

Directors

Mr LEUNG Kai Ching, Kimen (*Chairman*)
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man, Andrew
Mr WONG Po Yan, G.B.M., J.P.*
The Hon LI Wah Ming, Fred, J.P.*
Mr LAU Wang Yip, Derrick*

* *Independent non-executive directors*

Company Secretary

Mr KUOK Kun Man, Andrew

Principal Bankers

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
China Construction Bank
Dao Heng Bank Limited

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

Kwok & Yih

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**

11th Floor
Zung Fu Industrial Building
1067 King's Road
Quarry Bay
Hong Kong

Principal Registrars

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Registrars in Hong Kong

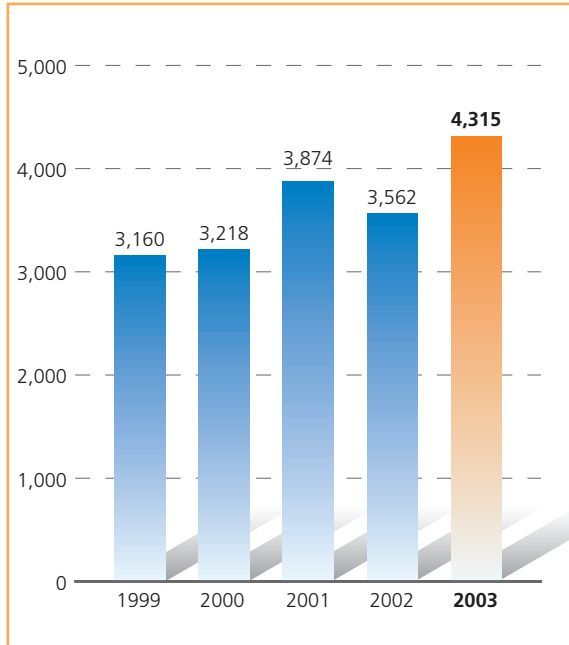
Abacus Share Registrars Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Website

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

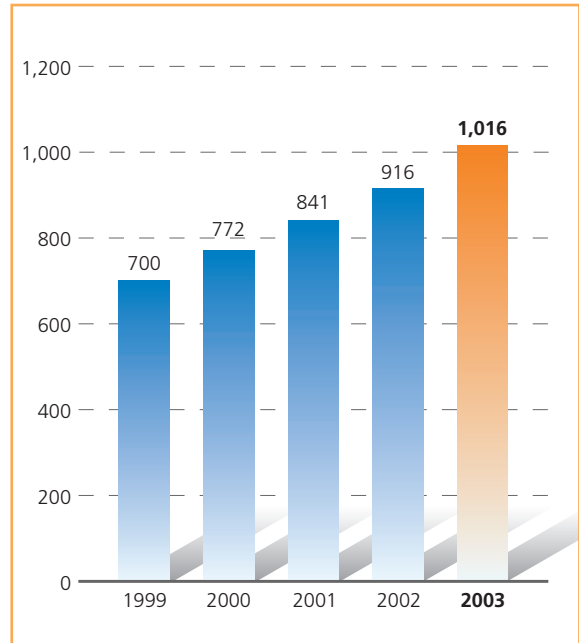
TURNOVER

(HK\$ million)



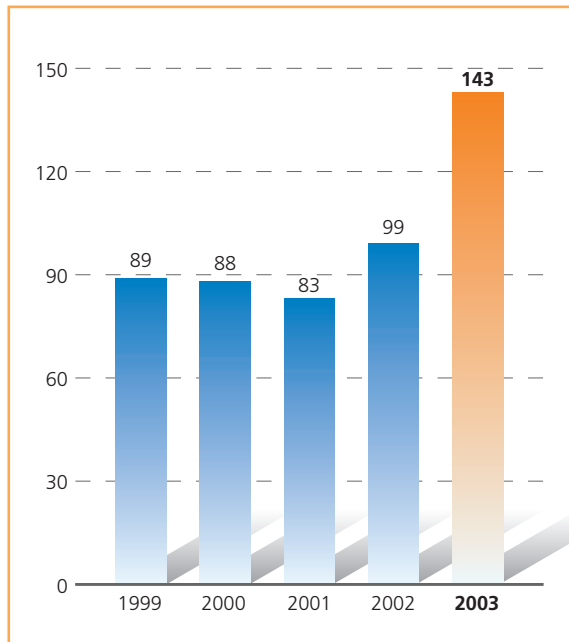
SHAREHOLDERS' FUNDS

(HK\$ million)

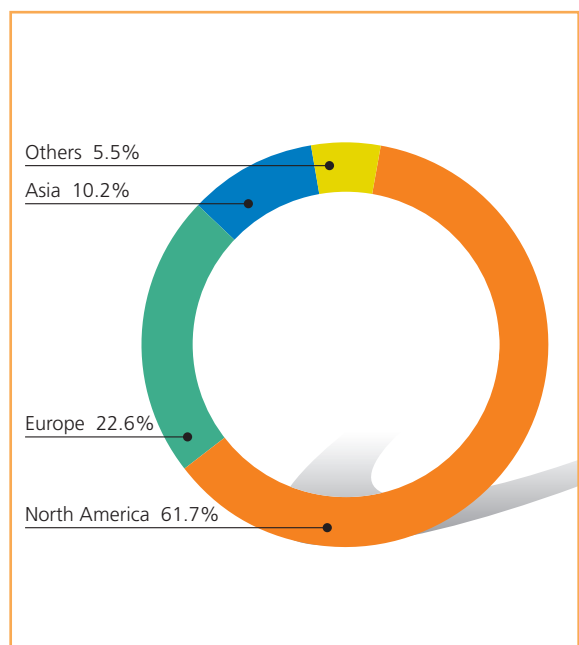


PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(HK\$ million)



TURNOVER BY GEOGRAPHICAL SEGMENT IN 2003





Chairman

LEUNG Kai Ching, Kimen

(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.

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.

RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I am pleased to announce the annual results for the year ended 31st March 2003.

During the year under review, we 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.

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



Newly installed SMT Facilities



Nitrogen Generator for Lead Free Soldering

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.



Casing Line for DVD + VCR Combo

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.



