



# ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Website: <http://www.alco.com.hk>

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2003

### PERFORMANCE HIGHLIGHTS

- Turnover increased by 21% to HK\$4,315 million
- Net profit increased by 45% to HK\$143 million
- Recommended a final dividend of HK6 cents and a special dividend of HK5 cents, making the full year dividend of HK13 cents
- Strong financial position with a net surplus cash of HK\$284 million after deducting all interest-bearing debts

The Directors of Alco Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2003 as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2003

		2003	2002
	Note	HK\$'000	HK\$'000
Turnover	1	4,314,503	3,562,025
Cost of sales		(3,946,584)	(3,278,823)
Gross profit		367,919	283,202
Other revenues		11,748	13,176
Other operating income		–	1,804
Selling expenses		(97,552)	(63,426)
Administrative expenses		(81,147)	(77,542)
Other operating expenses		(27,873)	(24,610)
Operating profit	2	173,095	132,604
Finance costs		(11,569)	(19,765)
Share of loss of a jointly controlled entity		(481)	(827)
Profit before taxation		161,045	112,012
Taxation	3	(13,957)	(10,123)
Profit after taxation		147,088	101,889
Minority interests		(3,751)	(2,996)
Profit attributable to shareholders		143,337	98,893
Dividends	4	66,480	30,668
Earnings per share – basic	5	28.0 cents	19.3 cents
– diluted	5	27.7 cents	N/A

### CONSOLIDATED BALANCE SHEET

As at 31st March 2003

		2003	2002
		HK\$'000	HK\$'000
Fixed assets		449,272	439,768
Deferred development costs		20,175	29,368
Investment in a jointly controlled entity		–	–
Investment in security		40,365	–
Other investment		1,934	1,934
Current assets		421,913	510,419
Inventories		203,786	347,793
Trade receivables		–	–
Other receivables, prepayments and deposits		26,449	30,216
Bank balances and cash		407,524	425,077
		1,059,672	1,313,505
Current liabilities		–	1,509
Amount due to a related company		–	1,509
Trade payables		260,638	407,137
Other payables and accrued charges		122,083	114,999
Trust receipt loans		43,912	89,717
Taxation payable		6,591	9,983
Obligations under finance leases		6,795	15,060
Bank loans – current portion		22,500	65,769
		462,519	704,174
Net current assets		597,153	609,331
Total assets less current liabilities		1,108,899	1,080,401
Financed by:			
Share capital		51,138	51,138
Reserves		965,265	864,739
Shareholders' funds		1,016,403	915,877
Minority interests		19,109	15,358
Obligations under finance leases		3,025	9,829
Bank loans – long-term portion		47,500	117,769
Deferred taxation		22,862	21,568
		1,108,899	1,080,401

NOTE:

#### (1) Segment information

The Group is principally engaged in the design, manufacture and sale of consumer audio-visual, telecommunication and plastic products.

#### (a) Business segment

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

Consumer electronic products – Design, manufacture and sale of consumer audio-visual and telecommunication products

Plastic products – Manufacture and sale of plastic and packing products

	2003			2002		
	Consumer electronic products	Plastic products	Group	Consumer electronic products	Plastic products	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	4,266,996	47,507	4,314,503	3,524,364	37,661	3,562,025
Segment results	169,935	3,079	173,014	128,821	2,408	131,229
Unallocated revenues less expenses			81			1,375
Operating profit			173,095			132,604
Segment assets	1,412,033	117,086	1,529,119	1,693,832	88,809	1,782,641
Unallocated assets			42,299			1,934
Total assets			1,571,418			1,784,575
Segment liabilities	405,745	30,708	436,453	596,093	42,158	638,251
Unallocated liabilities			118,562			230,447
Total liabilities			555,015			868,698

#### (b) Geographical segment

	Turnover	
	2003	2002
	HK\$'000	HK\$'000
North America	2,663,351	2,085,493
Europe	973,946	871,146
Asia	441,768	508,764
South America	146,927	46,912
Australia and New Zealand	52,193	26,004
Africa	36,318	23,706
	4,314,503	3,562,025

The analysis of turnover by geographical segment is based on the destination to which the shipments are made. No analysis of the contribution by geographical segment has been presented as the ratios of profit to turnover achieved for the above geographical segments are not substantially out of line with the Group's overall ratio of profit to turnover. Most of its assets and capital expenditure for the years ended 31st March 2003 and 2002 were located or utilised in the PRC and Hong Kong.

