ALCO HOLDINGS LIMITED

Stock Code 股份代號：328

年報

ANNUAL REPORT 2022

Contents

Corporate Information

Directors	Mr. LIU Hoi Keung (Chairman) Mr. CHUNG Hau Yeung Mr. YIP Wing Shing Ms. HONG Ting* Ms. CHOI Ka Ying** Mr. LAM Chi Wing** Mr. TANG Sher Kin** * *Non-executive directors* ** *Independent non-executive directors*
Company Secretary	Mr. LAI Ka Fung
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, Dill & Pearman
Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business	11/F, Metropole Square 2 On Yiu Street Sha Tin New Territories Hong Kong
Principal Registrars	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda
Registrars in Hong Kong	Tricor Abacus Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Website	http://www.alco.com.hk
Stock Code	328

Chairman's Statement

GROUP RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I hereby present the financial results of Alco Holdings Limited and its subsidiaries (collectively the "Group") for the 12 months ended 31 March 2022.

For the year under review, the Group recorded a 54% decrease in turnover from HK$1,279 million (in 2021) to HK$591 million and a 65% increment in net loss attributable to shareholders from HK$360 million (in 2021) to HK$595 million.

The strategy of the Group over the last few years is to focus on developing our own brand notebook business instead of on the traditional OEM/ODM business on AV products, the OEM/ODM business although can provide a bigger revenue will also require more working capital to transact them. With more resources spent on our own brand notebook business we are giving up the orders from the big retailers especially from the US market.

The net loss was partly the result of a decline in sales of approximately 54% as explained above. Furthermore, the continuous effect of COVID-19 throughout the year had huge cost impact on our logistic and delivery of materials and products for the year. Continuous and substantial investments in advertising and promotions for AVITA, Nexstgo and VAIO notebook computers together with costs incurred in developing more variety of notebook models for different price points in different markets further impacted our bottom line.

Other reasons for the net loss was the impairment of inventories, trade and other receivables and certain non-current assets. For inventories, in addition to the provisions made in prior years, a further impairment of HK$198 million was made mainly on aged raw materials due to cessation of producing certain AV and non profitable products. As the Group's business has continued to incur losses, the Group has to assess the recoverable amounts of its underlying assets, pursuant to requirements of relevant accounting standards, an impairment provision of HK$29.5 million was made further on certain property, plant and equipment, right-of-use assets, intangible assets and trade and other receivables.

The directors do not recommend the payment of a final dividend (2021: nil) for the financial year ended 31 March 2022.

Chairman's Statement

REVIEW OF OPERATIONS

Our strategy of developing own brand notebook business require heavy investment on marketing promotion and product development. This in the past has relied heavily on the funding support of our esteem ex-Chairman Mr. Leung Wai Sing, ("Wilson"), unfortunately due to the sudden pass away of Wilson in December 2021, the continuous funding has been ceased and this has created a huge disruption to our business plan and operation. On the second half of 2021 the Group is still expanding its production and sales, and has purchased additional SMT machineries, UV printers and assembly equipment, Windows key and other critical components, and continue on marketing promotion campaign and with many new products developments. With the limitation on working capital we are unable to continue fully on our productions, unable to fully utilize our excessive materials purchased and as a result created excessive wastage on materials and production capacity.

The latter half of the year was particularly difficult for the Group, we not only suffered from the lack of working capital, we also lost the direction of Wilson who has been with the Group his entire life, his management guidance and valuable input in engineering and product development has been the cornerstone for all of the facets of the development of the Group.

At the initial outbreak of COVID-19, the demand for notebook computers were significant, the demand for notebook computers 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 low-value components, became virtually broken and unable to cope. As such even though the sales demand was good we have to spend substantially higher raw materials cost in order to meet the delivery. This further add up to the costs of nurturing a young brand. Although materials price started to stabilize in the latter half of the year, the demand for notebook computer also slowly fell. The number of Covid cases remain high in many countries, most of them have adopted a somewhat "living with Covid" policy as they generally believe the new variant of Covid is not as detrimental as its predecessor virus. So after an unprecedented period of pandemic-led demand in the face of component shortages, the global PC market is starting to cool down.

The significant and continue drop in sales have left the factory with excessive production capacity and non fully utilized labour force. The Group has started laying off excessive workers and office staff from the beginning of the year and to sublease any excessive factory space to other parties.

Chairman's Statement

PROSPECTS

Facing an extremely difficult situation the Group is undergoing the followings:

- Revisit the corporate strategy in developing our own brand notebook - as the investment in building a computer brand is significant we will need to partner with other investors in building it, either through licensing the brand or jointly invested with other investors, for this we made some promising progress in the discussion with other investors who may be able to provide additional banking facilities and working capital to support our sales and production. We have signed a non legally binding term sheet and a memorandum of understanding with two potential investors for extending cash and credit facilities of up to US$13 million to support the business;

- To dispose the investment properties, production facilities and land and buildings in order to generate more working capital and to reduce borrowings. Properties at an estimated market value of HK$263 million pledged for certain bank and other borrowings have been placed on the market for sales to repay the borrowings;

- To further streamline the operation of the Group by reducing headcounts both in the offices and in the factory, and to adopt more cost saving outsourcing services;

- To explore different strategies in creating more values from the factory e.g. renting or selling production facilities and machinery, doing subcontracting work for other notebook and electronic manufacturers; and

- To discuss with Wilson's estate administrator (yet to be appointed) on the treatment of the shareholders loans.

Our goal is to try minimizing the loss as quickly as possible and to turnaround the business into a positive cashflow operation, at the same time looking for investors to invest in our brand and business.

APPRECIATION

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

Liu Hoi Keung
Chairman

Hong Kong, 27 July 2022

Biographical Details of Directors and Senior Management

Executive Directors

Mr. LIU Hoi Keung ("Mr. Liu"), aged 57, has over 30 years of experience in the field of auditing, accounting, finance, management and secretarial work, over 15 years of which was gained from working as directors in manufacturing companies listed on the Stock Exchange. He received his professional diploma in accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in 1988 and the Master of Science degree in electronic commerce and internet computing from the University of Hong Kong in 2002. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Liu had been an executive director, company secretary and Chief Financial Officer of the Company from February 2020 to June 2021 and rejoined the Group as Chairman, Chief Executive Officer and Executive Director on 10 June 2022. Mr. Liu is currently an independent non-executive director of China Leon Inspection Holding Limited (stock code: 1586), and had been the company secretary of Tungtex (Holdings) Company Limited (stock code: 518) form August 2017 to February 2020. China Leon Inspection Holding Limited and Tungtex (Holdings) Company Limited are listed on the Main Board of the Stock Exchange. In addition, Mr. Liu had previously served as director and senior management with a number of companies listed on the Stock Exchange, including being an executive director and joint chief executive officer of Panasialum Holdings Company Limited (stock code: 2078); an executive director and the chief financial officer of Beijing Enterprises Medical and Health Industry Group Limited (formerly known as Genvon Group Limited, stock code: 2389); and a director, the chief executive officer and the chief financial officer of China Merchants Land Limited (formerly known as Tonic Industries Holdings Limited, stock code: 0978). Save as disclosed above, Mr. Liu does not hold any other directorship in the last three years in the public companies the securities of which are listed on any securities market in Hong Kong or overseas prior to this announcement. In addition, he does not hold any other positions with the Company or any of its subsidiaries.

Mr. CHUNG Hau Yeung, Alex ("Mr. Chung"), aged 52, 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.

Mr. YIP Wing Shing, David, *S.B.S., M.H., J.P.*, aged 64, joined the Group in 1973. He is the General Manager of Alco Electronics Dongguan Limited, a wholly owned subsidiary of the Company. Mr. Yip oversees the whole operation of Dongguan factory. He has over 40 years of experience in the field of consumer electronic products. During his past years in the Group, he has been in charge of the logistic and material planning.

Biographical Details of Directors and Senior Management

Non-executive director

Ms. HONG Ting ("Ms. Hong"), aged 35, obtained a Bachelor of Business degree from The Chinese University of Hong Kong in 2008. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a Certified Public Accountant (Practising) in Hong Kong. She worked for an international audit firm and she has over 14 years of experience in accounting, auditing, taxation and financial consulting.

Independent Non-executive Directors

Ms. CHOI Ka Ying ("Ms. Choi"), aged 37, has over 16 years of experience in accounting, auditing and financial management and has worked for an international audit firm. She obtained a Bachelor of Business degree in Hong Kong in 2006. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She is currently an independent non-executive director of State Energy Group International Holdings Limited, a company listed on the Stock Exchange (stock code: 918). Ms. Choi is also the chief financial officer and the company secretary of Sino Golf Holdings Limited, a company listed on the Stock Exchange (stock code: 361).

