately nil (31 March 2020: nil). An impairment loss of approximately HK$6,010,000 (2020: HK$810,000) has been recognised during the year ended 31 March 2021.

(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 as follows:

	2021 HK$'000	2020 HK$'000
AV products	646,973	786,251
Notebook products	631,713	174,995
	1,278,686	961,246
Timing of revenue recognition		
– At a point in time	1,278,686	961,246

The chief operating decision-makers have been identified as the executive directors and senior management who directly report to directors of the Group. The executive directors and senior management reviewed the Group's internal reporting to assess performance and allocate resources. No analysis of segment assets or segment liabilities is regularly provided to the chief operating decision-maker. A management approach has been used for the operating segment reporting.

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

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

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

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6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	2021				2020			
	AV products HK$'000	Notebook products HK$'000	Elimination HK$'000	Total HK$'000	AV products HK$'000	Notebook products HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue								
External sales	646,973	631,713	–	1,278,686	786,251	174,995	–	961,246
Inter-segment sales	12,446	1,089	(13,535)	–	6,919	30,916	(37,835)	–
	659,419	632,802	(13,535)	1,278,686	793,170	205,911	(37,835)	961,246
Segment results[1]	(127,732)	(208,376)	–	(336,108)	(205,064)	(237,762)	–	(442,826)
Provision for impairment of right-of-use assets				(914)				(30,342)
Provision for impairment of property, plant and equipment				(14,896)				(95,758)
Finance income				2,750				1,109
Finance costs				(11,471)				(26,169)
Loss before tax				(360,639)				(593,986)

Note: Management assesses the performance of the operating segments based on a measure of results before tax. Other information provided is measured in a manner consistent with that in the consolidated financial statements.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
North America	**619,745**	786,250
Asia	**500,630**	142,989
Europe	**124,223**	27,513
Others	**34,088**	4,494
	1,278,686	961,246

The analysis of revenue 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.

	2021 HK$'000	2020 HK$'000
Hong Kong	**171,144**	195,736
Mainland China	**100,768**	117,696
Taiwan	**2,029**	3,150
Others	**1,114**	1,919
	275,055	318,501

Details of the customers accounting for 10% or more of total revenue are as follows:

	2021 HK$'000	2020 HK$'000
Customer A	**443,422**	725,788
Customer B	**169,030**	N/A[1]

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

7. OTHER INCOME, GAIN AND LOSS

	2021 HK$'000	2020 HK$'000
Rental income from investment properties (Note 16)	**2,017**	2,436
Sub-lease income	**13,022**	11,192
Fair value gain/(loss) on investment properties (Note 16)	**23,386**	(18,209)
Rent concession	**2,399**	3,554
Sub-contracting income	**3,880**	2,095
Loss on early termination of lease	**–**	(53)
Promotion allowance from suppliers	**–**	516
Refund of royalties fee	**365**	914
Others	**889**	295
	45,958	2,740

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:

	2021 HK$'000	2020 HK$'000
Amortisation of intangible assets (Note 18)	**1,503**	1,785
Auditor's remuneration	**1,380**	2,380
Cost of inventories (Note 21)	**1,237,535**	815,614
Provision for impairment of inventories	**23,053**	23,622
Depreciation of property, plant and equipment (Note 15)	**21,223**	42,731
Depreciation of right-of-use assets (Note 17)	**1,835**	24,876
Employee benefit expenses (including directors' emoluments) (Note 9)	**206,765**	183,098
Severance pay (Note 9)	**1,774**	10,495
Loss on disposal of plant and equipment	**6**	323
Short-term lease expenses (Note 17)	**4,437**	2,232

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000
Wages and salaries	**191,846**	162,434
Other staff benefits and pension costs	**14,919**	20,664
	206,765	183,098
Severance pay	**1,774**	10,495

Notes:

(a) Pension costs – defined contribution retirement schemes

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employee's basic salaries.

With effect from 1 December 2000, the Mandatory Provident Fund Scheme (the "MPF Scheme") was set up under the MPF Scheme Ordinance for existing staff who opted for this scheme and eligible staff recruited on or after that date. The ORSO Scheme has remained in place with the introduction of the MPF Scheme. Under the MPF Scheme, eligible employees and the Group are required to contribute 5% on the employees' monthly net salaries with a maximum monthly contribution of HK$1,500 for employees' monthly contribution.