#### (2) Operating profit

Operating profit is stated after charging the following:

	2003	2002
	HK\$'000	HK\$'000
Depreciation of fixed assets	98,083	90,706
Amortisation of deferred development costs	18,391	28,153
Operating lease rental in respect of land and buildings	34,814	32,444

#### (3) Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit of the Group for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2003	2002
	HK\$'000	HK\$'000
Company and subsidiaries		
Hong Kong profits tax	15,822	13,213
Over provision in prior years	(3,159)	(3,090)
Deferred taxation	1,294	–
	13,957	10,123

There was no share of taxation attributable to a jointly controlled entity for the year (2002: nil). No overseas taxation has been provided as the Group's subsidiaries in Canada and the PRC have no estimated assessable profits during the year.

#### (4) Dividends

	2003	2002
	HK\$'000	HK\$'000
Interim, paid of HK2.0 cents (2002: HK1.5 cents) per ordinary share	10,228	7,684
Final, proposed of HK6.0 cents (2002: HK4.5 cents) per ordinary share	30,683	22,984
Special, proposed of HK5.0 cents (2002: nil) per ordinary share	25,569	–
	66,480	30,668

#### (5) Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$143,337,000 (2002: HK\$98,893,000). The basic earnings per share is based on the weighted average of 511,382,099 (2002: 512,524,659) ordinary shares in issue during the year.

The diluted earnings per share is based on 516,836,174 (2002: no dilution effect) ordinary shares which is the weighted average of 5,454,075 (2002: nil) ordinary shares deemed to be issued at no consideration if all bonus warrants had been exercised.

### FINAL AND SPECIAL DIVIDENDS

The Board of Directors recommended a final dividend of HK6.0 cents (2002: HK4.5 cents) per ordinary share for the year ended 31st March 2003 and a special dividend of HK5.0 cents (2002: nil) per ordinary share to celebrate the tenth anniversary of the Group's listing on the Main Board of the Stock Exchange of Hong Kong Limited. Together with the interim dividend paid of HK2.0 cents (2002: HK1.5 cents) per ordinary share, we will pay a total dividend of HK13.0 cents (2002: HK6.0 cents) per ordinary share for this financial year.

The final and special dividends will be payable on 3rd September 2003 to shareholders of the Company, subject to shareholders' approval of payment of the final and special dividends at the Annual General Meeting to be held on 21st August 2003.

### BOOK CLOSE

The Register of Members of the Company will be closed from Friday, 15th August 2003 to Thursday, 21st August 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final and special dividends, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Thursday, 14th August 2003.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Group results

During the year under review, the Group recorded turnover of approximately HK\$4.3 billion, an increase of 21% over last year's HK\$3.6 billion. Profit attributable to shareholders rose from HK\$99 million to HK\$143 million, an increase of 45%. Earnings per share recorded an increase of 45%, from HK19.3 cents to HK28.0 cents.

#### Liquidity and financial resources

The continuous efforts of effective financial management, together with the earnings during the reviewed period, we were able to maintain a strong cash position. As at 31st March 2003, cash and deposits amounted to HK\$407 million. After deducting the interest bearing debts, we had a net surplus cash of HK\$284 million. To save interest expense, we settled the term loan of HK\$83 million in advance. This amount represented the outstanding balance of the HK\$250 million 3-year term loan facility obtained in October 2000.

Total interest bearing debts decreased from HK\$298 million to HK\$124 million. The gearing ratio remained at a low level. Total interest bearing debts as a ratio to shareholders' equity decreased further from 32% to 12%. All interest bearing debts are denominated in HK dollars and US dollars, therefore there is no exposure to foreign exchange fluctuations.