Mr. LAM Chi Wing ("Mr. Lam"), aged 42, obtained a Bachelor of Business Administration degree in Accounting and Finance at the University of Hong Kong in 2003, a Master of Science degree in Knowledge Management at the Hong Kong Polytechnic University in 2006 and a Master of Business Administration degree at the Chinese University of Hong Kong in 2010. Mr. Lam joined Li & Fung Group in September 2003, where he served as the Group Chief Representative and General Manager, Southern China of Li & Fung Development (China) Limited prior to his departure in July 2015. Mr. Lam is a member of the Twelfth Guangdong Committee of the Chinese People's Political Consultative Conference*（中國人民政治協商會議第十二屆廣東省委員）and the Eleventh & Twelfth Zhongshan Committee of the Chinese People's Political Consultative Conference*（中國人民政治協商會議第十一屆、十二屆中山市委員）. Mr. Lam served as a part-time member of the Central Policy Unit of the HK Government from 2011 to 2012, and currently serves as an advisory committee of the Sustainable Agricultural Development Fund of the HK Government, and a committee member of the Appeal Panel (Housing) of the HK Government. Mr. Lam is currently the vice chairman of the Guangdong Society of Commercial Economy（廣東省商業經濟學會）and an Adjunct Professor at the School of Business of the Renmin University of China（中國人民大學商學院）.

Biographical Details of Directors and Senior Management

Mr. TANG Sher Kin ("Mr. Tang"), aged 52, has about 29 years of experience in the engineering industry and project management. Mr. Tang obtained a bachelor's degree of engineering in mechanical engineering from the Oxford Polytechnic (now known as the Oxford Brookes University) in the United Kingdom in July 1992 and a master's degree of arts in global business management from the City University of Hong Kong in November 2006. Mr. Tang was admitted as a chartered engineer of the Engineering Council in December 2004, a registered professional engineer of the Engineer Registration Board in April 2009, a BEAM professional of the Hong Kong Green Building Council in July 2010 and a registered energy assessor of the Electrical and Mechanical Services Department of the Government in August 2012. Mr. Tang is a council member of The Hong Kong Institution of Engineers (HKIE) and also a fellow member of HKIE in five disciplines including (i) building services; (ii) control, automation and instrumentation; (iii) environmental; (iv) energy; and (v) mechanical. Mr. Tang has been a member of the Innovation and Technology Fund Research Projects Assessment Panel for two years with effect from 1 January 2021. He is currently an independent non-executive director of Kwong Luen Engineering Holdings Limited, a company listed on the Stock Exchange (stock code: 1413).

Senior Management

Mr. LAI Ka Fung ("Mr. Lai"), aged 31, joined Alco Electronics Limited ("AEL"), one of the major subsidiaries of the Company, as its financial controller in June 2022. Before joining AEL, Mr. Lai has over 8 years of experience in auditing, accounting and finance field. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lai holds a degree of Bachelor of Business Administration granted by The Hong Kong University of Science and Technology.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (version up to 31 December 2021) (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year ended 31 March 2022 ("Year"), the Company has complied all the applicable code provisions of the Code, except with deviation from code provision A.2.1 (which has been re-numbered to C.2.1 since 1 January 2022) of the Code and rule 3.27A of the Listing Rules.

Under code provision A.2.1(which has been re-numbered to C.2.1 since 1 January 2022) of the Code, 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. On 28 December 2021, Mr CHUNG Hau Yeung was appointed as acting Chief Executive Officer of the Company following the passing away of Mr LEUNG Wai Sing, Wilson on the same day. The chair of the Board is vacant since 28 December 2021 until Mr LIU Hoi Keung was appointed as the Chairman of the Board, Chief Executive Officer and executive Director on 10 June 2022. The Board believes that this arrangement is beneficial to the Company as Mr LIU has considerable management experience gained from companies listed on the Stock Exchange. In addition, Mr LIU had been an executive Director, company secretary and Chief Financial Officer of the Company from February 2020 to June 2021.

Under rule 3.27A of Listing Rules which became effective from 1 January 2022, the nomination committee of the Company is required to be chaired by either the Chairman of the Board or by an independent non-executive director. Since 28 December 2021, the chair of the nomination committee of the Company is vacant as Mr LEUNG Wai Sing, Wilson passed away on the same day. On 7 April 2022, with the appointment of Mr LEE Tak Chi as the chairman of the nomination committee of the Company, the Company has complied with the rule 3.27A of the Listing Rules.

Following the resignation of Mr WU Zhi-Ling with effect from 7 June 2022, the Company has two independent non-executive Directors and the audit committee of the Board comprises of only two members. It results in: (i) total number of independent non-executive Directors accounts for less than one-third of Board members, and hence the Company fails to meet the requirement of Rule 3.10A of the Listing Rules and (ii) the number of independent non-executive Directors and the number of members of the audit committee of the Company will fall below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules respectively. On 16 June 2022, with the appointments of Mr CHOI Ka Ying, Mr LAM Chi Wing and Mr TANG Sher Kin as the independent non-executive Directors, and the chairman or member of each of the audit committee, the remuneration and the nomination committee of the Company, the Company has fully complied with the requirements as set out in Rules 3.10A, 3.10(1) and 3.21 of the Listing Rules.

Corporate Governance Report

THE BOARD

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

Board composition

The Board currently comprises three executive Directors, namely Mr CHUNG Hau Yeung, Mr LIU Hoi Keung and Mr YIP Wing Shing; a non-executive Director, namely Ms HONG Ting; and three independent non-executive Directors, namely Ms CHOI Ka Ying, Mr LAM Chi Wing and Mr TANG Sher Kin.

The non-executive Director and all independent non-executive Directors are appointed for a term of three years.

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

Board diversity policy

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

Responsibilities and accountabilities of the Board and Senior Management

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

Delegation by the Board

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

Directors' attendance at Board/general meetings

Twelve Board meetings and a general meeting were held during the year ended 31 March 2022. The attendance of each Director is set out as follows:

	Attended/Eligible to attend	
Members of the Board	**Board Meeting**	**General Meeting**
Executive Directors		
Mr LIU Hoi Keung (resigned on 25 June 2021 and re-appointed on 10 June 2022)	0/0	0/0
Mr CHUNG Hau Yeung (appointed on 11 January 2022)	8/8	0/0
Mr YIP Wing Shing (appointed 24 January 2022)	5/5	0/0
Mr YIU Wang Tsun (appointed on 25 June 2021 and resigned on 5 April 2022)	12/12	1/1
Mr LEUNG Wai Sing, Wilson (deceased on 28 December 2021)	2/2	1/1
Mr LEUNG Kam Fai (retired on 4 July 2022)	12/12	1/1
Non-executive Director		
Ms HONG Ting (appointed on 16 June 2022)	0/0	0/0
Independent Non-executive Directors		
Ms CHOI Ka Ying (appointed on 16 June 2022)	0/0	0/0
Mr LAM Chi Wing (appointed on 16 June 2022)	0/0	0/0
Mr TANG Sher Kin (appointed on 16 June 2022)	0/0	0/0
Mr WONG Siu Kee (appointed on 9 April 2022 and resigned on 16 June 2022)	0/0	0/0
Mr CHEUNG, Johnson (resigned on 9 April 2022)	12/12	1/1
Mr LEE Tak Chi (resigned on 16 June 2022)	12/12	1/1
Mr WU Zhi-Ling (resigned on 7 June 2022)	12/12	1/1

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

At the dated of this report, Mr LIU Hoi Keung is both the Chairman of the Board and the Chief Executive Officer.

RE-ELECTION OF DIRECTORS

All the Directors will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions with the Company for the 12 months ended 31 March 2022.

REMUNERATION COMMITTEE

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

The Remuneration Committee currently comprises Mr TANG Sher Kin (chairman of the Remuneration Committee), Ms CHOI Ka Ying and Mr LAM Chi Wing, all of whom are independent non-executive Directors.

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

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

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

AUDIT COMMITTEE

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

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

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

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

NOMINATION COMMITTEE

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

The Nomination Committee currently comprises Mr LAM Chi Wing (chairman of the Nomination Committee), Ms CHOI Ka Ying and Mr TANG Sher Kin.

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

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

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

Nomination policy

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

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

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

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

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

Corporate Governance Report

Disclaimer of Opinion (the "Disclaimer of Opinion")

The Company's auditor, SHINEWING (HK) CPA Limited (the "Auditor") issued a disclaimer of opinion on the consolidated financial statements of the Group, details of which are set out in the independent auditor's report.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As described in Note 1 to the consolidated financial statements, the Group reported net loss of approximately HK$594,594,000 and net cash outflows from operating activities of approximately HK$138,984,000 for the year ended 31 March 2022. As at 31 March 2022, the Group had total deficit of approximately HK$272,923,000 and net current liabilities of approximately HK$524,320,000 which included bank and other borrowings of approximately HK$284,967,000, of which HK$214,359,000 were in default and the lenders have the right to demand for immediate repayment of the entire outstanding balances. As at 31 March 2022, the Group's bank balances and cash amounted to approximately HK$10,202,000 only. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

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

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

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

(i) Restructure of bank and other borrowings

The bank and other borrowings which are repayable on demand or within one year amounted to HK$285 million as at 31 March 2022, of which approximately HK$214 million was defaulted in payment.

The Group is negotiating with the banks for debt restructuring. The management is of the view that the Group will be able to obtain consent from the banks to extend the repayment of borrowings and continue to provide the banking facility to improve the liquidity position of the Group, considering the valuation of the office premise and investment properties of the Group amounting to approximately HK$188.6 million, with reference to valuation performed by independent qualified professional valuers and market data information, and other properties held by Mr. Leung Wai Sing, Wilson ("Wilson") pledged to the banks.