Contributions to the ORSO Scheme and MPF Scheme charged to the consolidated statement of profit or loss for the year amounted to approximately HK$3,386,000 (2020: HK$3,539,000).

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 (2020: Nil). No forfeited contribution was available as at 31 March 2021 to reduce future contributions (2020: Nil).

The Company's subsidiaries in the Mainland China are members of the state-managed retirement benefits scheme operated by the government of the Mainland China. The retirement benefits scheme contributions of HK$3,650,000 (2020: HK$7,148,000), 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.

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

Notes: (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2020: three) directors whose emoluments are reflected in the analysis presented in Note 10. The emoluments payable to the remaining two (2020: two) individuals during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**3,758**	3,758
Contributions to pension schemes	**173**	173
	3,931	3,931

Their emoluments fell within the following band:

	Number of individual	
	2021	2020
	HK$'000	HK$'000
Emolument band		
HK$1,000,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$3,000,000	**1**	1
	2	2

10. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

Directors' remuneration, including remuneration of chief executive officer (Mr Leung Wai Sing, Wilson), for the year, disclosed pursuant to Appendix 14 to the Listing Rules and section 161 of the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 March 2021:

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 LEUNG Wai Sing, Wilson	–	4,843	207	5,050
Mr LEUNG Kam Fai, Peter (i)	–	880	48	928
Mr LIU Hoi Keung (ii)	–	3,458	16	3,474
Independent non-executive directors:				
Mr CHEUNG, Johnson	300	–	15	315
Mr LEE Tak Chi	300	–	–	300
Mr WU Zhi-Ling (vii)	16	–	–	16
Mr CHEUNG Ka Wing (v)	210	–	10	220
	826	9,181	296	10,303

10. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 March 2020:

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 LEUNG Wai Sing, Wilson	–	4,843	207	5,050
Mr LEUNG Kam Fai, Peter (i)	–	520	43	563
Mr LIU Hoi Keung (ii)	–	500	–	500
Mr LEUNG, Jimmy (iii)	–	2,698	96	2,794
Mr LIU Lup Man (iv)	–	2,770	118	2,888
Independent non-executive directors:				
Mr CHEUNG, Johnson	300	–	15	315
Mr LEE Tak Chi	300	–	–	300
Mr CHEUNG Ka Wing (v)	269	–	11	280
Mr LI Wah Ming (vi)	100	–	5	105
	969	11,331	495	12,795

Note:

(i) Appointed on 24 September 2019

(ii) Appointed on 1 February 2020 and resigned on 25 June 2021

(iii) Resigned on 13 December 2019

(iv) Resigned on 1 February 2020

(v) Appointed as an independent non-executive director on 9 May 2019 and resigned on 14 December 2020. Then, Mr CHEUNG Ka Wing was employed as the General Manager – Global Strategic Sourcing of the Group on 14 December 2020.

(vi) Resigned on 30 June 2019

(vii) Appointed on 12 March 2021

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

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings (2020: Nil).

10. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(c) Directors' termination benefits

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 (2020: Nil).

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

No payment was made to the third parties for making available directors' services (2020: Nil).

(e) 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 26.

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

Other than those disclosed in Note 26, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

11. FINANCE INCOME AND FINANCE COSTS

	2021 **HK$'000**	2020 HK$'000
Finance income:		
– Bank interest income	**103**	1,109
– Imputed interest income on other receivables	**2,647**	–
	2,750	1,109
Finance costs:		
– Interest expense on bank and other borrowings	**5,188**	7,750
– Interest expense on loans from shareholders (Note 33)	**3,120**	2,377
– Interest expense on lease liabilities (Note 17)	**3,163**	11,076
– Imputed interest expenses on other receivables	**–**	4,966
	11,471	26,169

12. INCOME TAX (CREDIT)/EXPENSE

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

	2021 HK$'000	2020 HK$'000
Current income tax expense		
– Hong Kong profits tax	**–**	–
– Mainland China corporate income tax	**–**	1,549
– Overseas corporate income tax	**(199)**	–
– Over-provision in prior years	**–**	(4)
Deferred income tax charge (Note 29)	**–**	3,899
Income tax (credit)/expense	**(199)**	5,444

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:

	2021 HK$'000	2020 HK$'000
Loss before income tax	**(360,639)**	(593,986)
Tax calculated at a tax rate of 16.5% (2020: 16.5%)	**(59,505)**	(98,008)
Effect of different tax rates in other jurisdictions	**(8,405)**	(3,094)
Tax effect of income not taxable for tax purpose	**(7,303)**	(992)
Tax effect of expenses not deductible for tax purposes	**36,505**	56,802
Tax effect of tax losses not recognised	**40,809**	50,740
Utilisation of tax losses previously not recognised	**(2,300)**	–
Over-provision in prior years	**–**	(4)
Income tax (credit)/expense	**(199)**	5,444

13. LOSS PER SHARE

Basic

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

	2021	2020
Loss attributable to equity holders of the Company *(HK$'000)*	**(360,463)**	(599,374)
Number of ordinary shares in issue	**723,244,650**	723,244,650
Basic loss per share *(HK cents)*	**(49.8)**	(82.9)

Diluted

There were no dilutive potential ordinary shares during the years ended 31 March 2021 and 2020. Therefore, the diluted loss per share are the same as basic loss per share.

14. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

15. 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
At 1 April 2019							
Cost	50,762	304,498	135,959	179,419	79,088	9,981	759,707
Accumulated depreciation and impairment	(2,142)	(280,530)	(60,085)	(119,530)	(43,258)	(5,435)	(510,980)
Net book amount	48,620	23,968	75,874	59,889	35,830	4,546	248,727
Year ended 31 March 2020							
Additions	–	19,902	2,565	13,193	3,323	–	38,983
Disposals	–	–	(584)	(1,185)	(1,189)	(460)	(3,418)
Depreciation	(1,726)	(11,929)	(10,160)	(12,378)	(5,652)	(886)	(42,731)
Impairment loss (Note (c))	–	(31,941)	(63,817)	–	–	–	(95,758)
Exchange differences	–	–	(3,878)	(1,314)	(335)	(53)	(5,580)
Closing net book amount	46,894	–	–	58,205	31,977	3,147	140,223
At 31 March 2020							
Cost	50,762	324,351	130,796	184,810	79,799	8,227	778,745
Accumulated depreciation and impairment	(3,868)	(324,351)	(130,796)	(126,605)	(47,822)	(5,080)	(638,522)
Net book amount	46,894	–	–	58,205	31,977	3,147	140,223

15. 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 2021							
Opening net book amount	46,894	–	–	58,205	31,977	3,147	140,223
Additions	–	12,529	1,986	8,699	20	208	23,442
Disposals	(169)	–	–	(79)	(14)	(4)	(266)
Depreciation	(2,404)	(1,383)	(224)	(10,909)	(5,629)	(674)	(21,223)
Impairment loss (Note (c))	–	(11,146)	(1,848)	(1,902)	–	–	(14,896)
Exchange differences	–	–	86	2,367	1,106	43	3,602
Closing net book amount	44,321	–	–	56,381	27,460	2,720	130,882
At 31 March 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

(b) Depreciation expenses have been included in:

	2021 HK$'000	2020 HK$'000
Cost of goods sold	**11,072**	32,869
Administrative expenses	**10,151**	9,862
	21,223	42,731

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) 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 17) and intangible assets (Note 18) of the Group.

The recoverable amounts of the above assets were determined on a value-in-use ("VIU") calculation using cash flow projections approved by the management. The cash flow projection is discounted at pre-tax discount rate of 18.7% per annum which reflects the specific risks relating to the Group. Key assumptions for the value-in-use 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.

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$14,896,000 (2020: HK$95,758,000), HK$914,000 (2020: HK$30,342,000) and HK$6,010,000 (2020: HK$810,000) have been recognised against the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets respectively.

(d) As at 31 March 2021, certain of the Group's bank and other borrowings is secured by the Group's buildings, equipment and machineries, investment properties (Note 16) and right-of-use assets (Note 17) with aggregate carrying amounts of HK$161,479,000 (2020: buildings and right-of-use assets of HK$112,065,000) (Note 25).

16. INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
Beginning of the year	**55,800**	78,238
Disposal (Note)	**(36,402)**	–
Gain on fair value changes (Note 7)	**23,386**	(18,209)
Exchange difference	**4,004**	(4,229)
End of the year	**46,788**	55,800

Rental income derived from the investment properties amounted to approximately HK$2,017,000 (2020: HK$2,436,000) during the year (Note 7).

As at 31 March 2021, certain of the Group's bank borrowing is secured by the Group's investment properties of approximately HK$45,298,000 (2020: nil) (Note 25).