Despite the increase in sales volume, our sound cash management contributed to savings in interest expenses of HK\$8 million. In addition, our committed stock management efforts contributed to a reduction in the inventory level from HK\$510 million to HK\$422 million. Stock turnover days decreased from 52 days to 36 days.

During the year, we incurred a total capital expenditure of HK\$168 million, of which HK\$80 million was invested in Surface-Mount Technology (SMT) facilities. All capital investments were financed by internal resources.

## Liquidity and financial resources (continued)

Foreign exchange exposure is well managed, as nearly all sales and purchases of the Group are denominated in HK dollars and US dollars.

## Employees

As at 31st March 2003, we had approximately 12,000 employees in Hong Kong and the PRC. 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.

## BUSINESS REVIEW

### Overview

The general economic environment during the year under review remained weak. At Alco, however, we were able to leverage our prudent business strategy, high quality products and long-standing customer relations to achieve a generally satisfactory performance across the year.

Early 2002 saw a rebound in customer demand following the period of weak market sentiment sparked by the events of 9/11. Consumer confidence picked up at this time, and order numbers increased substantially as customers boosted low inventory levels. In response to this increasing demand, we made strategic adjustments to our production arrangements and began operating two shifts. We remain confident of our ability to meet long-term growth in demand by efficiently utilizing our existing production facilities.

During the year, we made further investments in the acquisition of SMT facilities. We joined the trend towards creating a lead-free environment by adopting lead-free soldering processes, and also invested in facilities for monitoring the levels of certain environmentally harmful substances in incoming parts and raw materials. These initiatives, along with existing facilities such as our anti-electrostatic floors and 'clean zones' providing advanced spaces for the manufacture of DVD-ROM and LCD related products, would further boost the Group's profile, consolidating the confidence of existing customers and sparking interest from potential clients.

In spite of increasing order levels from our OEM customers, keen competition and economic uncertainties in Europe and the US continue to pressure profit margins in the Group's OEM business. This trend has to some extent been offset by the success of our private label audio-visual products, which have been well received by the market and are contributing to improved overall margins.

The relocation of large sections of our personnel and resources to Shenzhen and Dongguan has resulted in significant reductions in our expenses, and we plan to further make use of these offices in the future.

## Business development

### Audio-visual and High-end Products

Audio-visual products contributed substantial revenue to us for the year ended 31st March 2003. Our patented 5-CD Home Audio Systems were a source of steady income, while our Home Theatre Systems incorporating DVD players with built-in amplifier capabilities continued to provoke overwhelming market response. Of high quality but competitively priced, these products enabled us to maintain a significant market share within the European and North American markets.

To diversify our product mix to meet customer needs and to widen revenue sources, we launched a number of sophisticated audio-visual products, including DVD+VCR Combo players/recorders and LCD-TV's with DVD players. Market response to these higher value and higher profit margin products has been very encouraging, generating significant orders and substantial returns.

Moving beyond our core audio-visual products, we have broadened our business by launching several computer peripheral products. Our well-equipped facilities and strong infrastructure give us the ability to produce top quality and highly reliable products, and the move into computer peripheral products will help us develop potential new markets and customer base, enlarging our revenue base in the process.

### Telecommunication Products

We remained cautious when we came to launching our new telecommunication products. We achieved a satisfactory response to the marketing of Digital Enhanced Cordless Telecommunications ("DECT") phones in Europe. However, in view of current intense industry competition, we are adopting a cautious approach towards marketing the newly developed 2.4GHz digital cordless phone in North America.

### Quality Assurance

The commitment of our Quality Committee and the ongoing efforts of staff members enabled us to achieve sought-after ISO9000:2000 certification. This accomplishment demonstrates that our stringent quality control procedures meet the best international standards, and indicates our ability to consistently deliver products of the very highest quality.