(ii) Future treatment of the loans from shareholders

As at 31 March 2022, the Group has loans from past and existing shareholders of HK$402 million, of which approximately HK$278 million was loan from the deceased ex-chairman of the Group, Wilson and approximately HK$78 million was loan from another deceased shareholder, Leung Kai Ching, Kimen ("Kimen"). Wilson was one of the administrators of Kimen's estate. As the estate of Wilson is frozen before the appointment of the estate administrator, the extension agreements related to loans from Wilson and Kimen could not be arranged. As the loans are repayable within one year, the Company will discuss the extension of the loans with the estate administrator once he/she is appointed. The Company will also discuss with other shareholders for the extension on repayment for the remaining loans from shareholders of approximately HK$46 million which are repayable on demand.

(iii) Restructure of trade payables

As at 31 March 2022, trade payables amounted to approximately HK$208 million. Subsequent to the end of reporting period, the Group is involved in litigations requesting the Group to settle an amount of approximately HK$16 million. The Group will negotiate with certain creditors to further extend the repayment.

Corporate Governance Report

(iv) *Potential investors*

The Group is outreaching certain investors to obtain funding for working capital including, provision of guarantee from new investor for additional banking facility and bringing in new business opportunities. In particular, in July 2022, the Group had signed a term sheet to expand notebook business and a memorandum of undertaking with potential investors to obtain additional funding. The Directors of the Company are of the opinion that these potential new sources of financing can ease the situation and facilitate the future development of the Group.

(v) *Proceeds from disposal of non-current assets*

The Group is negotiating with independent third parties to dispose of certain non-current assets with the aim to generate cash inflows and mitigate liquidity pressure.

(vi) *Cash inflow from operations*

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

Based on the sales orders on hand for the notebook products up to June 2022, the Directors of the Company expect an increase in sales in the coming months comparing to the corresponding period for the year ended 31 March 2022. The directors of the Company will continue with its effort in sales and marketing to promote the Group's notebook products in existing market and explore opportunities in other countries.

The Directors of the Company believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2023. However, should the Group fail to achieve the above mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

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

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

Audit Committee's View on the Disclaimer of Opinion

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

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

Corporate Governance 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	1,500

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

DIRECTOR'S TRAINING

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

DIVIDEND POLICY

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

COMMUNICATION WITH SHAREHOLDERS

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

Shareholders and potential investors may send written enquiries to the Company Secretary of the Company by email to investor.enquiry@alco.com.hk, by fax to (852) 2597 8700 or by mail to 11/F, Metropole Square, 2 On Yiu Street, Sha Tin, New Territories, Hong Kong.

SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Under the Company's Bye-laws, shareholders holding not less than one-tenth of the paid-up capital of the Company can, by deposit a written requisition signed by the shareholders concerned to the Board or the Company Secretary to the principal place of business of the Company at 11/F, Metropole Square, 2 On Yiu Street, Sha Tin, New Territories, Hong Kong, require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

CONCLUSION

The Board believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interest. The management will try to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 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 33.

The Directors did not declare an interim dividend.

The Directors do not recommend the payment of a final dividend.

BUSINESS REVIEW

A review of the business of the Group during the year as required by Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is included in the Chairman's Statement and covered by different sections in this annual report. Those sections form part of this Report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to managing and, where possible, minimizing environmental impacts attributable to its operation. The Group actively controls and endeavors to reduce emissions and waste, and uses energy and resources in an efficient manner. It also uses environmental-friendly production parts in its manufacturing operation. In addition, the Group's management team constantly reviews the effectiveness of the environmental protection measures and makes improvement where necessary.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the importance of good relationships with its employees, customers and suppliers to meet long-term business goals.

Employees are considered valuable assets of the Group and are reasonably remunerated according to performance, qualification and market trend. Remuneration packages, including medical insurance and education subsidies, will be reviewed regularly.

The Group has been building long-term relationships with customers and suppliers. A good relationship with suppliers helps develop practices of punctual delivery of raw materials with good condition. With reliable production parts, we are able to produce products with high quality and reliability for our customers. These all in turn benefit the Company and its shareholders as a whole.

IMPORTANT EVENTS AFTER YEAR END

Please refer to note 36 of the financial statements for events after the reporting period.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total deficit and total deficit per share as at 31 March 2022 were HK$273 million (2021: total equity HK$330 million) and HK$0.38 (2021: total equity per share HK$0.46) respectively.

As at 31 March 2022, we had bank balances and cash of HK$10 million (2021: HK$98 million). After deducting bank and other borrowings of HK$285 million (2021: HK$291 million), loans from shareholders of HK$402 million (2021: HK$278 million) and lease liabilities of HK$64 million (2021: HK$52 million), we had net borrowing of HK$741 million (2021: HK$523 million).

As at 31 March 2022, our inventories were HK$354 million (2021: HK$624 million), which consisted of HK$254 million (2021: HK$353 million) of raw material, HK$16 million (2021: HK$26 million) of work in progress and HK$84 million (2021: HK$245 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 2022 were HK$151 million (2021: HK$301 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 2022 were HK$208 million (2021: HK$291 million).

Capital expenditure on fixed assets during the year was HK$26 million (2021: HK$23 million). As at 31 March 2022, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery and renovation amounting to HK$1 million (2021: 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.

Report of the Directors

LITIGATION UPDATE

Subsequent to the end of reporting period, the Group received several writs of summons issued by suppliers in respect of outstanding sums due and owing by the Group. Details are set out in the announcement of the Company dated 7 June 2022. Subsequent to this report, the Group has the following updates:

Statutory Demand presented by World Crown Investments Limited ("World Crown") on 9 June 2022 ("Statutory Demand")

The Company was served a Statutory Demand from World Crown Investments Limited on 9 June 2022 in respect of a claim of RMB3,700,000 and HK$652,174 being a purported loan from World Crown. The Company took out an application for an injunction to refrain World Crown from presenting a winding-up petition against the Company on 24 June 2022. It was ordered by the court on 30 June 2022 that World Crown undertook not to present a winding-up petition against the Company. The Company was ordered to file and serve its affirmation in reply on or before 12 August 2022 (as extended) and the substantive hearing of the originating summons was adjourned to a date yet to be fixed.

HCA 876 of 2022: Sunwell Science & Technology Co. Limited vs. Alco Electronics Limited ("AEL")

This action is a purported claim of US$709,868.21 and HK$172,401.43 for goods sold and delivered by the Plaintiff to AEL. AEL has instructed counsel to file the acknowledgement of service on or before 4 August 2022 while AEL is reviewing and verifying the claim.

EMPLOYEES

As at 31 March 2022, the Group had approximately 625 (2021: 950) 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	18%
– five largest suppliers combined	48%
Sales	
– the largest customer	22%
– five largest customers combined	48%

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 35(a) to the consolidated financial statements respectively.

Distributable reserves of the Company as at 31 March 2022 amounted to nil (2021: nil), comprising the contributed surplus and accumulated losses/(retained earnings).

DONATIONS

No donations had been made by the Group during the year (2021: nil).

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 2022 is set out on page 107.

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 108.

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.

Report of the Directors

BANK LOANS AND OTHER BORROWINGS

An analysis of the Group's bank borrowings as at 31 March 2022 and 2021 is set out below:

	Bank borrowings	
	2022	2021
	HK$'000	HK$'000
Within one year	**250,460**	247,621
After one year but within two years	**2,122**	8,792
After two years but within five years	**6,558**	6,445
After five years	**25,827**	28,072
	284,967	290,930

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2022 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:

Executive Directors
Mr LIU Hoi Keung (resigned on 25 June 2021 and re-appointed on 10 June 2022)
Mr CHUNG Hau Yeung (appointed on 11 January 2022)
Mr YIP Wing Shing (appointed 24 January 2022)
Mr YIU Wang Tsun (appointed on 25 June 2021 and resigned on 5 April 2022)
Mr LEUNG Wai Sing, Wilson (deceased on 28 December 2021)
Mr LEUNG Kam Fai (retired on 4 July 2022)

Non-executive Director
Ms HONG Ting (appointed on 16 June 2022)

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

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

DIRECTORS' SERVICE CONTRACT

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 6, 7 and 8.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

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

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

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

As at 31 March 2022, none of the Directors and chief executives or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO), which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

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

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2022, 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)	Interest in controlled corporation	267,812,500 (Note i)	37.03%
Shundean Investment Limited	Beneficial owner	267,812,500 (Note i)	37.03%
Mr LEUNG Wai Sing, Wilson (deceased)	Beneficial owner	76,706,986 (Note ii)	10.61%
Mr Webb David Michael	Beneficial owner/Interest in controlled corporation	75,344,884 (Note iii)	10.42%
Mr LEUNG Wai Lap, David	Beneficial owner	63,456,464	8.77%
Preferable Situation Assets Limited	Beneficial owner	48,080,841 (Note iii)	6.65%

Notes:

(i) Mr LEUNG Kai Ching, Kimen (deceased) held 267,812,500 shares through Shundean Investment Limited, which was 100% directly owned by him. Mr. LEUNG Ka Ching, Kimen's interests are now undergoing probate. During the period from 21 to 22 June 2022, Shundean Investments Limited had disposed of an aggregate of 267,812,500 shares of the Company on open market through on-market transactions on the trading platform of the Stock Exchange.

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

(iii) 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 2022, 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 9 to 21.

AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive Directors of the Company, namely Ms CHOI Ka Ying, Mr LAM Chi Wing and Mr TANG Sher Kin.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at all times during the Year and up to the date of this report.