Note: On 11 November 2020 the Group entered into an agreement with and independent third party for the disposal of an investment property of the Group in Yuen Long at a consideration of HK$36,402,000 (the "Disposal"). The disposal was completed on 18 December 2020. A fair value gain of approximately HK$26,252,000 was recognised in profit or loss.

Valuation process of the Group

The Group measures its investment property at fair value. The fair value of the Group's investment property at 31 March 2021 has been determined on the basis of valuation carried out by an independent qualified valuer, LCH (Asia-Pacific) Surveyors Limited (the "Valuer") (2020: same). The valuation, which conforms to the valuation standards issued by Hong Kong Institute of Surveyors ("HKIS") was arrived at by reference to the current and forecast rental income, allowing for reversionary potential of the investment property.

16. INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

Fair value of the Group's investment properties is mainly derived using the income approach, by taking into account the current rental income from the existing tenancy agreement and reversionary income potential by adopting appropriate term/reversionary yields, which are derived from analysis of sales transactions and Valuer's interpretation of prevailing investor requirements or expectations. For the reversionary potential of the property, the Valuer refers to market price of similar comparable properties. There was no change to the valuation technique with that of prior year.

Term and reversionary yields are estimated by the Valuer based on the risk profile of the type of investment properties being valued. The higher the yields, the lower is the fair value. At 31 March 2021, yield of 3.3% to 4.3% (2020: 4.7% to 7.0%) were adopted in the term yields analysis for the Group's investment properties in Mainland China.

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. At 31 March 2021, prevailing market prices ranged from RMB18,009 to RMB24,000 (2020: RMB19,608 to RMB23,533) per square meter on saleable area basis were adopted in the term and reversionary analysis for the Group's investment properties located in Mainland China.

17. 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 2019	68,070	226,989	295,059
Additions	–	3,356	3,356
Termination	–	(677)	(677)
Depreciation	(2,409)	(22,467)	(24,876)
Remeasurement	–	(166,360)	(166,360)
Impairment loss	–	(30,342)	(30,342)
Exchange differences	–	(10,499)	(10,499)
As at 31 March 2020	65,661	–	65,661
As at 1 April 2020	**65,661**	**–**	**65,661**
Additions	**–**	**1,028**	**1,028**
Disposal	**(309)**	**–**	**(309)**
Depreciation	**(1,721)**	**(114)**	**(1,835)**
Impairment loss	**–**	**(914)**	**(914)**
As at 31 March 2021	**63,631**	**–**	**63,631**

The Group has lease arrangements for leasehold land, office and buildings. The lease terms are generally ranged from 2 to 50 years (2020: 2 to 50 years).

The Group also entered into short-term lease arrangements in respect of warehouse, equipment and vehicles.

During the year ended 31 March 2021, an impairment of approximately HK$914,000 (2020: HK$30,342,000) was recognised in profit or loss. Details of the impairment assessment are set out in Note 15.

As at 31 March 2021, certain of the Group's bank borrowing is secured by the Group's right-of-use assets of approximately HK$63,631,000 (2020: HK$65,346,000) (Note 25).

17. LEASES (CONTINUED)

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

(b) Lease liabilities

	HK$'000
As at 1 April 2019	279,343
Additions	3,314
Finance costs incurred	11,076
Termination	(616)
Payments	(34,502)
Remeasurement	(166,360)
Exchange differences	(14,027)
As at 31 March 2020	78,228
As at 1 April 2020	**78,228**
Additions	**1,028**
Finance costs incurred	**3,163**
Payments	**(34,662)**
Exchange differences	**4,495**
As at 31 March 2021	**52,252**

	2021 HK$'000	2020 HK$'000
Analysed into:		
Within 1 year	**47,407**	31,050
After 1 year but within 2 years	**3,030**	43,016
After 2 years but within 5 years	**1,606**	3,611
After 5 years	**209**	551
	52,252	78,228

During the year ended 31 March 2021, the Group entered into a new lease agreement in the respect of renting an office and recognised a right-of-use asset and lease liability of approximately HK$1,028,000 (2020: HK$3,314,000).

17. LEASES (CONTINUED)

(ii) Amounts recognised in the consolidated statement of profit or loss

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

	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets		
– Leasehold land	**1,721**	2,409
– Office and buildings	**114**	22,467
	1,835	24,876
Provision for impairment of right-of-use assets	**914**	30,342
Interest expense on lease liabilities (Note 11)	**3,163**	11,076
Expenses relating to leases of short-term leases (Note 8)	**4,437**	2,232

The total cash outflow for leases for the year ended 31 March 2021 was HK$39,099,000 (2020: HK$36,734,000).