## PROSPECTS

The recent outbreak of Severe Acute Respiratory Syndrome ("SARS") aggravated existing weak economic conditions. Fortunately, its impact on our business proved minimal. With our overseas offices strategically located in Europe and North America, customers were able to maintain close contact with us without the need to travel to our Hong Kong offices or PRC production plants. Internally, we have implemented a series of precautionary measures and contingency plans. None of our staff was infected by SARS, and our business operations ran smoothly throughout the crisis.

Our future plans include development of an increasingly diversified product portfolio. We intend to consolidate our market share within our core and traditional audio-visual products, while simultaneously strengthening our market position in new audio-visual and other digital media products. To be prepared for constantly changing demands from the market and to increase competitiveness, we will maintain our strong commitment to research and development. Our R&D teams have kept abreast with the latest developments in audio-visual products technologies to meet new desires of customers.

We will continue to place our primary focus on the huge European and North American markets in which the Group already has established solid foundations. We believe that the current weak US dollar should have a positive impact on our sales performance in the European market. In terms of future expansion, we are actively seeking out business opportunities in promising potential markets, particularly in the PRC, with the aim of further accelerating our business growth. At the same time, we are looking to strengthen strategic partnerships with existing OEM customers, and are initiating other promising co-operative ventures to improve profitability.

## APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to every one of our staff, management and shareholders for their continuous dedication, commitment and support over the past year.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied with the Code of Best Practice except that independent non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, independent non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code of Best Practice.

## PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website in due course.

By Order of the Board  
**LEUNG Kai Ching, Kimen**  
Chairman

Hong Kong, 15th July 2003

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the members of Alco Holdings Limited will be held at Aberdeen Room, JW Marriott Hotel, Level 3, Pacific Place, 88 Queensway, Hong Kong on Thursday, 21st August 2003, at 11:00 a.m. for the following purposes:

- 1 To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31st March 2003;
- 2 To declare a final and a special dividend for the year ended 31st March 2003;
- 3 To re-elect Directors and to authorise the Board to fix their remuneration;
- 4 To appoint Auditors and to authorise the Board to fix their remuneration; and
- 5 As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:  
**"THAT:**  
pursuant to Section 86(2) of the Bye-laws of the Company, authorisation be and is hereby given to the Directors from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board as the Directors may think fit, PROVIDED THAT, any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting."

- 6 As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:  
**"THAT:**  
(a) subject to paragraph (c) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company as at the date of this resolution carrying a right to subscribe for or purchase Shares; or (iii) the exercise of

the subscription rights under the share option scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution, provided that any Shares to be allotted and issued pursuant to this general mandate shall not be allotted and issued at a discount of 5% or more to the Benchmarked Price (as hereinafter defined) of the Shares, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

**"Rights Issue"** means an offer of Shares open for a period fixed by the Directors of the Company to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory).

**"Benchmarked Price"** shall be a price which is the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of signing of the agreement to which the transaction relates; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the earlier of:
  - (a) the date of signing of the agreement to which the transaction relates;
  - (b) the date on which the relevant transaction is announced; and
  - (c) the date on which the price of the Shares to be issued pursuant to the transaction is fixed."

- 7 As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

**"THAT:**

- (a) the Directors be and are hereby granted an unconditional

general mandate to repurchase on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), or any other stock exchange on which the shares of HK\$0.10 each in the capital of the Company ("Shares") may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, securities in the Company and that the exercise by the Directors of all powers of the Company to repurchase the Shares during the Relevant Period (as hereinafter defined), subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of the Shares which may be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution; and

(c) for the purpose of this resolution:

- "Relevant Period"** means the period from the date of the passing of this resolution until whichever is the earlier of:
  - (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
  - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

By Order of the Board  
**LEUNG Kai Ching, Kimen**  
Chairman

Hong Kong, 15th July 2003

*Note:*

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. Proxy forms must be lodged at the principal office of the Company at 11th floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
2. The Transfer Books and Register of Members of the Company will be closed from Friday, 15th August 2003 to Thursday, 21st August 2003, both days inclusive, during which period no transfer of shares will be effected. In order to rank for the proposed final and special dividends, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 14th August 2003.