AUDITOR

The consolidated financial statements have been audited by 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

LIU Hoi Keung
Chairman and Chief Executive Officer

Hong Kong, 27 July 2022

Independent Auditor's Report

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF ALCO HOLDINGS LIMITED
愛高集團有限公司
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Alco Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 33 to 106, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in Note 1 to the consolidated financial statements, the Group reported net loss of approximately HK$594,594,000 and net cash outflows from operating activities of approximately HK$138,984,000 for the year ended 31 March 2022. As at 31 March 2022, the Group had total deficit of approximately HK$272,923,000 and net current liabilities of approximately HK$524,320,000 which included bank and other borrowings of approximately HK$284,967,000, of which HK$214,359,000 were in default and the lenders have the right to demand for immediate repayment of the entire outstanding balances. As at 31 March 2022, the Group's bank balances and cash amounted to approximately HK$10,202,000 only. These conditions, along with other matters as set forth in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

Multiple Uncertainties Relating to Going Concern (Continued)

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

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

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

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

In view of the significant of and the potential interaction of the multiple uncertainties described above and their possible cumulative effects on the consolidated financial statements, we disclaim our opinion in respect of the consolidated financial statements of the Group for the year ended 31 March 2022.

Independent Auditor's Report

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

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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

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

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

Hong Kong
27 July 2022

Consolidated Statement of Profit or Loss

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	**591,292**	1,278,686
Cost of goods sold	8	**(887,290)**	(1,340,994)
Gross loss		**(295,998)**	(62,308)
Other income, gain and loss	7	**36,267**	45,958
Selling expenses	8	**(102,210)**	(111,943)
Administrative expenses	8	**(114,543)**	(113,789)
Research and development expenses	8	**(63,855)**	(79,518)
Other operating expenses	8	**(2,227)**	(13,523)
Impairment losses (recognised) reversed on trade and other receivables		**(5,999)**	5,025
Impairment loss on property, plant and equipment	15	**(4,194)**	(14,896)
Impairment loss on right-of-use assets	17	**(15,787)**	(914)
Impairment loss on intangible assets	18	**(3,500)**	(6,010)
		(572,046)	(351,918)
Finance income	11	**3,339**	2,750
Finance costs	11	**(25,887)**	(11,471)
Loss before income tax		**(594,594)**	(360,639)
Income tax credit	12	**–**	199
Loss for the year		**(594,594)**	(360,440)
Attributable to:			
– Owners of the Company		**(594,575)**	(360,463)
– Non-controlling interests		**(19)**	23
		(594,594)	(360,440)
Loss per share			
– Basic *(HK cents)*	13	**(82.2)**	(49.8)
– Diluted *(HK cents)*	13	**(82.2)**	(49.8)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
Loss for the year	**(594,594)**	(360,440)
Other comprehensive (expense) income, net of tax:		
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**(8,515)**	9,706
Total comprehensive expense for the year	**(603,109)**	(350,734)
Attributable to:		
– Owners of the Company	**(603,090)**	(350,757)
– Non-controlling interests	**(19)**	23
Total comprehensive expense for the year	**(603,109)**	(350,734)

Consolidated Statement of Financial Position

As At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**133,963**	130,882
Investment properties	16	**53,430**	46,788
Right-of-use assets	17	**71,582**	63,631
Intangible assets	18	**–**	–
Prepayments, deposits and other receivables	22	**5,570**	33,754
		264,545	275,055
CURRENT ASSETS			
Inventories	21	**353,939**	623,877
Trade and other receivables	22	**203,068**	351,089
Other current assets		**602**	459
Income tax recoverable		**1,421**	14,484
Bank balances and cash	23	**10,202**	98,149
		569,232	1,088,058
CURRENT LIABILITIES			
Trade and other payables	24	**337,414**	398,137
Income tax liabilities		**6,853**	6,642
Lease liabilities	17	**62,352**	47,407
Bank and other borrowings	25	**284,967**	288,661
Loans from shareholders	26	**401,966**	13,000
		1,093,552	753,847
Net current (liabilities) assets		**(524,320)**	334,211
TOTAL ASSETS LESS CURRENT LIABILITIES		**(259,775)**	609,266

Consolidated Statement of Financial Position

As At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	27	**72,324**	72,324
Reserves	28	**(344,597)**	258,493
		(272,273)	330,817
NON-CONTROLLING INTERESTS		**(650)**	(631)
Total (deficit) equity		**(272,923)**	330,186
NON-CURRENT LIABILITIES			
Other payables	24	**11,455**	6,766
Lease liabilities	17	**1,693**	4,845
Bank and other borrowings	25	**–**	2,269
Loans from shareholders	26	**–**	265,200
		13,148	279,080
TOTAL (DEFICIT) EQUITY AND NON-CURRENT LIABILITIES		**(259,775)**	609,266

The consolidated financial statements on pages 33 to 106 were approved and authorised for issue by the board of directors on 27 July 2022 and are signed on its behalf by:

LIU Hoi Keung
Director

CHUNG Hau Yeung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Attributable to owners 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
As 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)
As at 31 March 2021 and 1 April 2021	72,324	484,152	(225,659)	330,817	(631)	330,186
Loss for the year	–	–	(594,575)	(594,575)	(19)	(594,594)
Other comprehensive expense						
– Currency translation differences	–	(8,515)	–	(8,515)	–	(8,515)
Total comprehensive expense	–	(8,515)	(594,575)	(603,090)	(19)	(603,109)
As at 31 March 2022	72,324	475,637	(820,234)	(272,273)	(650)	(272,923)

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before income tax	**(594,594)**	(360,639)
Adjustments for:		
Finance income	**(3,339)**	(2,750)
Finance costs	**25,887**	11,471
Amortisation of intangible assets	**874**	1,503
Loss on disposal of plant and equipment	**217**	6
Depreciation of property, plant and equipment	**20,332**	21,223
Depreciation of right-of-use assets	**22,074**	1,835
Impairment of inventories	**198,195**	23,053
Impairment losses recognised (reversed) on trade and other receivables	**5,999**	(5,025)
Fair value gain on investment properties	**(4,568)**	(23,386)
Impairment loss on intangible assets	**3,500**	6,010
Impairment loss on property, plant and equipment	**4,194**	14,896
Impairment loss on right-of-use assets	**15,787**	914
Rent concession	**(1,552)**	(2,399)
Operating loss before movements in working capital	**(306,994)**	(313,288)
Decrease (increase) in inventories	**71,743**	(310,358)
Decrease in trade and other receivables	**170,063**	125,904
(Decrease) increase in trade and other payables	**(69,280)**	270,096
Net cash used in operations	**(134,468)**	(227,646)
Interest received	**4**	103
Interest paid	**(17,794)**	(9,690)
Income tax refunded	**13,274**	–
NET CASH USED IN OPERATING ACTIVITIES	**(138,984)**	(237,233)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(26,092)**	(23,442)
Purchase of intangible assets	**(4,374)**	(7,513)
Proceeds from disposal of property, plant and equipment	**1,220**	569
Proceeds from disposal of investment property	**–**	36,402
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(29,246)**	6,016

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES			
Proceeds from trust receipt loans		**311,854**	513,077
Proceeds from bank and other borrowings		**305,155**	63,771
Proceeds from loans from shareholders		**123,766**	117,000
Repayments of trust receipt loans		**(349,920)**	(434,704)
Repayments of bank and other borrowings		**(273,718)**	(8,584)
Repayments of principal element of lease liabilities		**(34,208)**	(29,100)
NET CASH FROM FINANCING ACTIVITIES		**82,929**	221,460
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(85,301)**	(9,757)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**98,149**	104,481
EFFECT OF FOREIGN EXCHANGE RATE CHANGE		**(2,646)**	3,425
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	23	**10,202**	98,149

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 approximately HK$594,594,000 and reported a net cash used in operation of approximately HK$138,984,000 for the year ended 31 March 2022 and net current liabilities of approximately HK$524,320,000 as at 31 March 2022.

During the year ended 31 March 2022, the Group has failed to repay certain bank borrowings according to their scheduled repayment date and the borrowings amounted to approximately HK$214,359,000 as at 31 March 2022. In addition, subsequent to the end of reporting period, a controlling shareholder of the Company disposed of its entire shares held and ceased to be a controlling shareholder of the Company. The disposal of shares held by a controlling shareholder resulted in breach of covenants according to the relevant facility agreement for the Group's bank borrowing of approximately HK$162 million as at 31 March 2022. Such non-compliance of covenants and default in repayment amounted to bank borrowings of HK$214,359,000 as at 31 March 2022 became immediately repayable if requested by the banks and the relevant banks have the right to cancel or suspend the facilities.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation (Continued)

The 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) ***Restructure of bank and other borrowings***

The bank and other borrowings which are repayable on demand or within one year amounted to HK$285 million as at 31 March 2022, of which approximately HK$214 million was defaulted in payment.

The Group is negotiating with the banks for debt restructuring. The management is of the view that the Group will be able to obtain consent from the banks to extend the repayment of borrowings and continue to provide the banking facility to improve the liquidity position of the Group, considering the valuation of the office premise and investment properties of the Group amounting to approximately HK$188.6 million, with reference to valuation performed by independent qualified professional valuers and market data information, and other properties held by Mr. Leung Wai Sing, Wilson ("Wilson") pledged to the banks.