Walk-in Environmental Chamber

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.



Assembly of LCD Panel in clean zone

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.

LEUNG Kai Ching, Kimen

Chairman

Hong Kong, 15th July 2003

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:

“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.

“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.

Executive Directors

Mr LEUNG Kai Ching, Kimen, aged 70, is the founder and Chairman of the Group. He has more than 36 years of experience and is one of the pioneers in the electronics industry in Hong Kong. He has in-depth knowledge in the electronics field and is responsible for formulating the Group's overall strategy and development.

Mr LEUNG Wai Sing, Wilson, aged 43, is the son of the Chairman of the Group. He oversees product design and development. He holds a master of science degree in electrical engineering from Queen's University, Canada and joined the Group in 1985.

Mr KUOK Kun Man, Andrew, aged 49, joined the Group in 1990 and is the Company Secretary and Finance Director of the Group. He holds a master degree in business administration and has more than 26 years of experience in finance and accounting with multinational organisations.

Independent Non-executive Directors

Mr WONG Po Yan, G.B.M., J.P., aged 80, joined the Group in 1992 and is the chairman of United Oversea Enterprises Limited, the vice-chairman of The Committee for the Basic Law of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress, the chairman of the Nuclear Safety Consultative Committee for Guangdong Daya Bay and Ling Ao Nuclear Power Stations, the chairman of the Advisory Board of One Country Two Systems Research Institute Limited, the honorary president of The Chinese Manufacturers' Association of Hong Kong and the chairman of the Board of Asia Television Limited.

The Hon LI Wah Ming, Fred, J.P., aged 48, joined the Group in 1992 and is a member of the Legislative Council. He holds a bachelor degree in arts from the University of Waterloo, Canada and a master degree in social work from the University of Toronto, Canada.

Mr LAU Wang Yip, Derrick, aged 42, joined the Group in 2000 and is the managing director of GC Capital (Asia) Limited. Holding a master degree of management science in accounting from the University of Wisconsin, USA, he has extensive experience in corporate finance and is a member of Hong Kong Securities Institute Limited.

Senior Management

Mr Colin Frederick LIVERMORE, aged 48, joined the Group in 1991 and is the managing director of Alco International Limited. He has over 23 years of experience in the marketing of consumer electronic products and is responsible for formulating the marketing strategy primarily to European customers.

Mr YEUNG Kai Hong, Thomas, aged 56, joined the Group in 1972 and is the Group's production manager with responsibility for the Group's production planning and control. He holds a diploma in management studies and has more than 31 years of experience in the electronics industry.

Mr LEUNG Wai Ming, Jimmy, aged 34, joined the Group in 1993 and is the project manager overseeing the Original Equipment Manufacturer (OEM) business. He has more than 10 years of experience in the field of audio electronic products.

Senior Management (continued)

Ms PANG Siu Mui, Wendy, aged 52, joined the Group in 1971 and is the assistant to the Chairman. She is responsible for the scheduling of production and administration for the Group.

Mr LEUNG Kim Ming, Paul, aged 57, joined the Group in 1971 and is the marketing manager of Alco Electronics Limited. He has more than 30 years of experience in marketing consumer electronic products.

Mr CHAN Choi Pok, Joseph, aged 54, joined the Group in 1969 and is the purchasing manager of Alco Electronics Limited. He has more than 34 years of experience in the sourcing of materials and components.

Mr CHOW Koon Shing, Stephen, aged 52, joined the Group in 1972 and is the shipping manager of Alco Electronics Limited. He has over 28 years of experience in shipping.

Mr LEUNG Kam Fai, Peter, aged 46, joined the Group in 1979. He is the material planning and control manager of the Group. He has over 24 years of experience in the audio field.

Mr LEONG Ue Cheong, aged 45, joined the Group in 1978 and is the shipping manager of Alco International Limited. He has over 25 years of experience in shipping.

Mr WONG Chung Fei, aged 62, joined the Group in 1975 and is the production manager of Commusonic Industries Limited. He has over 27 years of experience in production management of consumer electronic products.

Mr LAU Kwok Wai, Francis, aged 52, joined the Group in 1986 and is a director of Alco Plastic Products Limited. He has over 18 years of experience in the plastics industry and is responsible for the operations of the plastics factory.

Mr HO Man Shuen, Francis, aged 44, joined the Group in 1999. He is the general manager of quality assurance and is responsible for the Group's restructuring of quality management systems. He holds a master of science degree in manufacturing and business management and has over 21 years of experience in research and development, manufacturing and quality control of electronic products.

Mr CHOW Tung Yiu, Tony, aged 33, joined the Group in 1997 and is the Group's management information system manager. He holds a bachelor degree in science and has over 10 years of experience in developing manufacturing systems.

The directors submit their report together with the audited accounts for the year ended 31st March 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the design, manufacture and sale of consumer audio-visual, telecommunication and plastic products.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The directors have declared an interim dividend of HK2.0 cents per ordinary share, totalling HK\$10,228,000, which was paid on 9th January 2003.

The directors recommend the payment of a final dividend of HK6.0 cents per ordinary share and a special dividend of HK5.0 cents per ordinary share, totalling HK\$56,252,000.

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.

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.

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 ended 31st March 2003 are as follows:

Purchases		
the largest supplier		9%
five largest suppliers combined		26%
Sales		
the largest customer		18%
five largest customers combined		69%

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 at any time during the year in the major suppliers or customers noted above.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 11 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes of the Group are set out on page 55.

SHARE CAPITAL AND BONUS WARRANTS

Details of the movements in share capital and bonus warrants of the Company are set out in note 21 to the accounts.

BANK LOANS AND OTHER BORROWINGS

An analysis of bank loans and other borrowings at 31st March 2003 is set out below:

	Trust receipt loans		Obligations under finance leases		Bank loans	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	43,912	89,717	6,795	15,060	22,500	65,769
In the second year	–	–	2,812	6,793	37,500	98,028
In the third to fifth year	–	–	213	3,036	10,000	19,741
	43,912	89,717	9,820	24,889	70,000	183,538

PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

Details of the Company's principal subsidiaries and jointly controlled entity at 31st March 2003 are set out in notes 32 and 14 to the accounts respectively.