18. INTANGIBLE ASSETS

	Licence right HK$'000	Deferred development costs HK$'000	Total HK$'000
At 1 April 2019			
Cost	78,000	41,683	119,683
Accumulated amortisation and impairment	(78,000)	(39,679)	(117,679)
Net book amount	–	2,004	2,004
For the year ended 31 March 2020			
Opening net book amount	–	2,004	2,004
Additions	–	657	657
Amortisation	–	(1,785)	(1,785)
Impairment loss	–	(810)	(810)
Exchange differences	–	(66)	(66)
Closing net book amount	–	–	–
At 31 March 2020			
Cost	78,000	42,112	120,112
Accumulated amortisation and impairment	(78,000)	(42,112)	(120,112)
Net book amount	–	–	–
For the year ended 31 March 2021			
Opening net book amount	**–**	**–**	**–**
Additions	**4,156**	**3,357**	**7,513**
Amortisation	**(831)**	**(672)**	**(1,503)**
Impairment loss	**(3,325)**	**(2,685)**	**(6,010)**
Closing net book amount	**–**	**–**	**–**
At 31 March 2021			
Cost	**82,156**	**45,469**	**127,625**
Accumulated amortisation and impairment	**(82,156)**	**(45,469)**	**(127,625)**
Net book amount	**–**	**–**	**–**

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

(b) During the year ended 31 March 2021, an impairment of approximately HK$6,010,000 (2020: HK$810,000) was recognised in profit or loss. Details of the impairment assessment are set out in Note 15.

19. PRINCIPAL SUBSIDIARIES

As at 31 March 2021, 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
			2021 Direct	2021 Indirect	2020 Direct	2020 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
Alco Digital Devices Limited	Hong Kong	Ordinary HK$1,000,000	–	100	–	100	Software development
Alco Electronics Limited	Hong Kong	Ordinary HK$1,000 non-voting deferred HK$5,000,000	–	100	–	100	Design, manufacture and sale of AV and Notebook products
Alco Electronics (Dongguan) Limited[1]	Mainland China	Registered capital HK$120,000,000	–	100	–	100	Manufacture of AV and Notebook products
Alco Electronics (Shenzhen) Limited[1]	Mainland China	Registered capital HK$25,000,000	–	100	–	100	Provision of design and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK$500,000	–	100	–	100	Trading of AV and Notebook products
Nexstgo Company Limited	Hong Kong	Ordinary HK$5,000,000	–	100	–	100	Trading of Notebook products
Taiwan Nexstgo Limited	Taiwan	Ordinary NTD10,000,000	–	100	–	100	Research and development and sale of Notebook products
Windom Limited	Hong Kong	Ordinary HK$100,000	–	100	–	100	Property holding

Note:

1 Wholly foreign owned enterprise.

The above table lists out the principal subsidiaries of the Company as at 31 March 2021 and 2020 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.

20. FINANCIAL INSTRUMENTS BY CATEGORY

	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost		
Trade and other receivables	**374,685**	474,755
Bank balances and cash	**98,149**	104,481
Total	**472,834**	579,236

	2021 HK$'000	2020 HK$'000
Financial liabilities at amortised cost		
Trade and other payables	**385,380**	107,160
Bank and other borrowings	**290,930**	157,370
Loans from shareholders	**278,200**	161,200
Total	**954,510**	425,730

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**459,339**	293,215
Work in progress	**25,964**	11,684
Finished goods	**307,473**	208,140
	792,776	513,039
Less: Provision for impairment	**(168,899)**	(176,467)
	623,877	336,572

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$1,237,535,000 (2020: HK$815,614,000).

22. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Non-current		
Prepayments, deposits and other receivables (note)	**36,869**	59,932
Less: loss allowance	**(3,115)**	(3,115)
	33,754	56,817
Current		
Trade receivables	**303,988**	394,822
Less: loss allowance	**(2,745)**	(7,770)
Trade receivables, net	**301,243**	387,052
Prepayments, deposits and other receivables (note)	**49,846**	55,103
	351,089	442,155
	384,843	498,972

Note: In June 2020, the Group entered into a 3-year settlement plan for certain trade receivables with a major customer of the Group. Such amount was then reclassified to other receivables. As at 31 March 2021, the carrying amount of the receivables amounted to approximately HK$55,445,000 (2020: HK$81,680,000) of which HK$28,230,000 (2020: HK$55,445,000) was classified under non-current assets based on agreed settlement term.