(ii) ***Future treatment of the loans from shareholders***

As at 31 March 2022, the Group has loans from past and existing shareholders of HK$402 million, of which approximately HK$278 million was loan from the deceased ex-chairman of the Group, Wilson and approximately HK$78 million was loan from another deceased shareholder, Leung Kai Ching, Kimen ("Kimen"). Wilson was one of the administrators of Kimen's estate. As the estate of Wilson is frozen before the appointment of the estate administrator, the extension agreements related to loans from Wilson and Kimen could not be arranged. As the loans are repayable within one year, the Company will discuss the extension of the loans with the estate administrator once he/she is appointed. The Company will also discuss with other shareholders for the extension on repayment for the remaining loans from shareholders of approximately HK$46 million which are repayable on demand.

(iii) ***Restructure of trade payables***

As at 31 March 2022, trade payables amounted to approximately HK$208 million. Subsequent to the end of reporting period, the Group is involved in litigations requesting the Group to settle an amount of approximately HK$16 million. The Group will negotiate with certain creditors to further extend the repayment.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation (Continued)

(iv) Potential investors

The Group is outreaching certain investors to obtain funding for working capital including, provision of guarantee from new investor for additional banking facility and bringing in new business opportunities. In particular, in July 2022, the Group had signed a term sheet to expand notebook business and a memorandum of undertaking with potential investors to obtain additional funding. The directors of the Company are of the opinion that these potential new sources of financing can ease the situation and facilitate the future development of the Group.

(v) Proceeds from disposal of non-current assets

The Group is negotiating with independent third parties to dispose of certain non-current assets with the aim to generate cash inflows and mitigate liquidity pressure.

(vi) Cash inflow from operations

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

Based on the sales orders on hand for the notebook products up to June 2022, the directors of the Company expect an increase in sales in the coming months comparing to the corresponding period for the year ended 31 March 2022. The directors of the Company will continue with its effort in sales and marketing to promote the Group's notebook products in existing market and explore opportunities in other countries.

The directors of the Company believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 March 2023. However, should the Group fail to achieve the above mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their realisable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

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

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates.

As at 31 March 2021, the Group had certain financial liabilities, the interest of which are indexed to benchmark rate that will or may be subject to interest rate benchmark reform. Since the interest rates of these instruments were not replaced by an alternative risk-free rate ("RFRs") during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The principal accounting policies are set out below.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors and senior management that make strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ownership interest in leasehold land

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

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs over their estimated useful lives or, in the case of leasehold improvements the shorter lease term. Certain furniture, 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 ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade 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.

Cash and cash equivalents

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

Share capital

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

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

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

Revenue recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

The Group recognised revenue from the following major source:

Sales of goods

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income

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

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 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.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

- the modification increase the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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 92% of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst majority of costs is denominated in the group entity's respective functional currency.

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	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
United States Dollars ("USD")	**163,133**	337,508	**(232,728)**	(429,130)
Great British Pound ("GBP")	**5,557**	6,862	**–**	–
Canadian Dollars ("CAD")	**3,707**	19,957	**–**	–

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 10% (2021: 10%) increase and decrease in HKD against the relevant foreign currencies. 10% (2021: 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% (2021: 10%) against the relevant currency. For a 10% (2021: 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.

	2022 **HK$'000**	2021 HK$'000
Effect on post-tax loss:		
GBP (Note (i))	**(464)**	(573)
CAD (Note (ii))	**(310)**	(1,666)

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 2022, the Group's bank and other borrowings and loans from shareholders at variable rates were denominated in HKD, RMB and USD.

As at 31 March 2022, 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$2,443,000 higher/lower (2021: HK$4,312,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 March 2022, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$79,000 lower/higher (2021: HK$815,000 lower/higher) due to interest income earned on market interest rate.

Interest rate benchmark reform

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk

(i) Risk management

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

The Group's bank balances and cash are placed with reputable banks and financial institutions. The Group reviews regularly the recoverable amount of deposits and other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. For trade receivables from customers, management assesses the credit quality of each individual major customer, taking into account its financial position, past experience and other factors.

(ii) Impairment of financial assets

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

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables

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

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

The lifetime ECL in respect of individually assessed trade receivables as at 31 March 2022 was nil (2021: nil).

The ECL rates are assessed to be approximately 1% to 7.2% (2021: 0.7% to 1.8%) for trade receivables and the ECL of these collectively assessed trade receivables as at 31 March 2022 are assessed to be approximately HK$8,744,000 (2021: HK$2,745,000).

Other financial assets at amortised cost

The Group applies a 12-month ECL on other financial assets at amortised cost. Management considered among other factors, analysed credit risk of the counterparties and historical repayment pattern and concluded that the ECL for other financial assets at amortised cost as at 31 March 2022 was approximately HK$3,115,000 (2021: HK$3,115,000).

(c) Liquidity risk

The directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$524,320,000 as at 31 March 2022. 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

As at 31 March 2022, the Group's total available banking facilities amounted to approximately HK$405,878,000 (2021: HK$408,702,000), of which approximately HK$214,359,000 (2021: HK$251,159,000) has been utilised.

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

	On demand or within one year HK$'000	In the second year HK$'000	In the third to fifth year HK$'000	Over five years HK$'000	Total HK$'000	Carrying amount HK$'000
As at 31 March 2022						
Bank and other borrowings	**284,967**	**–**	**–**	**–**	**284,967**	**284,967**
Loans from shareholders	**402,187**	**–**	**–**	**–**	**402,187**	**401,966**
Trade and other payables	**319,026**	**–**	**–**	**–**	**319,026**	**319,026**
In addition, the Group's maturity profile of lease liabilities is as follows:						
Lease liabilities	**64,077**	**817**	**960**	**–**	**65,854**	**64,045**
As at 31 March 2021						
Bank and other borrowings	297,010	2,648	–	–	299,658	290,930
Loans from shareholders	16,920	268,004	–	–	284,924	278,200
Trade and other payables	385,380	–	–	–	385,380	385,380
In addition, the Group's maturity profile of lease liabilities is as follows:						
Lease liabilities	48,244	3,397	1,702	211	53,554	52,252

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Certain of the Group's bank borrowings that are repayable on demand due to default in payment, as disclosed in Note 25, are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 March 2022, the aggregate carrying amounts of these bank borrowings amounted to HK$214,359,000 (2021: nil). The Group is actively formulating and undertaking a number of plans and measures as disclosed in Note 1 to remediate the default in payment.

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

	On demand	Within one year	In the second year	In the third to fifth year	Over five years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2022	**221**	**180,407**	**2,647**	**7,940**	**28,010**	**219,225**	**214,359**
At 31 March 2021	–	2,629	2,629	7,887	30,451	43,596	38,652

(d) Fair value risk

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

4.2 Capital risk management

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management (Continued)

The Group had net deficit of approximately HK$272,923,000 as at 31 March 2022 and going concern assumptions adopted by the directors of the Company are stated in Note 1. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings net of bank balances and cash divided by total equity as shown in the consolidated statement of financial position.

The gearing ratios as at 31 March 2022 and 2021 were as follows:

	2022 HK$'000	2021 HK$'000
Bank balances and cash (Note 23)	10,202	98,149
Less: Bank and other borrowings (Note 25)	(284,967)	(290,930)
Loans from shareholders (Note 26)	(401,966)	(278,200)
Lease liabilities (Note 17)	(64,045)	(52,252)
Net debt	(740,776)	(523,233)
Total (deficit) equity	(272,923)	330,186
Gearing ratio	(271.4%)	158.5%

The Group has a negative gearing ratio due to the Group's deficit position as at 31 March 2022. The negative gearing ratio is primarily resulted from the increase in net debt and the deficit as a result of the net loss for the current year.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgements in applying accounting policies

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

(a) Going concern and liquidity

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

(b) Determination of the lease term

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

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

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

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

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

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

Key sources of estimation uncertainty

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

(a) Provision for slow-moving and obsolete inventories

The Group makes provision for slow-moving and obsolete inventories based on consideration of obsolescence and net realisable value of inventories considering the production plan and expected future market demand. The identification of inventory obsolescence and estimated selling price less cost to sell in the ordinary course of business and expectation of future market condition require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventory and impairment provision in the year in which such estimate has been changed.

As at 31 March 2022, the carrying amount of inventories of the Group was approximately HK$353,939,000 (31 March 2021: HK$623,877,000), net of accumulated allowance for inventories of approximately HK$270,190,000 (31 March 2021: HK$168,899,000).

(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 2022, the carrying amount of investment properties of the Group was approximately HK$53,430,000 (31 March 2021: HK$46,788,000).

(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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (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's carrying amount in the consolidated financial statements.

As at 31 March 2022, the carrying amount of property, plant and equipment was approximately HK$133,963,000 (2021: HK$130,882,000). An impairment loss of approximately HK$4,194,000 (2021: HK$14,896,000) has been recognised during the year ended 31 March 2022.

As at 31 March 2022, the carrying amount of right-of-use assets was approximately HK$71,582,000 (2021: HK$63,631,000). An impairment loss of approximately HK$15,787,000 (2021: HK$914,000) has been recognised during the year ended 31 March 2022.

As at 31 March 2022, the carrying amount of intangible assets was nil (2021: nil). An impairment loss of approximately HK$3,500,000 (2021: HK$6,010,000) has been recognised during the year ended 31 March 2022.