RETIREMENT BENEFIT SCHEMES

Details of the Company's retirement benefit schemes are set out in note 25 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2003 amounted to HK\$46,114,000 (2002: HK\$46,499,000), comprising retained earnings and contributed surplus.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 56.

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.

DIRECTORS

The directors during the year were:

Mr LEUNG Kai Ching, Kimen
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man, Andrew
Mr WONG Po Yan, G.B.M., J.P. *
The Hon LI Wah Ming, Fred, J.P. *
Mr LAU Wang Yip, Derrick *

* *Independent non-executive directors*

All directors retire in accordance with clause 87 of the Company's Bye-laws but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

On 1st April 2001, each of the executive directors entered into a service contract with the Company for a term of 3 years and shall continue until terminated by either party giving to the other not less than 6 months notice in writing.

The independent non-executive directors do not have any service contracts with the Company or its subsidiaries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CONNECTED TRANSACTIONS

Venturer Electronics Inc. ("Venturer") was a connected party to the Group in which a son of a director has beneficial interests in Venturer. On 31st August 2002, all beneficial interests of Venturer were disposed of by the son of the director to an independent third party. Since then, Venturer ceased to be a connected party to the Group.

During the year up to 31st August 2002, the Group sold goods totalling HK\$125,008,000 to Venturer. These transactions constituted connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The independent non-executive directors have reviewed these transactions and confirmed that these transactions were:

- (a) entered into in the ordinary and usual course of business of the Company;
- (b) entered into on normal commercial terms and on terms no less favourable than those available to independent third parties;
- (c) fair and reasonable so far as the shareholders of the Company are concerned; and
- (d) the aggregate value of sales to Venturer Electronics Inc. for the year ended 31st March 2003 did not exceed 9% of the total turnover of the Group.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31st March 2003, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

	Number of ordinary shares beneficially held			
	Personal interest	Corporate interest	Family interest	Total
Mr LEUNG Kai Ching, Kimen	17,200,000	35,356,000 (note a)	–	52,556,000
Mr LEUNG Wai Sing, Wilson	42,400,000	–	170,018,000 (note b)	212,418,000
Mr KUOK Kun Man, Andrew	2,392,000	–	–	2,392,000
	Number of bonus warrants beneficially held			
	Personal interest	Corporate interest	Family interest	Total
Mr LEUNG Kai Ching, Kimen	1,000,000	3,535,600 (note a)	–	4,535,600
Mr LEUNG Wai Sing, Wilson	4,240,000	–	17,001,800 (note b)	21,241,800
Mr KUOK Kun Man, Andrew	429,200	–	–	429,200

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES *(continued)*

Note:

- (a) These shares and bonus warrants are owned by Shundeau Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder.
- (b) These shares and bonus warrants are owned by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

Save as disclosed above and other than one ordinary share each in the Hong Kong incorporated subsidiaries of the Company held in trust for the Group by Mr LEUNG Kai Ching, Kimen, none of the directors, chief executives or their associates had any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations required to be disclosed pursuant to the SDI Ordinance and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Share options were granted to directors and employees under the Share Option Scheme ("the Scheme") approved by shareholders at a Special General Meeting on 6th November 1992. No share options were granted to any directors under the Scheme during the year and there were no outstanding options as at 5th November 2002, when the Scheme lapsed.

Save as aforesaid, 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 IN THE SHARE CAPITAL OF THE COMPANY

As at 31st March 2003, according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders who had or were deemed to have interest in 10% or more of the Company's issued share capital:

Name	Number of ordinary shares beneficially held	Number of bonus warrants beneficially held
Kimen Leung UT Limited	170,018,000	17,001,800

Save as disclosed above, no person was recorded in the register as having an interest amounting to 10% or more of the issued share capital of the Company as at 31st March 2003.

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.

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.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The committee comprises three independent non-executive directors, namely Mr WONG Po Yan, G.B.M., J.P., the Hon LI Wah Ming, Fred, J.P. and Mr LAU Wang Yip, Derrick. The audit committee has reviewed the financial statements of the Group for the year ended 31st March 2003.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 15th July 2003



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ALCO HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 21 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15th July 2003

For the year ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2	4,314,503	3,562,025
Cost of sales		(3,946,584)	(3,278,823)
Gross profit		367,919	283,202
Other revenues	2	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	3	173,095	132,604
Finance costs	4	(11,569)	(19,765)
Share of loss of a jointly controlled entity		(481)	(827)
Profit before taxation		161,045	112,012
Taxation	5	(13,957)	(10,123)
Profit after taxation		147,088	101,889
Minority interests		(3,751)	(2,996)
Profit attributable to shareholders	6	143,337	98,893
Dividends	7	66,480	30,668
Earnings per share – basic	8	28.0 cents	19.3 cents
– diluted	8	27.7 cents	N/A

As at 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Fixed assets	11	449,272	439,768
Deferred development costs	12	20,175	29,368
Investment in a jointly controlled entity	14	–	–
Investment in security	15	40,365	–
Other investment	16	1,934	1,934
Current assets			
Inventories	17	421,913	510,419
Trade receivables	18	203,786	347,793
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			
Amount due to a related company	19	–	1,509
Trade payables	20	260,638	407,137
Other payables and accrued charges		122,083	114,999
Trust receipt loans	28	43,912	89,717
Taxation payable		6,591	9,983
Obligations under finance leases	23	6,795	15,060
Bank loans – current portion	24	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	21	51,138	51,138
Reserves	22	965,265	864,739
Shareholders' funds		1,016,403	915,877
Minority interests		19,109	15,358
Obligations under finance leases	23	3,025	9,829
Bank loans – long-term portion	24	47,500	117,769
Deferred taxation	26	22,862	21,568
		1,108,899	1,080,401

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

As at 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Fixed assets	11(e)	–	–
Investments in subsidiaries	13	308,161	308,635
Investment in a jointly controlled entity	14	–	–
Current assets			
Other receivables, prepayments and deposits		105	105
Tax recoverable		58	–
Bank balances and cash		79	48
		242	153
Current liabilities			
Other payables and accrued charges		498	449
Taxation payable		–	50
		498	499
Net current liabilities		(256)	(346)
Total assets less current liabilities		307,905	308,289
Financed by:			
Share capital	21	51,138	51,138
Reserves	22	256,767	257,151
Shareholders' funds		307,905	308,289