At as 31 March 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK$303,988,000 (2020: HK$394,822,000).

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.

At 31 March 2021 and 2020, the ageing analysis of the trade receivables based on shipping terms is as follows:

	2021 HK$'000	2020 HK$'000
0 – 30 days	**110,807**	40,999
31 – 60 days	**96,276**	124,568
61 – 90 days	**36,485**	94,733
Over 90 days	**57,675**	126,752
	301,243	387,052

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

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

	2021 HK$'000	2020 HK$'000
At 1 April	**7,770**	1,300
(Reversal of)/Provision for impairment losses	**(5,025)**	6,470
At 31 March	**2,745**	7,770

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.

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

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

23. BANK BALANCES AND CASH

	2021 HK$'000	2020 HK$'000
Cash at bank and on hand	**98,149**	104,481
Maximum exposure to credit risk	**97,597**	103,198

As at 31 March 2021, the Group's bank balances and cash of approximately HK$26,610,000 (2020: HK$8,269,000) denominated in RMB were deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the China Government.

24. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Non-current		
Other payables	**6,766**	4,666
Current		
Trade payables	**291,380**	39,637
Other payables and accruals	**100,662**	84,914
Provision for warranty expenses	**6,095**	4,128
	398,137	128,679
	404,903	133,345

At 31 March 2021 and 2020, the ageing analysis of the trade payables based on invoice date is as follows:

	2021 HK$'000	2020 HK$'000
0 – 30 days	**57,884**	23,897
31 – 60 days	**1,401**	5,225
61 – 90 days	**–**	4,571
Over 90 days	**232,095**	5,944
	291,380	39,637

25. BANK AND OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Non-current		
Other borrowings, secured (Note iii)	2,269	–
Current		
Bank borrowing, secured (Note i)	212,686	111,852
Bank borrowings, unsecured (Note ii)	38,473	45,518
Other borrowings, secured (Note iii)	37,502	–
	288,661	157,370
	290,930	157,370

Notes:

(i) As at 31 March 2021, the bank borrowing is secured by the Group's buildings (Note 15), investment properties (Note 16) and right-of-use assets (Note 17) with carrying amounts of approximately HK$153,250,000 (2020: HK$112,065,000).

(ii) The bank borrowings are unsecured and supported by corporate guarantees given by the Company (Note 31).

(iii) The other borrowings are secured by the Group's equipment and machineries of approximately HK$8,229,000 (Note 15) and certain properties held by Mr Leung.

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2021 HK$'000	2020 HK$'000
On demand or within one year	247,621	107,618
After one year but within two years	8,792	8,712
After two years but within five years	6,445	10,787
After five years	28,072	30,253
	290,930	157,370

25. BANK AND OTHER BORROWINGS (CONTINUED)

	2021 HK$'000	2020 HK$'000
Carrying amount of bank and other borrowings that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause	41,040	49,752
Carrying amount repaybles on demand or within one year	247,621	107,618
Amounts shown under current liabilities	288,661	157,370
Amounts shown under non-current liabilities	2,269	–
	290,930	157,370

As at 31 March 2021, bank and other borrowings were interest-bearing at fixed rates from 5.2% to 10% per annum or a margin over HIBOR, Lender's Costs of Funds or loan prime rate (2020: a margin over HIBOR or Lender's Costs of Funds).

Covenants

During the years ended 31 March 2020 and 2021, some of the Group's banking facilities are subject to financial and non-financial covenant clauses, whereby the Group is required to meet certain key performance indicators and conditions including but not limited to the Group's sales volume, current ratio, net gearing ratio, tangible net worth and interest coverage.

As at 31 March 2020, the Group failed to comply with certain financial covenants in respect of the Group's facilities with two banks. Under these bank facilities letters, such non-compliance of covenants may give the relevant banks a right to cancel or suspend the facilities. As at 31 March 2020, the relevant banking facilities utilised by the Group amounted to HK$87,669,000.

On 18 June 2020 and 23 June 2020, the Group obtained written waivers from these two banks mentioned above from complying with the relevant financial covenants respectively.

On 24 March 2021, the Group's facilities with one of the above banks was cancelled upon the Group's request. During the year ended 31 March 2021, there was no further instance of non-compliance of covenant clauses except as disclosed above.