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

Key sources of estimation uncertainty (Continued)

(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:

	2022 HK$'000	2021 HK$'000
AV products	**122,063**	646,973
Notebook products	**469,229**	631,713
	591,292	1,278,686
Timing of revenue recognition		
– At a point in time	**591,292**	1,278,686

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

The Group mainly operates in the Mainland China, Taiwan and Hong Kong 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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

(a) Segment revenue and results

	2022				2021			
	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	122,063	469,229	–	591,292	646,973	631,713	–	1,278,686
Inter-segment sales	24,004	751	(24,755)	–	12,446	1,089	(13,535)	–
	146,067	469,980	(24,755)	591,292	659,419	632,802	(13,535)	1,278,686
Segment results	(127,668)	(424,397)	–	(552,065)	(127,732)	(208,376)	–	(336,108)
Impairment loss on right-of-use assets				(15,787)				(914)
Impairment loss on property, plant and equipment				(4,194)				(14,896)
Finance income				3,339				2,750
Finance costs				(25,887)				(11,471)
Loss before tax				(594,594)				(360,639)

(b) Geographical information

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

	2022 HK$'000	2021 HK$'000
North America	43,545	619,745
Asia	466,170	500,630
Europe	73,179	124,223
Others	8,398	34,088
	591,292	1,278,686

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

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.

	2022 HK$'000	2021 HK$'000
Hong Kong	**133,024**	142,880
The Mainland China	**125,292**	95,884
Taiwan	**601**	1,941
Others	**58**	596
	258,975	241,301

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

(c) Information about major customers

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

	2022 HK$'000	2021 HK$'000
Customer A[1]	**132,565**	443,422
Customer B[2]	**58,207**	169,030

[1] Revenue from Notebook products segment

[2] Revenue from AV products segment

7. OTHER INCOME, GAIN AND LOSS

	2022 HK$'000	2021 HK$'000
Rental income from investment properties (Note 16)	**2,016**	2,017
Sub-lease income	**16,535**	13,022
Fair value gain on investment properties (Note 16)	**4,568**	23,386
Rent concession (Note)	**1,552**	2,399
Sub-contracting income	**4,300**	3,880
Refund of royalties fee	**–**	365
Exchange gains, net	**5,718**	–
Others	**1,578**	889
	36,267	45,958

Note: As disclosed in Note 17, the Group has adopted the Amendments to HKFRS 16 and applied the practical expedient to all eligible rent concessions received by the Group during the year.

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:

	2022 HK$'000	2021 HK$'000
Amortisation of intangible assets (Note 18)	**874**	1,503
Auditor's remuneration	**1,500**	1,380
Cost of inventories (Note 21)	**646,092**	1,237,535
Impairment of inventories	**198,195**	23,053
Depreciation of property, plant and equipment (Note 15)	**20,332**	21,223
Depreciation of right-of-use assets (Note 17)	**22,074**	1,835
Employee benefit expenses (including directors' emoluments) (Note 9)	**197,238**	206,765
Severance payment (Note 9)	**1,109**	1,774
Loss on disposal of plant and equipment	**217**	6
Short-term lease expenses (Note 17)	**2,115**	4,437

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 HK$'000	2021 HK$'000
Wages and salaries	**173,802**	191,846
Other staff benefits and pension costs	**23,436**	14,919
	197,238	206,765
Severance pay	**1,109**	1,774

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$3,122,000 (2021: HK$3,386,000).

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 (2021: nil). No forfeited contribution was available as at 31 March 2022 to reduce future contributions (2021: nil).

The Company's subsidiaries in the People's Republic of China (the "PRC") are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement benefits scheme contributions of approximately HK$8,099,000 (2021: HK$3,650,000), 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 four (2021: three) directors whose emoluments are reflected in the analysis presented in Note 10. The emoluments payable to the remaining one (2021: two) individual during the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,560**	3,758
Contributions to pension schemes	**18**	173
	1,578	3,931

Their emoluments fell within the following band:

	Number of individual	
	2022 **HK$'000**	2021 HK$'000
Emolument band		
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
	1	2

During the years ended 31 March 2022 and 2021, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) or other directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

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

For the year ended 31 March 2022:

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 (i)	–	3,113	156	3,269
Mr. LEUNG Kam Fai, Peter (ii)	–	960	48	1,008
Mr. LIU Hoi Keung (iii)	–	708	16	724
Mr. YIU Wang Tsun (iv)	–	2,097	90	2,187
Mr. CHUNG Hau Yeung (v)	–	519	4	523
Mr. YIP Wing Shing (vi)	–	193	3	196
Independent non-executive directors:				
Mr. CHEUNG, Johnson (vii)	300	–	10	310
Mr. LEE Tak Chi (viii)	300	–	–	300
Mr. WU Zhi-Ling (ix)	300	–	–	300
	900	7,590	327	8,817

10. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

Note:

(i) Deceased on 28 December 2021, former chief executive officer
(ii) Retired on 4 July 2022
(iii) Resigned on 25 June 2021 and re-appointed on 10 June 2022, existing chief executive officer
(iv) Appointed on 25 June 2021 and resigned on 5 April 2022
(v) Appointed on 11 January 2022, acting chief executive officer for the period from 28 December 2021 to 9 June 2022
(vi) Appointed on 24 January 2022
(vii) Resigned on 9 April 2022
(viii) Resigned on 16 June 2022
(ix) Resigned on 7 June 2022
(x) Resigned on 14 December 2020

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

10. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) 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 (2021: nil).

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

No payment was made to the third parties for making available directors' services (2021: nil).

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

The information about loans, quasi-loans and other dealings entered into by the company or subsidiary undertaking of the company, where applicable, in favour of directors are set out in Note 26.

(e) 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 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 (2021: nil).

11. FINANCE INCOME AND FINANCE COSTS

	2022 **HK$'000**	2021 HK$'000
Finance income:		
– Bank interest income	**4**	103
– Imputed interest income on other receivables	**3,335**	2,647
	3,339	2,750
Finance costs:		
– Interest expense on bank and other borrowings	**16,167**	5,188
– Interest expense on loans from shareholders (Note 34)	**6,556**	3,120
– Interest expense on lease liabilities (Note 17)	**3,164**	3,163
	25,887	11,471

12. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax and PRC corporate income tax have been made as there are no assessable profits for the years ended 31 March 2022 and 2021.

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.

	2022 **HK$'000**	2021 HK$'000
Current income tax credit		
– Overseas corporate income tax	**–**	(199)

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:

	2022 **HK$'000**	2021 HK$'000
Loss before income tax	**(594,594)**	(360,639)
Tax calculated at a tax rate of 16.5 % (2021: 16.5%)	**(98,108)**	(59,505)
Effect of different tax rates in other jurisdictions	**(5,452)**	(8,405)
Tax effect of income not taxable for tax purposes	**(2,636)**	(7,303)
Tax effect of expenses not deductible for tax purposes	**9,267**	36,505
Tax effect of tax losses not recognised	**98,179**	40,809
Utilisation of tax losses previously not recognised	**(1,250)**	(2,300)
Income tax credit	**–**	(199)

13. LOSS PER SHARE

Basic

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

	2022	2021
Loss attributable to owners of the Company *(HK$'000)*	**(594,575)**	(360,463)
Number of ordinary shares in issue	**723,244,650**	723,244,650
Basic loss per share *(HK cents)*	**(82.2)**	(49.8)

Diluted

There were no dilutive potential ordinary shares during the years ended 31 March 2022 and 2021. Therefore, the diluted loss per share is the same as basic loss per share.

14. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 March 2022 and 2021, 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
As at 1 April 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
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
As 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

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

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) In view that the business performance had been below management's expectation, management considered that there was indication for impairment and conducted impairment assessment on the recoverable amounts of property, plant and equipment, right-of-use assets (Note 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 based on financial budgets approved by the management. The cash flow projection is discounted at pre-tax discount rate of 18.9% (2021: 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$4,194,000 (2021: HK$14,896,000), HK$15,787,000 (2021: HK$914,000) and HK$3,500,000 (2021: HK$6,010,000) have been recognised against the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets respectively.

(c) As at 31 March 2022, certain of the Group's bank and other borrowings is secured by the Group's buildings, equipment and machineries with aggregate carrying amounts of approximately HK$49,408,000 (2021: HK$52,550,000) (Note 25).

16. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
Beginning of the year	**46,788**	55,800
Disposal	**–**	(36,402)
Gain on fair value changes (Note 7)	**4,568**	23,386
Exchange difference	**2,074**	4,004
End of the year	**53,430**	46,788

Rental income derived from the investment properties amounted to approximately HK$2,016,000 (2021: HK$2,017,000) during the year (Note 7).

As at 31 March 2022, certain of the Group's bank borrowing is secured by the Group's investment properties of approximately HK$51,715,000 (2021: HK$45,298,000) (Note 25).

On 11 November 2020, the Group entered into an agreement with an 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.

Valuation process of the Group

The Group measures its investment property at fair value. The fair value of the Group's investment property as at 31 March 2022 has been determined on the basis of valuation carried out by an independent qualified valuer, Valtech Valuation Advisory Limited (2021: LCH (Asia-Pacific) Surveyors Limited) (the "Valuer"). The valuation, which conforms to the valuation standards issued by Hong Kong Institute of Surveyors ("HKIS") was arrived at by reference to the recent market prices for similar properties in the similar locations and conditions. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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 direct comparison approach, the Valuer refers to market price of similar comparable properties. There was no change to the valuation technique with that of prior year.