On behalf of the Board

LEUNG Kai Ching, Kimen
Director

LEUNG Wai Sing, Wilson
Director

For the year ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Total equity as at 1st April		915,877	840,835
Exchange differences arising on translation of foreign subsidiaries	22	275	6
Profit for the year	22	143,337	98,893
Negative goodwill recognised as income	22	–	(9)
Dividends	22	(33,240)	(23,067)
(Deficit)/surplus on revaluation	22	(9,847)	412
Repurchase of shares	22	–	(1,193)
Exercise of bonus warrants	22	1	–
Total equity as at 31st March		1,016,403	915,877

For the year ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Net cash inflow generated from operations	27(a)	420,464	408,458
Interest received		4,966	5,946
Interest paid		(10,927)	(17,867)
Interest element of finance lease rental payments		(642)	(1,898)
Dividends paid		(33,240)	(23,067)
Dividends paid to minority shareholders in a subsidiary		–	(3,000)
Hong Kong profits tax paid		(16,055)	(2,344)
Net cash inflow from operations		364,566	366,228
Investing activities			
Purchase of fixed assets		(153,246)	(77,029)
Proceeds from disposal of fixed assets		1,060	1,625
Deferred development costs paid		(14,757)	(22,778)
Purchase of investment security		(40,365)	–
Advance to a jointly controlled entity		(400)	(250)
Further acquisition of interest in a subsidiary	27(c)	–	(5,000)
Increase in bank balance with maturity more than three months		(30,000)	–
Net cash outflow from investing activities		(237,708)	(103,432)
Net cash inflow before financing		126,858	262,796
Financing	27(b)		
Repurchase of shares		–	(1,193)
New bank loans raised		56,322	58,805
Repayment of bank loans		(168,707)	(60,917)
Repayment of capital element of finance leases		(15,069)	(19,859)
Exercise of bonus warrants		1	–
Net cash outflow from financing		(127,453)	(23,164)
(Decrease)/increase in cash and cash equivalents		(595)	239,632
Cash and cash equivalents at 1st April		345,529	105,891
Exchange differences arising on translation of a foreign subsidiary		–	6
Cash and cash equivalents at 31st March		344,934	345,529
Analysis of balances of cash and cash equivalents			
Bank balances and cash		407,524	425,077
Less: bank balances with maturity more than three months		(30,000)	–
Trust receipt loans		(32,590)	(79,548)
		344,934	345,529

31st March 2003

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) *Basis of preparation*

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with the Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain investment properties.

In the current year, the Group has adopted the revised SSAPs effective for accounting periods commencing on or after 1st January 2002.

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 34 (revised)	: Employee benefits

The adoption of these revised SSAPs had no significant effect on the accounts of the Group except for reclassification of cash flows presented in the consolidated cash flow statement into operating, investing and financing activities and the presentation of consolidated statement of changes in equity.

(b) *Group accounting*

(i) *Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

31st March 2003

1 PRINCIPAL ACCOUNTING POLICIES *(continued)***(b) Group accounting** *(continued)**(i) Consolidation (continued)*

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

In the Company's balance sheet, the investment in a jointly controlled entity is stated at cost less provision for impairment losses. The results of the jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the consolidated balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. In prior years, the profit and loss of a foreign enterprise was translated at closing rate. In the adoption of SSAP 11 (revised), foreign currency translation, the profit and loss is translated at an average rate. This is a change in accounting policy, however, the translation of the profit and loss of a foreign enterprise in prior years has not been restated as the effect of this change is not material to the current and prior years. Exchange differences are dealt with as a movement in reserves.

(d) Fixed assets*(i) Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

31st March 2003

1 PRINCIPAL ACCOUNTING POLICIES *(continued)***(d) Fixed assets** *(continued)**(i) Investment properties (continued)*

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual property and separate value is not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

(ii) Leasehold land and buildings

Leasehold land and buildings are stated at cost less accumulated depreciation.

Depreciation of leasehold land is calculated to write off its cost on a straight-line basis over the unexpired period of the lease. The principal annual rate used for this purpose is 2%.

Depreciation of leasehold buildings is calculated to write off their cost on a straight-line basis over their expected useful lives of 40 years.

(iii) Moulds

Moulds are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of moulds is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 25%.

(iv) Other fixed assets

Other fixed assets, comprising leasehold improvements, furniture, fixtures and equipment, plant and machinery and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives to the Group on the reducing balance basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Plant and machinery	14.5% – 20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

31st March 2003

1 PRINCIPAL ACCOUNTING POLICIES *(continued)***(d) Fixed assets** *(continued)**(v) Impairment and gain or loss on sale*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

(e) Deferred development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of 30 months to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Where an indication of impairment exists, the carrying amount of development costs is assessed and written down immediately to its recoverable amount.

(f) Assets under leases*(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the consolidated profit and loss account over the lease periods.

Assets held under finance leases are depreciated over their estimated useful lives to the Group.

31st March 2003

1 PRINCIPAL ACCOUNTING POLICIES *(continued)***(f) Assets under leases** *(continued)**(ii) Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated profit and loss account on a straight-line basis over the lease periods.

(g) Investment in security

Investment in security represents held-to-maturity debt security which is stated in the consolidated balance sheet at cost less any premium amortised to date. The premium is amortised over the period to maturity and included as interest expense in the consolidated profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity security are reviewed at the consolidated balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the consolidated profit and loss account as an expense immediately.

(h) Other investment

Other investment is stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline, other than temporary, has occurred, the carrying amount of such investment would be reduced to its fair value. The amount of the reduction is recognised as an expense in the consolidated profit and loss account.

(i) Inventories

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Trade receivables

Provision is made against trade receivables to the extent which they are considered to be doubtful. Trade receivables in the consolidated balance sheet are stated net of such provision.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)***(k) Cash and cash equivalents**

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and trust receipt loans repayable within 90 days.