26. LOANS FROM SHAREHOLDERS

	2021 HK$'000	2020 HK$'000
Non-current		
Mr Leung Kai Ching, Kimen (deceased)	**78,200**	78,200
Mr Leung Wai Sing, Wilson	**187,000**	83,000
	265,200	161,200
Current		
Mr Leung Wai Lap, David	**13,000**	–
	278,200	161,200

The maturity of loans from shareholders is as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**13,000**	–
After one year but within two years	**265,200**	161,200
	278,200	161,200

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

As at 31 March 2021, the loans from shareholders were interest-bearing at a fixed rate of 4.5% per annum or 1.3% over 1-month HIBOR or LIBOR per annum. Balances of HK$265,200,000 would be repayable on 31 December 2021. On 31 March 2021, the shareholders have agreed to extend the repayment date to 31 December 2022. The remaining balance of HK$13,000,000 is repayable on 2 August 2021.

27. SHARE CAPITAL

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

	2021 Number of shares	2021 HK$'000	2020 Number of shares	2020 HK$'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 and end of the year	**723,244,650**	**72,324**	723,244,650	72,324

28. RESERVES

	Share premium HK$'000	Capital redemption reserve (Note a) HK$'000	Revaluation reserve (Note b) HK$'000	Exchange and other reserve HK$'000	Staff compensation reserve (Note c) HK$'000	Sub-total HK$'000	Retained earning HK$'000	Total HK$'000
At 1 April 2019	417,679	1,089	65,423	(14,794)	11,783	481,180	776,564	1,257,744
Change in accounting policy	–	–	–	–	–	–	(42,386)	(42,386)
Restated as at 1 April 2019	417,679	1,089	65,423	(14,794)	11,783	481,180	734,178	1,215,358
Comprehensive expense								
Loss for the year	–	–	–	–	–	–	(599,374)	(599,374)
Other comprehensive expense								
Currency translation differences	–	–	–	(6,734)	–	(6,734)	–	(6,734)
Total comprehensive expense	–	–	–	(6,734)	–	(6,734)	(599,374)	(606,108)
At 31 March 2020	417,679	1,089	65,423	(21,528)	11,783	474,446	134,804	609,250
At 1 April 2020	417,679	1,089	65,423	(21,528)	11,783	474,446	134,804	609,250
Comprehensive expense								
Loss for the year	–	–	–	–	–	–	(360,463)	(360,463)
Other comprehensive expense								
Currency translation differences	–	–	–	9,706	–	9,706	–	9,706
Total comprehensive expense	–	–	–	9,706	–	9,706	(360,463)	(350,757)
At 31 March 2021	417,679	1,089	65,423	(11,822)	11,783	484,152	(225,659)	258,493

28. RESERVES (CONTINUED)

Notes:

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.

29. DEFERRED INCOME TAX

The movement in deferred income tax assets/(liabilities) during the year is as follows:

	Tax losses	Accelerated tax depreciation	Deferred development cost	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2019	7,146	(4,217)	(441)	1,591	4,079
(Charged)/credited to profit or loss	(7,146)	4,397	441	(1,591)	(3,899)
Exchange difference	–	(180)	–	–	(180)
As at 31 March 2020	–	–	–	–	–
As at 1 April 2020 and 31 March 2021	–	–	–	–	–

As at 31 March 2021, the Group did not recognise deferred tax assets in respect of tax losses of approximately HK$1,087,736,000 (2020: HK$824,734,000) 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$1,052,874,000 (2020: HK$791,085,000) do not expire under current tax legislation and approximately HK$32,179,000 (2020: HK$33,649,000) and HK$2,683,000 (2020: nil) would expire within five years and ten years from the year of origination respectively.

30. 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 2019	(183,913)	–	(279,343)	(463,256)
Financing cash flows	26,543	(161,200)	23,426	(111,231)
Operating cash flows	–	–	11,076	11,076
Foreign exchange adjustments	–	–	14,027	14,027
Finance costs incurred	–	–	(11,076)	(11,076)
Other changes (Note)	–	–	163,662	163,662
31 March 2020	**(157,370)**	**(161,200)**	**(78,228)**	**(396,798)**
Financing cash flows	**(133,560)**	**(117,000)**	**31,499**	**(219,061)**
Operating cash flows	**–**	**–**	**3,163**	**3,163**
Foreign exchange adjustments	**–**	**–**	**(4,495)**	**(4,495)**
Finance costs incurred	**–**	**–**	**(3,163)**	**(3,163)**
Other change (Note)	**–**	**–**	**(1,028)**	**(1,028)**
As at 31 March 2021	**(290,930)**	**(278,200)**	**(52,252)**	**(621,382)**

Note:

Other changes represent non-cash transactions, including addition of lease liabilities and remeasurement of leases.