For the investment properties of the Group, the prevailing market price are estimated based on recent sales transactions nearby. The lower the prices, the lower is the fair value. As at 31 March 2022, prevailing market prices ranged from RMB20,000 to RMB24,000 (2021: RMB18,009 to RMB24,000) per square meter on saleable area basis were adopted for the Group's investment properties located in the PRC.

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 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**
Additions	**–**	**45,812**	**45,812**
Depreciation	**(1,714)**	**(20,360)**	**(22,074)**
Impairment loss	**–**	**(15,787)**	**(15,787)**
As at 31 March 2022	**61,917**	**9,665**	**71,582**

The Group has lease arrangements for leasehold land, office and buildings. The lease terms of leasehold land, office and buildings are generally 30 years (2020: 30 years) and ranged from 1.5 to 8 years (2021: 2 to 5 years) respectively. The Group also entered into short-term lease arrangements in respect of warehouse, equipment and vehicles.

During the year ended 31 March 2022, an impairment of approximately HK$15,787,000 (2021: HK$914,000) was recognised in profit or loss. Details of the impairment assessment are set out in Note 15.

As at 31 March 2022, certain of the Group's bank borrowing is secured by the Group's right-of-use assets of approximately HK$61,917,000 (2021: HK$63,631,000) (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 2020	78,228
Additions	1,028
Finance costs incurred	3,163
Payments	(32,263)
Exchange differences	4,495
Rent concession	(2,399)
As at 31 March 2021	**52,252**
Additions	**45,812**
Finance costs incurred	**3,164**
Payments	**(37,372)**
Exchange differences	**1,741**
Rent concession	**(1,552)**
As at 31 March 2022	**64,045**

	2022 HK$'000	2021 HK$'000
Analysed into:		
Within 1 year	**62,352**	47,407
After 1 year but within 2 years	**779**	3,030
After 2 years but within 5 years	**914**	1,606
After 5 years	**–**	209
	64,045	52,252

During the year ended 31 March 2022, the Group exercised extension option of existing lease agreement (2021: entered into a new lease agreement) in respect of renting a factory (2021: an office premise) and recognised a right-of-use asset and lease liability of approximately HK$45,812,000 (2021: HK$1,028,000).

17. LEASES (CONTINUED)

(ii) Amounts recognised in profit or loss

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

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets		
– Leasehold land	**1,714**	1,721
– Office and buildings	**20,360**	114
	22,074	1,835
Impairment of right-of-use assets	**15,787**	914
Interest expense on lease liabilities (Note 11)	**3,164**	3,163
Expenses relating to leases of short-term leases (Note 8)	**2,115**	4,437
Rent concession related to COVID-19 (Note 7)	**1,552**	2,399

The total cash outflow for leases for the year ended 31 March 2022 was approximately HK$39,487,000 (2021: HK$36,700,000).

During the year ended 31 March 2022, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

Certain rent concessions occurred as a direct consequence of COVID-19 pandemic, which met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modification. Accordingly, during the year, rent concessions totaling approximately HK$1,552,000 (2021: HK$2,399,000) have been accounted as negative variable lease payments and recognised in the profit or loss.

18. INTANGIBLE ASSETS

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

During the year ended 31 March 2022, an impairment of approximately HK$3,500,000 (2021: HK$6,010,000) was recognised in profit or loss. Details of the impairment assessment are set out in Note 15.

19. PRINCIPAL SUBSIDIARIES

As at 31 March 2022, 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
			2022 Direct	2022 Indirect	2021 Direct	2021 Indirect	
Alco Investments (B.V.I.) Limited	The British Virgin Islands	Ordinary USD50,000	100	–	100	–	Investment holding and provision of management services to its subsidiaries
Advance Packaging Limited	Hong Kong	Ordinary HK$500,000	–	100	–	100	Property investment
Alco Digital Devices Limited	Hong Kong	Ordinary HK$1,000,000	–	100	–	100	Software development
Alco Electronics Limited	Hong Kong	Ordinary HK$1,000 non-voting deferred HK$5,000,000	–	100	–	100	Design, manufacture and sale of AV and Notebook products
Alco Electronics (Dongguan) Limited[1] 愛高電業(東莞)有限公司	The PRC	Registered capital HK$134,000,000	–	100	–	100	Manufacture of AV and Notebook products
Alco Electronics (Shenzhen) Limited[1] 愛高電子(深圳)有限公司	The PRC	Registered capital HK$25,000,000	–	100	–	100	Provision of design and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK$500,000	–	100	–	100	Trading of AV and Notebook products
Nexstgo Company Limited	Hong Kong	Ordinary HK$5,000,000	–	100	–	100	Trading of Notebook products
Taiwan Nexstgo Limited	Taiwan	Ordinary NTD10,000,000	–	100	–	100	Research and development and sale of Notebook products
Windom Limited	Hong Kong	Ordinary HK$100,000	–	100	–	100	Property holding

Note:

1 Wholly foreign owned enterprise.

The above table lists out the principal subsidiaries of the Company as at 31 March 2022 and 2021 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

	2022 HK$'000	2021 HK$'000
Financial assets at amortised cost		
Trade and other receivables	**200,586**	374,685
Bank balances and cash	**10,202**	98,149
Total	**210,788**	472,834

	2022 HK$'000	2021 HK$'000
Financial liabilities at amortised cost		
Trade and other payables	**319,026**	385,380
Bank and other borrowings	**284,967**	290,930
Loans from shareholders	**401,966**	278,200
Total	**1,005,959**	954,510

21. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**420,578**	459,339
Work in progress	**16,194**	25,964
Finished goods	**187,357**	307,473
	624,129	792,776
Less: Provision for impairment	**(270,190)**	(168,899)
	353,939	623,877

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately HK$646,092,000 (2021: HK$1,237,535,000).

During the year ended 31 March 2022, there was a fall in the net realisable value of inventories as the price has dropped significantly due to technical obsolescence of products. In addition, as stated in Note 1, to improve the operational efficiency, the Group is taking measure to simplify product mix. As a result of these, an impairment of inventories of approximately HK$198,195,000 (2021: HK$23,053,000) had been recognised.

22. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Non-current		
Prepayments, deposits and other receivables (Note)	8,685	36,869
Less: loss allowance	(3,115)	(3,115)
	5,570	33,754
Current		
Trade receivables	159,310	303,988
Less: loss allowance	(8,744)	(2,745)
Trade receivables, net	150,566	301,243
Prepayments, deposits and other receivables (Note)	52,502	49,846
	203,068	351,089
	208,638	384,843

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 2022, the carrying amount of the receivables amounted to approximately HK$28,230,000 (2021: HK$55,445,000) of which nil balance (2021: HK$28,230,000) was classified under non-current assets based on agreed settlement term.

At as 31 March 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK$159,310,000 (2021: HK$303,988,000).

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.

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

At 31 March 2022 and 2021, the ageing analysis of the trade receivables based on revenue recognition dates is as follows:

	2022 HK$'000	2021 HK$'000
0 – 30 days	**4,669**	110,807
31 – 60 days	**4,244**	96,276
61 – 90 days	**2,777**	36,485
Over 90 days	**138,876**	57,675
	150,566	301,243

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

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

	2022 HK$'000	2021 HK$'000
As at 1 April	**2,745**	7,770
Impairment losses recognised (reversed)	**5,999**	(5,025)
As at 31 March	**8,744**	2,745

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

23. BANK BALANCES AND CASH

	2022 HK$'000	2021 HK$'000
Cash at bank and on hand	**10,202**	98,149
Maximum exposure to credit risk	**9,447**	97,597

As at 31 March 2022, the Group's bank balances and cash of approximately HK$2,984,000 (2021: HK$26,677,000) denominated in RMB were deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the China Government.

24. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Non-current		
Other payables	**11,455**	6,766
Current		
Trade payables	**207,553**	291,380
Other payables and accruals	**119,501**	100,662
Provision for warranty	**10,360**	6,095
	337,414	398,137
	348,869	404,903

As at 31 March 2022 and 2021, the ageing analysis of the trade payables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0 – 30 days	**16,203**	57,884
31 – 60 days	**2,061**	1,401
61 – 90 days	**5,121**	–
Over 90 days	**184,168**	232,095
	207,553	291,380

25. BANK AND OTHER BORROWINGS

	2022 HK$'000	2021 HK$'000
Non-current		
Other borrowings, secured (Note iii)	–	2,269
Current		
Bank borrowing, secured (Note i)	186,187	212,686
Bank borrowings, unsecured (Note ii)	28,172	38,473
Other borrowings, secured (Note iii)	70,608	37,502
	284,967	288,661
	284,967	290,930

Notes:

(i) As at 31 March 2022, the bank borrowing is secured by the Group's buildings (Note 15), investment properties (Note 16) and right-of-use assets (Note 17) with aggregate carrying amounts of approximately HK$155,555,000 (2021: HK$153,250,000).

(ii) The unsecured bank borrowings are guaranteed by the Company (Note 31).

(iii) The other borrowings are secured by the Group's equipment and machineries of approximately HK$7,485,000 (2021: HK$8,229,000) (Note 15).