(l) Deferred taxation

Deferred taxation is accounted for 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 is expected to be payable or recoverable in the foreseeable future.

(m) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Rental income is recognised on a straight-line basis over the periods of the respective leases.

(n) Employee benefits**(i) 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 balance sheet date.

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to eligible employees, the assets of which are held in separate trustee-administered funds. The retirement plans are generally funded by payments from employees and by the relevant Group companies. The Group contributes to defined contribution retirement plans which are available to all qualified employees. Contributions to the schemes by the Group and employees are calculated at a percentage of employees' salaries.

31st March 2003

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(n) Employee benefits** (continued)*(ii) Pension obligations* (continued)

The Group's contributions to the defined contribution retirement plans are expensed as incurred and are reduced by contributions forfeited to these employees who leave the scheme prior to vesting fully in the contributions, where appropriate.

(o) Borrowing costs

During the year, no borrowing costs are directly attributable to the acquisition of assets. All the borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of deferred development costs, fixed assets, inventories, receivables and operating cash, and mainly exclude other investment and investment in security. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to deferred development costs and fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2 TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the design, manufacture and sale of consumer audio-visual, telecommunication and plastic products. Revenues recognised during the year are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Consumer audio-visual products	4,240,279	3,381,780
Telecommunication products	26,717	142,584
Plastic products	47,507	37,661
	4,314,503	3,562,025
Other revenues		
Interest income	4,966	5,946
Gross rental income from investment properties	2,383	1,546
Other rental income in respect of plant and machinery and moulds, net of outgoings	–	316
Others	4,399	5,368
	11,748	13,176
Total revenues	4,326,251	3,575,201

31st March 2003

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)**(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 HK\$'000	Plastic products HK\$'000	Group HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	Group 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
Capital expenditure	156,911	11,092	168,003	98,592	5,096	103,688
Depreciation	82,746	15,337	98,083	78,686	12,020	90,706
Amortisation charges	18,391	–	18,391	28,153	–	28,153
Impairment charges and write-off	29,548	3,516	33,064	29,196	649	29,845

31st March 2003

2 TURNOVER, REVENUES AND SEGMENT INFORMATION *(continued)***(b) Geographical segment**

	Turnover	
	2003 HK\$'000	2002 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.

31st March 2003

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Crediting		
Negative goodwill recognised as income	–	1,648
Net exchange gains	–	728
Charging		
Amortisation of deferred development costs	18,391	28,153
Auditors' remuneration	1,335	1,308
Cost of inventories	3,375,547	2,881,549
Deficit on revaluation of investment properties	6,570	–
Depreciation of fixed assets held under finance leases	6,916	9,252
Depreciation of owned fixed assets	91,167	81,454
Impairment charges on fixed assets	27,505	21,768
Loss on disposal of fixed assets	677	4,276
Operating lease rental in respect of land and buildings	34,814	32,444
Out-goings in respect of investment properties	99	112
Provision for advance to a jointly controlled entity	–	273
Provision for bad and doubtful debts	–	6,833
Total staff costs (including directors' emoluments)	273,455	223,650
Less: amount capitalised in deferred development costs	(11,357)	(18,976)
Staff costs (note 9)	262,098	204,674
Write-off of deferred development costs	5,559	8,077

4 FINANCE COSTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	10,927	17,867
Interest element of finance lease rental payments	642	1,898
	11,569	19,765

31st March 2003

5 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:

	Group	
	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	15,822	13,213
Over provision in prior years	(3,159)	(3,090)
Deferred taxation (note 26)	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.

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$32,855,000 (2002: HK\$23,059,000).

7 DIVIDENDS

	Company	
	2003 HK\$'000	2002 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	23,012
Special, proposed of HK5.0 cents (2002: nil) per ordinary share	25,569	–
Adjustment to prior year's final dividend	–	(28)
	66,480	30,668

Note:

At a meeting held on 15th July 2003 the directors recommended a final dividend of HK6.0 cents per ordinary share and a special dividend of HK5.0 cents per ordinary share.

31st March 2003

8 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.

9 STAFF COSTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Wages and salaries	238,991	183,735
Pension costs – defined contribution retirement schemes (note 25(a))	3,499	3,167
Long service payments (note 25(b))	6,579	–
Other benefits	13,029	17,772
	262,098	204,674

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Fees	360	360
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	5,331	5,331
Discretionary bonuses	4,940	4,160
Contributions to pension schemes	240	240
	10,871	10,091

Directors' fees disclosed above include HK\$360,000 (2002: HK\$360,000) paid to independent non-executive directors.

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10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

The emoluments of directors fell within the following bands:

Emolument bands	Number of directors	
	2003	2002
HK\$Nil – HK\$1,000,000	3	3
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	2	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	–

No directors waived emoluments in respect of the years ended 31st March 2003 and 2002.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: three) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining two (2002: two) highest paid individuals during the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,568	3,180
Bonuses	1,500	1,500
Contributions to pension schemes	78	132
	5,146	4,812

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2003	2002
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	1

During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement or upon joining the Group, or as compensation for loss of office.

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11 FIXED ASSETS

	Group							Total HK\$'000
	Investment properties HK\$'000	Leasehold land and 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	
Cost or valuation								
At 1st April 2002	14,240	123,406	236,713	68,741	265,665	364,075	18,542	1,091,382
Reclassification	31,657	(36,103)	-	4,070	(4,070)	-	-	(4,446)
Additions	-	-	32,447	6,620	17,291	94,123	2,765	153,246
Adjustment on revaluation	(16,417)	-	-	-	-	-	-	(16,417)
Disposals	-	-	(35)	(135)	(6,396)	(7,654)	(1,365)	(15,585)
At 31st March 2003	29,480	87,303	269,125	79,296	272,490	450,544	19,942	1,208,180
Accumulated depreciation								
At 1st April 2002	-	14,957	189,378	46,214	192,310	196,779	11,976	651,614
Reclassification	-	(4,446)	-	2,625	(2,625)	-	-	(4,446)
Charge for the year	-	2,808	27,757	5,579	16,028	44,281	1,630	98,083
Impairment charges	-	-	14,702	1,266	6,688	4,367	482	27,505
Disposals	-	-	(25)	(110)	(5,783)	(7,089)	(841)	(13,848)
At 31st March 2003	-	13,319	231,812	55,574	206,618	238,338	13,247	758,908
Net book value								
As at 31st March 2003	29,480	73,984	37,313	23,722	65,872	212,206	6,695	449,272
As at 31st March 2002	14,240	108,449	47,335	22,527	73,355	167,296	6,566	439,768

