



# ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

### PERFORMANCE HIGHLIGHTS

	2003	2002
• Turnover (HK\$)	<b>1,733m</b>	2,390m
• Net profit (HK\$)	<b>61.4m</b>	49.8m
• Interim dividend per share	<b>HK3.0 cents</b>	HK2.0 cents

The directors of Alco Holdings Limited (the "Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003, as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2003

Notes	Unaudited Six months ended 30th September	
	2003 HK\$'000	Restated 2002 HK\$'000
Turnover	2 <b>1,732,586</b>	2,390,002
Cost of sales	<b>(1,572,947)</b>	(2,234,086)
Gross profit	<b>159,639</b>	155,916
Other revenues	<b>6,434</b>	9,085
Selling expenses	<b>(52,776)</b>	(48,220)
Administrative expenses	<b>(34,964)</b>	(36,153)
Other operating expenses	<b>(2,871)</b>	(4,654)
Operating profit	3 <b>75,462</b>	75,974
Finance costs	<b>(4,030)</b>	(6,801)
Profit before taxation	<b>71,432</b>	69,173
Taxation	4 <b>(9,269)</b>	(15,148)
Profit after taxation	<b>62,163</b>	54,025
Minority interests	<b>(726)</b>	(4,222)
Profit attributable to shareholders	<b>61,437</b>	49,803
Interim dividend	5 <b>15,856</b>	10,228
Basic earnings per share	6 <b>HK11.9 cents</b>	HK9.7 cents
Diluted earnings per share	6 <b>HK11.4 cents</b>	N/A

### CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2003

	Unaudited and restated 30th September 2003 HK\$'000	Unaudited and restated 30th September 2002 HK\$'000	Audited and restated 31st March 2003 HK\$'000
Fixed assets	<b>467,202</b>	529,843	449,272
Deferred development costs	<b>25,443</b>	32,987	20,175
Investments	<b>42,399</b>	1,934	42,299
Current assets			
Inventories	<b>695,025</b>	997,338	421,913
Trade receivables	<b>663,093</b>	699,089	203,786
Other receivables, prepayments and deposits	<b>19,959</b>	20,320	26,449
Bank balances and cash	<b>394,608</b>	362,766	407,524
	<b>1,772,685</b>	2,079,513	1,059,672
Current liabilities			
Trade payables	<b>708,575</b>	1,067,157	260,638
Other payables and accrued charges	<b>148,826</b>	141,438	122,083
Taxation payable	<b>15,261</b>	16,171	6,591
Trust receipt loans	<b>199,532</b>	278,458	43,912
Obligations under finance leases	<b>4,036</b>	10,800	6,795
Bank loans – current portion	<b>69,643</b>	58,750	22,500
	<b>1,145,873</b>	1,572,774	462,519
Net current assets	<b>626,812</b>	506,739	597,153
Total assets less current liabilities	<b>1,161,856</b>	1,071,503	1,108,899
Financed by:			
Share capital	<b>52,852</b>	51,138	51,138
Reserves	<b>973,552</b>	889,460	957,187
Shareholders' funds	<b>1,026,404</b>	940,598	1,008,325
Minority interests	<b>19,835</b>	19,580	19,109
Obligations under finance leases	<b>1,221</b>	5,264	3,025
Bank loans – long-term portion	<b>82,857</b>	73,438	47,500
Deferred taxation	<b>31,539</b>	32,623	30,940
	<b>1,161,856</b>	1,071,503	1,108,899

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September 2003

#### 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has adopted SSAP 12 (revised), "Income taxes", which is effective for accounting period commencing on or after 1st January 2003.

Under SSAP 12 (revised), deferred taxation must be provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Prior to the adoption of SSAP 12 (revised), the Group's accounting policy on deferred taxation was to account for it at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The SSAP 12 (revised) has been applied retrospectively and several comparatives presented have been restated to conform to the changed policy. Under the restatement, retained earnings at 1st April 2002 and 1st April 2003 have decreased by HK\$2,070,000 and HK\$8,078,000 respectively, and profits tax for the six months ended 30th September 2002 has increased by HK\$8,985,000.

#### 2. 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

	Six months ended 30th September 2003			Six months ended 30th September 2002		
	Consumer electronic products HK\$'000	Plastic products HK\$'000	Group HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	Group HK\$'000
Turnover	<b>1,714,060</b>	<b>18,526</b>	<b>1,732,586</b>	2,353,408	36,594	2,390,002
Segment results	<b>74,972</b>	<b>490</b>	<b>75,462</b>	71,983	3,991	75,974

##### (b) Geographical segment

	Turnover Six months ended 30th September 2003		2002	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
North America	<b>1,137,700</b>	1,491,525		
Europe	<b>372,332</b>	502,755		
Asia	<b>189,252</b>	236,163		
Africa	<b>19,215</b>	19,092		
Australia and New Zealand	<b>10,481</b>	30,433		
South America	<b>3,606</b>	110,034		
	<b>1,732,586</b>	2,390,002		

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.