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

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

	2022 HK$'000	2021 HK$'000
On demand or within one year	250,460	247,621
After one year but within two years	2,122	8,792
After two years but within five years	6,558	6,445
After five years	25,827	28,072
	284,967	290,930

25. BANK AND OTHER BORROWINGS (CONTINUED)

	2022 HK$'000	2021 HK$'000
Carrying amount that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause or default in payment (Note)	**214,359**	38,652
Carrying amount repayable on demand or within one year	**70,608**	250,009
Amounts shown under current liabilities	**284,967**	288,661
Amounts shown under non-current liabilities	**–**	2,269
	284,967	290,930

As at 31 March 2022, bank and other borrowings were interest-bearing at fixed rates from 5.2% to 13.2% per annum or a margin over Hong Kong Interbank Offered Rate ("HIBOR"), Lender's Costs of Funds or loan prime rate (2021: fixed rates from 5.2% to 10% per annum or a margin over HIBOR, Lender's Costs of Funds or loan prime rate).

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

26. LOANS FROM SHAREHOLDERS

	2022 HK$'000	2021 HK$'000
Non-current		
Mr. Leung Kai Ching, Kimen (deceased)	–	78,200
Mr. Leung Wai Sing, Wilson (deceased)	–	187,000
	–	265,200
Current		
Mr. Leung Kai Ching, Kimen (deceased)	78,200	–
Mr. Leung Wai Sing, Wilson (deceased)	277,766	–
Mr. Leung Wai Lap, David	26,000	13,000
Ms. Leung Ka Yan, Karen	20,000	–
	401,966	13,000
	401,966	278,200

The maturity of loans from shareholders is as follows:

	2022 HK$'000	2021 HK$'000
Within one year	401,966	13,000
After one year but within two years	–	265,200
	401,966	278,200

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

As at 31 March 2022, the loans from shareholders were interest-bearing at a fixed rate of 4.5% per annum or 1.3% over HIBOR or London Interbank Offered Rate ("LIBOR") per annum. Balances of HK$401,966,000 as at 31 March 2022 would be repayable within one year or on demand. On 31 March 2021, the executor of Mr. Leung Kai Ching, Kimen's estate and Mr. Leung Wai Sing, Wilson, agreed to extend the repayment date to 31 December 2022.

27. SHARE CAPITAL

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

	2022 Number of shares	**2022** HK$'000	2021 Number of shares	2021 HK$'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. OTHER RESERVES

	Share premium HK$'000	Capital redemption reserve (Note a) HK$'000	Revaluation reserve (Note b) HK$'000	Exchange reserves HK$'000	Staff compensation reserve (Note c) HK$'000	Sub-total HK$'000	Retained earnings (accumulated losses) HK$'000	Total HK$'000
As at 1 April 2020	417,679	1,089	65,423	(21,528)	11,783	474,446	134,804	609,250
– Loss for the year	–	–	–	–	–	–	(360,463)	(360,463)
– Currency translation differences	–	–	–	9,706	–	9,706	–	9,706
Total comprehensive expense	–	–	–	9,706	–	9,706	(360,463)	(350,757)
As at 31 March 2021	417,679	1,089	65,423	(11,822)	11,783	484,152	(225,659)	258,493
As at 1 April 2021	417,679	1,089	65,423	(11,822)	11,783	484,152	(225,659)	258,493
– Loss for the year	–	–	–	–	–	–	(594,575)	(594,575)
– Currency translation differences	–	–	–	(8,515)	–	(8,515)	–	(8,515)
Total comprehensive expense	–	–	–	(8,515)	–	(8,515)	(594,575)	(603,090)
As at 31 March 2022	417,679	1,089	65,423	(20,337)	11,783	475,637	(820,234)	(344,597)

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

As at 31 March 2022, the Group did not recognise deferred tax assets in respect of tax losses of approximately HK$1,675,185,000 (2021: HK$1,087,736,000) 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$1,584,735,000 (2021: HK$1,052,874,000) do not expire under current tax legislation and approximately HK$90,450,000 (2021: HK$32,179,000) and nil (2021: HK$2,683,000) 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 HK$'000	Loans from shareholders HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 April 2020	(157,370)	(161,200)	(78,228)	(396,798)
Financing cash flows	(133,560)	(117,000)	29,100	(221,460)
Operating cash flows	–	–	3,163	3,163
Foreign exchange adjustments	–	–	(4,495)	(4,495)
Finance costs incurred	–	–	(3,163)	(3,163)
Other changes (Note)	–	–	1,371	1,371
As at 31 March 2021 and 1 April 2021	**(290,930)**	**(278,200)**	**(52,252)**	**(621,382)**
Financing cash flows	**6,629**	**(123,766)**	**34,208**	**(82,929)**
Operating cash flows	**–**	**–**	**3,164**	**3,164**
Foreign exchange adjustments	**(666)**	**–**	**(1,741)**	**(2,407)**
Finance costs incurred	**–**	**–**	**(3,164)**	**(3,164)**
Other changes (Note)	**–**	**–**	**(44,260)**	**(44,260)**
As at 31 March 2022	**(284,967)**	**(401,966)**	**(64,045)**	**(750,978)**

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

31. BANKING FACILITIES

As at 31 March 2022, banking facilities of approximately HK$405,878,000 (2021: HK$408,702,000) were granted by banks to the Group, of which approximately HK$214,359,000 (2021: HK$251,159,000) have been utilised by the Group. All banking facilities were supported by corporate guarantees given by the Company and as at 31 March 2022, bank and other borrowings of approximately HK$256,795,000 (2021: HK$252,457,000) are secured by charges over the Group's investment properties, buildings, equipment, machineries and right-of-use assets with carrying amounts of approximately HK$163,040,000 (2021: HK$161,479,000).

During the year ended 31 March 2022, the Group had failed to repay certain bank borrowings according to their scheduled repayment date, details are stated in Note 25.

32. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2022 (2021: nil).

33. COMMITMENTS

(a) Capital commitments

	2022 HK$'000	2021 HK$'000
Capital expenditure in respect of the acquisition of moulds, plant and machinery contracted but not provided for in the consolidated financial statements	**1,232**	3,326

(b) Operating lease arrangements (as lessor)

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

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

	2022 HK$'000	2021 HK$'000
Within one year	**21,412**	707
After one year but within two years	**12,231**	734
After two years but within three years	**–**	185
	33,643	1,626

The lease terms are from one to two years.

34. RELATED PARTY TRANSACTIONS

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

	2022 HK$'000	2021 HK$'000
Interest expense on loans from shareholders		
– Mr. Leung Wai Sing, Wilson	**5,330**	2,370
– Mr. Leung Wai Yip, David	**745**	375
– Mr. Leung, Jimmy	**406**	375
– Ms. Leung Ka Yan, Karen	**75**	–
	6,556	3,120

	2022 HK$'000	2021 HK$'000
Short-term lease payments		
– Advance Leather Products Limited	**2,016**	2,016

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

(b) Compensation of key management personnel

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

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	**13,414**	16,541
Retirement benefit scheme contributions	**363**	499
	13,777	17,040

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

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Investments in subsidiaries		–	330,157
Current assets			
Other receivables		213	105
Income tax recoverable		8	8
Bank balances and cash		27	82
		248	195
Current liabilities			
Other payables		331	166
Net current (liabilities) assets		(83)	29
Total assets less current liabilities		(83)	330,186
Capital and reserves attributable to owners of the Company			
Share capital		72,324	72,324
Reserves	a	(72,407)	257,862
Total (deficit) equity		(83)	330,186

35. 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 (Note) HK$'000	Staff compensation reserve HK$'000	Retained earnings (accumulated losses) HK$'000	Total HK$'000
As 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)
As at 31 March 2021 and 1 April 2021	417,679	1,089	40,586	11,783	(213,275)	257,862
Total comprehensive expense and loss for the year	**–**	**–**	**–**	**–**	**(330,269)**	**(330,269)**
As at 31 March 2022	**417,679**	**1,089**	**40,586**	**11,783**	**(543,544)**	**(72,407)**

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.

36. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, a controlling shareholder of the Company disposed of its entire shares held and ceased to be a controlling shareholder of the Company. Details are set out in the announcement of the Company dated 30 June 2022. Following the disposal of shares held by the controlling shareholder, the Group has failed to satisfy the financial covenant under the facility agreement as disclosed in Note 1.

Subsequent to the end of reporting period, the Group received several writs of summons issued by suppliers in respect of outstanding sums due and owing by the Group. Details are set out in the announcement of the Company dated 7 June 2022.

In addition, the Group involved in certain litigations which included a statutory demand from other creditor and claim from a supplier. The directors of the Company are assessing the possible outcome and financial impact. Details refer to "Report of the Directors" section of the Annual Report.

Principal Property

31 March 2022

As at 31 March 2022, 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:

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**591,292**	1,278,686	961,246	1,545,212	2,080,707
Loss attributable to owners of the Company	**(594,575)**	(360,463)	(599,374)	(563,134)	(85,808)
Total assets	**833,777**	1,363,113	1,216,024	1,726,839	2,081,398
Total liabilities	**(1,106,700)**	(1,032,927)	(535,104)	(397,369)	(352,169)
Total (deficit) equity	**(272,923)**	330,186	680,920	1,329,470	1,729,229