The analysis of the cost or valuation of the above assets is as follows:

At 31st March 2003								
At cost	-	87,303	269,125	79,296	272,490	450,544	19,942	1,178,700
At professional valuation	29,480	-	-	-	-	-	-	29,480
	29,480	87,303	269,125	79,296	272,490	450,544	19,942	1,208,180
At 31st March 2002								
At cost	-	123,406	236,713	68,741	265,665	364,075	18,542	1,077,142
At professional valuation	14,240	-	-	-	-	-	-	14,240
	14,240	123,406	236,713	68,741	265,665	364,075	18,542	1,091,382

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11 FIXED ASSETS *(continued)*

- (a) The net book values of investment properties, leasehold land and buildings comprise:

	Group	
	2003	2002
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	64,427	82,717
Leases of between 10 to 50 years	16,041	16,233
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	22,996	23,739
	103,464	122,689

- (b) Investment properties were revalued as at 31st March 2003 on the basis of their open market value by Chung, Chan & Associates Chartered Surveyors, an independent firm of professional valuers. The deficits arising on revaluation of investment properties amounted to HK\$16,417,000 (2002: surplus of HK\$412,000). The deficit arising on revaluation of investment properties was first offset against the investment properties revaluation reserve of HK\$9,847,000 (2002: credit of HK\$412,000) and the remaining balance of HK\$6,570,000 (2002: nil) was charged to the consolidated profit and loss account.
- (c) No leasehold land and buildings (2002: carrying value of HK\$82,717,000) have been pledged to banks to secure mortgage loans granted to the Group (note 28).
- (d) As at 31st March 2003, the total cost and accumulated depreciation of fixed assets held under finance leases were HK\$30,162,000 (2002: HK\$61,601,000) and HK\$11,480,000 (2002: HK\$18,286,000) respectively which have been included in plant and machinery category.
- (e) As at 31st March 2003, the Company's fixed assets comprised furniture, fixtures and equipment with a total cost of HK\$41,000 (2002: HK\$41,000) and accumulated depreciation of HK\$41,000 (2002: HK\$41,000).

31st March 2003

12 DEFERRED DEVELOPMENT COSTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
At 1st April	29,368	42,820
Additions	14,757	22,778
Amortisation charges	(18,391)	(28,153)
Write-off	(5,559)	(8,077)
At 31st March	20,175	29,368
Cost	112,012	97,255
Accumulated amortisation and write-off	(91,837)	(67,887)
Net book amount	20,175	29,368

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost (note (a))	67,586	67,586
Amounts due from subsidiaries (note (b))	240,575	241,049
	308,161	308,635

Note:

- (a) Details of principal subsidiaries are set out in note 32 to the accounts.
- (b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost (note (a))	–	–	–	–
Share of net liabilities	(1,308)	(827)	–	–
Advance to a jointly controlled entity (note (b))	1,500	1,100	1,500	1,100
Less: provision	(192)	(273)	(1,500)	(1,100)
	–	–	–	–

31st March 2003

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(continued)*

Note:

(a) As at 31st March 2003, the Group had an interest in the following company:

Company	Place of incorporation	Principal activities	Particulars of issued share capital	Equity interest held directly
E-Global Electronics Trading Platform Limited	British Virgin Islands	Operation of an electronic component transaction platform	100 ordinary shares of US\$1 each	25%

(b) The advance to a jointly controlled entity represents the equal proportional amount from the respective investors based on their percentage of equity interest held in. The amount is unsecured, interest-free and has no fixed terms of repayment.

15 INVESTMENT IN SECURITY

	Group 2003 HK\$'000	2002 HK\$'000
Held-to-maturity debt security Listed in overseas, at cost	40,365	–
Quoted market value of listed held-to-maturity debt security as at 31st March	40,404	–

16 OTHER INVESTMENT

	Group 2003 HK\$'000	2002 HK\$'000
Contributed capital, at cost	1,934	1,934

As at 31st March 2003, the Group had an interest in the following company:

Company	Place of establishment	Nature of business	Issued and fully paid registered capital	Equity interest held
Guilin Alco Electronics Limited ("GAEL")	the PRC	Inactive	US\$500,000	50%

The directors are of the opinion that the Group has no significant influence over GAEL.

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17 INVENTORIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	258,084	305,607
Work in progress	25,983	46,001
Finished goods	137,846	158,811
	421,913	510,419

As at 31st March 2003, the carrying amount of inventories that were carried at net realisable value amounted to HK\$43,730,000 (2002: HK\$45,655,000).

18 TRADE RECEIVABLES

At 31st March 2003, the ageing analysis of the trade receivables based on invoiced date is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
0–30 days	139,436	313,722
31–60 days	57,513	29,206
61–90 days	4,619	2,331
Over 90 days	2,218	2,534
	203,786	347,793

The credit terms given 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.

19 AMOUNT DUE TO A RELATED COMPANY

The amount due was unsecured, interest-free and had no fixed terms of repayment. The balance was fully repaid during the year.

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20 TRADE PAYABLES

At 31st March 2003, the ageing analysis of the trade payables based on invoiced date is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
0–30 days	153,146	225,356
31–60 days	66,531	116,732
61–90 days	40,479	64,269
Over 90 days	482	780
	260,638	407,137

21 SHARE CAPITAL

	Company	
	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31st March 2002 and 2003	800,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2001	513,703,854	51,370
Repurchase of shares	(2,322,000)	(232)
At 31st March 2002 and 1st April 2002	511,381,854	51,138
Exercise of bonus warrants (note)	880	–
At 31st March 2003	511,382,734	51,138

Note:

On 11th July 2002, the directors proposed to grant bonus warrants to the shareholders (other than overseas shareholders) whose names appeared on the register of members of the Company on 22nd August 2002 on the basis of one warrant for every ten ordinary shares of HK\$0.10 each in the issued share capital of the Company held.