#### 3. Operating profit

Operating profit is stated after (crediting)/charging the following:

	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000
Interest income	<b>(4,661)</b>	(2,597)
Amortisation of deferred development costs	<b>7,142</b>	9,869
Depreciation	<b>36,819</b>	40,206
Staff costs	<b>128,242</b>	146,535

#### 4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit of the Group for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30th September 2003 HK\$'000	Restated 2002 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	<b>8,670</b>	6,163
Deferred taxation	<b>599</b>	8,985
	<b>9,269</b>	15,148

There was no share of taxation attributable to a jointly controlled entity for the six months ended 30th September 2003 (2002: nil). No overseas taxation has been provided as the Group's subsidiaries in Canada and the PRC have no estimated assessable profits for the six months ended 30th September 2003 (2002: nil).

#### 5. Interim dividend

At a meeting held on 9th December 2003, the directors declared an interim dividend of HK3.0 cents (2002: HK2.0 cents) per share for the six months ended 30th September 2003, amounting to HK\$15,856,000 (2002: HK\$10,228,000).

#### 6. Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th September 2003 of HK\$61,437,000 (2002: HK\$49,803,000). The basic earnings per share is based on the weighted average of 515,999,575 (2002: 511,381,854) ordinary shares in issue during the period.

The diluted earnings per share is based on 539,827,130 (2002: no dilutive effect) ordinary shares which is the aggregate of the weighted average number of ordinary shares in issue during the period and the weighted average of 23,827,555 (2002: nil) ordinary shares deemed to be issued at no consideration if all bonus warrants had been exercised.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Group results

For the six months ended 30th September 2003, the Group recorded a turnover of HK\$1,733 million (2002: HK\$2,390 million). Profit attributable to shareholders was HK\$61.4 million (2002: HK\$49.8 million).

#### Liquidity and financial resources

As at 30th September 2003, cash balances stood at HK\$395 million. After deducting interest bearing debts, we had a net surplus cash of HK\$37 million.

The Group's foreign exchange exposure is well managed, as nearly all the Group's sales and purchases are transacted in US and HK dollar denominations.

#### Employees

As at 30th September 2003, the Group had approximately 17,000 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.

### REVIEW OF OPERATIONS

During the period under review, demand for consumer electronic products reverted to more normal levels than had been the case in 2002. Audio-visual products represent the Group's major revenue source, and enable it to maintain a substantial market share in Europe and North America. The Group's 5-CD Home Audio Systems and DVD products, which include Home Theatre Systems incorporating DVD players with built-in amplifier capabilities, DVD+VCR Combo players/recorders, and LCD-TVs with DVD players, continued to be favorably received in the market, generating steady income across the period under review. However, shortages of LCD panels of 15 inches and above this year led to delays in shipments of some LCD-related products for Christmas 2003.

To maintain product range diversity in the face of constantly altering market demands, the Group launched a number of new audio-visual products into the European and North American markets during the period under review. These included 20-CD Home Audio Systems, portable DVD players and DVD recorders, some of them sold under private labels and some of them for OEM customers. Response from the market to these new products has been positive, with additional income having been generated for the Group.

The Group has enhanced its ability to develop and manufacture high-end sophisticated products through the creation of 'clean zone' facilities and the establishment of a lead-free soldering environment within its production facilities. These initiatives, together with its continued investment in Surface Mount Technology ("SMT") facilities, have enabled the Group to develop a number of new DVD-Drives and new LCD-related products, further diversifying its product range and provoking interest from potential new OEM customers.

During the period under review, in addition to the Digital Enhanced Cordless Telecommunications ("DECT") phones launched in the European market, the Group also launched its newly developed 2.4GHz digital cordless phones in North America, a development which has further expanded its product portfolio.

### PROSPECTS

To increase competitiveness, the Group plans to focus on developing high-end and high value audio-visual products, in particular DVD and LCD-related products which have strong market potential. The supply of LCD panels of 15 inches and above is expected to stabilise in 2004, and the Group expects to launch its large-size LCD-related products by first half of 2004.

Consolidation of existing markets in Europe and North America will continue, while simultaneously the Group will work to capture new business opportunities in potential markets such as the PRC. The Group's operations at its Shenzhen office have continued to run smoothly. As part of ongoing cost control measures, plans are being drafted to further increase the utilisation of this office in the longer term.

This year, the Group is celebrating the 35th anniversary of its establishment. Management would like to extend its thanks to shareholders, customers and suppliers for their long-term support over the years, and to staff for their ongoing commitment and loyalty. The Group is determined to maintain its reputation for offering high quality products and services, and at the same time keeping pace with an ever-changing market by continuing to develop new, high-value products with strong market potential.

### INTERIM DIVIDEND

The directors has resolved to declare an interim dividend of HK3.0 cents (2002: HK2.0 cents) per share for the six months ended 30th September 2003 to the shareholders whose names are on the register of members of the Company on 31st December 2003. The dividend warrants are expected to be despatched on 15th January 2004.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 29th December 2003 to Wednesday, 31st December 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, 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 Wednesday, 24th December 2003.

### PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30th September 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company.

### 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 By-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.

### AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim accounts for the six months ended 30th September 2003.

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

A detailed interim results announcement containing all the information in respect of the Company required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board  
**LEUNG Kai Ching, Kimen**  
Chairman

Hong Kong, 9th December 2003