31. BANKING FACILITIES

As at 31 March 2021, banking facilities of approximately HK$408,702,000 (2020: HK$553,750,000) were granted by banks to the Group, of which approximately HK$251,159,000 (2020: HK$157,370,000) have been utilised by the Group. All banking facilities were supported by corporate guarantees given by the Company and as at 31 March 2021, bank and other borrowing of approximately HK$252,457,000 (2020: HK$111,852,000) are secured by charges over the Group's investment properties, buildings, equipment, machineries and right-of-use assets with carrying amounts of approximately HK$161,479,000 (2020: HK$112,065,000).

The Group had failed to comply with certain financial covenants of its borrowing facilities during the year ended 31 March 2020, see Note 25 for details.

32. COMMITMENTS

(a) Capital commitments

	2021 HK$'000	2020 HK$'000
Capital expenditure in respect of the acquisition of moulds, plant and machinery contracted but not provided for in the consolidated financial statements	**3,326**	2,914

(b) Operating lease commitments (as lessor)

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

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

	2021 HK$'000	2020 HK$'000
Within one year	**707**	2,276
After one year but within two years	**734**	1,415
After two years but within three years	**185**	1,415
After three years but within four years	**–**	1,700
	1,626	6,806

The lease terms are from one to five years.

33. RELATED PARTY TRANSACTIONS

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

	2021 HK$'000	2020 HK$'000
Interest expense on loans from shareholders		
– Mr LEUNG Kai Ching, Kimen (deceased)	–	1,789
– Mr LEUNG Wai Sing, Wilson	2,370	588
– Mr LEUNG Wai Lap, David	375	–
– Mr LEUNG, Jimmy	375	–
	3,120	2,377

	2021 HK$'000	2020 HK$'000
Rental expense		
– Advance Leather Products Limited	2,016	2,016

Note: Mr LEUNG Wai Sing, Wilson, 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:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	16,541	16,658
Retirement benefit scheme contributions	499	686
	17,040	17,344

Further details of the directors' and chief executive's emoluments are included in Note 10.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Investments in subsidiaries		330,157	680,984
Current assets			
Other receivables		105	105
Income tax recoverable		8	10
Bank balances and cash		82	76
		195	191
Current liabilities			
Other payables		166	255
Net current assets/(liabilities)		29	(64)
Total assets less current liabilities		330,186	680,920
Capital and reserves attributable to equity holders of the Company			
Share capital		72,324	72,324
Reserves	a	257,862	608,596
Total equity		330,186	680,920

The statement of financial position was approved by the Board of Directors on 29 June 2021 and was signed on its behalf.

LEUNG Wai Sing, Wilson
Director

YIU Wang Tsun
Director

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

(a) Reserves movement of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Staff compensation reserve HK$'000	Retained earnings/ (accumulated loss) HK$'000	Total HK$'000
At 1 April 2019	417,679	1,089	40,586	11,783	732,249	1,203,386
Total comprehensive expense and loss for the year	–	–	–	–	(594,790)	(594,790)
At 31 March 2020	417,679	1,089	40,586	11,783	137,459	608,596
At 1 April 2020	**417,679**	**1,089**	**40,586**	**11,783**	**137,459**	**608,596**
Total comprehensive expense and loss for the year	**–**	**–**	**–**	**–**	**(350,734)**	**(350,734)**
At 31 March 2021	**417,679**	**1,089**	**40,586**	**11,783**	**(213,275)**	**257,862**

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.

35. COMPARATIVE AMOUNTS

To provide a better picture of the financial performance of the Group, certain comparative amounts have been reclassified to conform with the current year's presentation.

Principal Property

31 March 2021

As at 31 March 2021, 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:

	2021 **HK$'000**	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**1,278,686**	961,246	1,545,212	2,080,707	2,100,142
(Loss)/profit attributable to equity holders of the Company	**(360,463)**	(599,374)	(563,134)	(85,808)	73,897
Total assets	**1,363,113**	1,216,024	1,726,839	2,081,398	2,378,157
Total liabilities	**(1,032,927)**	(535,104)	(397,369)	(352,169)	(531,666)
Total equity	**330,186**	680,920	1,329,470	1,729,229	1,846,491