On 22nd August 2002, bonus warrants conferring rights to subscribe for 51,138,185 ordinary shares at HK\$0.98 each were granted by the Board of Directors. The bonus warrants are exercisable at any time from 2nd September 2002 to 1st September 2005, both days inclusive.

31st March 2003

21 SHARE CAPITAL (continued)

Note (continued):

During the year ended 31st March 2003, 880 ordinary shares of HK\$0.10 each of the Company were issued at a subscription price of HK\$0.98 per share to bonus warrant holders on the exercise of their bonus warrants for a total cash consideration of HK\$862.

Details of the movement and outstanding bonus warrants as at 31st March 2003 were as follows:

Subscription price per share	Number of bonus warrants outstanding as at 2nd September 2002	Number of bonus warrants exercised during the year	Number of bonus warrants outstanding as at 31st March 2003
HK\$0.98	51,138,185	880	51,137,305

Subsequent to the year end, 53,160 bonus warrants were exercised, resulting in the issue of 53,160 ordinary shares of HK\$0.10 each of the Company at the subscription price of HK\$0.98 per share for a total cash consideration of HK\$52,097.

22 RESERVES

	Group						
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Reserve on acquisition HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 2002	210,181	471	-	6	9,847	644,234	864,739
Dividends	-	-	-	-	-	(33,240)	(33,240)
Exercise of bonus warrants	1	-	-	-	-	-	1
Deficit on revaluation	-	-	-	-	(9,847)	-	(9,847)
Exchange differences arising on translation of foreign subsidiaries	-	-	-	275	-	-	275
Profit for the year	-	-	-	-	-	143,337	143,337
At 31st March 2003	210,182	471	-	281	-	754,331	965,265
At 1st April 2001	211,142	239	9	-	9,435	568,640	789,465
Dividends	-	-	-	-	-	(23,067)	(23,067)
Repurchase of shares	(961)	232	-	-	-	(232)	(961)
Negative goodwill recognised as income	-	-	(9)	-	-	-	(9)
Surplus on revaluation	-	-	-	-	412	-	412
Exchange differences arising on translation of a foreign subsidiary	-	-	-	6	-	-	6
Profit for the year	-	-	-	-	-	98,893	98,893
At 31st March 2002	210,181	471	-	6	9,847	644,234	864,739

31st March 2003

22 RESERVES (continued)

	Company				Total HK\$'000
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	
	At 1st April 2002	210,181	471	40,586	
Dividends	–	–	–	(33,240)	(33,240)
Exercise of bonus warrants	1	–	–	–	1
Profit for the year	–	–	–	32,855	32,855
At 31st March 2003	210,182	471	40,586	5,528	256,767
At 1st April 2001	211,142	239	40,586	6,153	258,120
Dividends	–	–	–	(23,067)	(23,067)
Repurchase of shares	(961)	232	–	(232)	(961)
Profit for the year	–	–	–	23,059	23,059
At 31st March 2002	210,181	471	40,586	5,913	257,151

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 6th 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. At Group level, the contributed surplus is classified into its components of reserves of the underlying subsidiaries.

23 OBLIGATIONS UNDER FINANCE LEASES

At 31st March 2003, the Group's finance lease liabilities were payable as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	6,981	15,725
In the second year	2,857	7,014
In the third to fifth year	214	3,092
	10,052	25,831
Future finance charges on finance leases	(232)	(942)
Present value of finance lease liabilities	9,820	24,889

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23 OBLIGATIONS UNDER FINANCE LEASES *(continued)*

The present value of finance lease liabilities is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	6,795	15,060
In the second year	2,812	6,793
In the third to fifth year	213	3,036
Present value of finance lease liabilities	9,820	24,889

24 BANK LOANS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans – secured (note 28)	–	11,052
– unsecured (note)	70,000	172,486
	70,000	183,538

The above bank loans are repayable in the following periods:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	22,500	65,769
In the second year	37,500	98,028
In the third to fifth year	10,000	19,741
	47,500	117,769
	70,000	183,538

Note:

The unsecured bank loans are supported by corporate guarantees given by the Company.

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25 RETIREMENT BENEFIT COSTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Obligations on:		
– defined contribution retirement schemes (note (a))	589	579
– long service payments (note (b))	6,579	–
	7,168	579

(a) Defined contribution retirement schemes

Before 1st December 2000, the Group has been operating a defined contribution retirement scheme (“the ORSO Scheme”) in Hong Kong for all qualified employees. The rate of contribution payable by the Group is 5% of the individual employee’s basic salaries.

With effect from 1st December 2000, the Mandatory Provident Fund Scheme (the “MPF Scheme”) was set up under the MPF Scheme Ordinance for existing staff who opt 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\$1,000.

Contributions to the ORSO Scheme and the MPF Scheme charged to the consolidated profit and loss account for the year amounted to HK\$3,499,000 (2002: HK\$3,167,000). Forfeited contributions in respect of the defined contribution retirement scheme of approximately HK\$169,000 (2002: HK\$658,000) were utilised during the year, leaving HK\$39,000 (2002: HK\$211,000) available as at 31st March 2003 to reduce future contributions.

Contributions totalling HK\$589,000 (2002: HK\$579,000) were payable to the ORSO Scheme and the MPF Scheme at the year end and were included in other payables and accrued charges.

(b) Long service payments

Long service payments provision is calculated in accordance with Section 31V of the Hong Kong Employment Ordinance at two-thirds of the employee’s last full month’s wages, or the two-thirds of HK\$22,500, whichever is lower, with the total provision for each employee limited to HK\$370,000. The provision balance is set-off against the Company’s accumulated contributions to the ORSO Scheme and the MPF Scheme.

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26 DEFERRED TAXATION

	Group	
	2003	2002
	HK\$'000	HK\$'000
At 1st April	21,568	21,568
Charged to consolidated profit and loss account (note 5)	1,294	–
At 31st March	22,862	21,568
Provided for in respect of:		
Accelerated depreciation allowances	20,143	17,184
Deferred development costs	1,597	2,790
Other timing differences	1,122	1,594
	22,862	21,568

The potential deferred taxation liabilities/(assets) not provided for in the accounts amount to:

Accelerated depreciation allowances	644	737
Taxation losses	(2,420)	(4,936)
	(1,776)	(4,199)

31st March 2003

27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit before taxation to net cash inflow generated from operations**

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	161,045	112,012
Interest income	(4,966)	(5,946)
Interest on bank loans	10,927	17,867
Interest element of finance lease rental payments	642	1,898
Negative goodwill recognised as income	–	(1,648)
Share of loss of a jointly controlled entity	481	827
(Reversal of provision)/provision for advance to a jointly controlled entity	(81)	273
Amortisation of deferred development costs	18,391	28,153
Write-off of deferred development costs	5,559	8,077
Loss on disposal of fixed assets	677	4,276
Depreciation of owned fixed assets	91,167	81,454
Depreciation of fixed assets held under finance leases	6,916	9,252
Impairment charges on fixed assets	27,505	21,768
Deficit on revaluation of investment properties	6,570	–
Exchange differences	275	–
Operating profit before working capital changes	325,108	278,263
Decrease in inventories	88,506	87,396
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits	147,774	(107,039)
(Decrease)/increase in amount due to a related company, trade payables, other payables and accrued charges	(140,924)	149,838
Net cash inflow generated from operations	420,464	408,458

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27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Analysis of changes in financing during the year**

	Share capital including premium		Trust receipt loans and bank loans		Minority interests		Obligations under finance leases	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1st April	261,319	262,512	193,707	195,819	15,358	22,001	24,889	40,867
Cash inflow/(outflow)								
from financing	1	(1,193)	(112,385)	(2,112)	-	-	(15,069)	(19,859)
Inception of finance leases	-	-	-	-	-	-	-	3,881
Minority interests'								
share of profits	-	-	-	-	3,751	2,996	-	-
Dividend paid to minority shareholders	-	-	-	-	-	(3,000)	-	-
Further acquisition of interest in a subsidiary (note (c))	-	-	-	-	-	(6,639)	-	-
At 31st March	261,320	261,319	81,322	193,707	19,109	15,358	9,820	24,889

(c) Further acquisition of interest in a subsidiary

	2003 HK\$'000	2002 HK\$'000
Net assets acquired in respect of additional interest	-	6,639
Negative goodwill	-	(1,639)
	-	5,000
Satisfied by:		
Cash consideration and net cash outflow in respect of further acquisition of interest in a subsidiary	-	5,000

28 BANKING FACILITIES

As at 31st March 2003, banking facilities of approximately HK\$1,052 million (2002: HK\$999 million) were granted by banks to the Group, of which approximately HK\$114 million (2002: HK\$273 million) have been utilised by the Group. The facilities were supported by corporate guarantees given by the Company.

29 CONTINGENT LIABILITIES

The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain subsidiaries (note 28).

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30 COMMITMENTS**(a) Operating lease commitments**

At 31st March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	34,797	25,034
Later than one year and not later than five years	94,664	37,339
Later than five years	25,531	31,974
	154,992	94,347

(b) Capital commitments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for:		
Moulds, plant and machinery	11,620	30,673
Authorised but not contracted for:		
Moulds, plant and machinery	648	481
	12,268	31,154

31 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes to the accounts, during the year and in the normal course of business, the Group had the following significant related party transactions with Venturer Electronics Inc. ("Venturer") in which a son of a director of the Company has beneficial interests.

On 31st August 2002, all the beneficial interests of Venturer were disposed of by the son of the director to an independent third party. Since then, Venturer has ceased to be a related party. The below amount for 2003 represents sales to Venturer up to 31st August 2002.

	Group	
	2003	2002
	HK\$'000	HK\$'000
Sales of goods to:		
Venturer Electronics Inc.	125,008	274,134

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32 PRINCIPAL SUBSIDIARIES

As at 31st March 2003, 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 activities
			Direct	Indirect	
Alco Investments (B.V.I.) Limited	British Virgin Islands	Ordinary US\$50,000	100	–	Investment holding and provision of management services to its subsidiaries
Advance Packaging Limited	Hong Kong	Ordinary HK\$500,000	–	100	Manufacture and sale of packing products
Alco Communications Limited	Hong Kong	Ordinary HK\$10,000	–	100	Manufacture of consumer audio and telecommunication products
Alco Digital Devices Limited	Hong Kong	Ordinary HK\$1,000,000	–	100	Software development and trading of electronic products
Alco Electronics Inc.	Canada	Ordinary C\$500,000	–	100	Trading of consumer audio-visual products
Alco Electronics Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$5,000,000	–	100	Design, manufacture and sale of consumer audio-visual and telecommunication products
Alco Electronics (Shenzhen) Limited	The PRC	Registered capital HK\$8,000,000	–	100	Provision of designing and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK\$500,000	–	100	Trading of consumer audio-visual and telecommunication products

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32 PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity held by the Company		Principal activities
			Direct	Indirect	
Alco Plastic Products Limited	Hong Kong	Ordinary HK\$3,000,000	–	80	Manufacture and sale of plastic products
Alco Properties Limited	Hong Kong	Ordinary HK\$10,000	–	100	Property investment
Alco Technologies Limited	Hong Kong	Ordinary HK\$10,000	–	100	Investment holding
Commusonic Industries Limited	Hong Kong	Ordinary HK\$400,000	–	100	Manufacture of consumer audio products

The above table lists out the principal subsidiaries of the Company as at 31st March 2003 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.

33 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 15th July 2003.

31st March 2003

Principal properties held for investment purposes

Location	Lot number	Type	Lease term
Workshops A to J, on 7th Floor of Block 1, Kwai Tak Industrial Centre, Nos. 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong	Kwai Chung Town Lot Nos. 322, 323 and 324	Industrial	2047
Lot Nos. 593 and 595 in Demarcation District No. 106, Off Kam Sheung Road, Ng Ka Tsuen, Kam Tin, Yuen Long, New Territories, Hong Kong	Lot Nos. 593 and 595 in Demarcation District No. 106	Industrial	2047
9th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong	Sub-section 2 of Section E of Quarry Bay Marine Lot No. 2 and the Extension thereto	Industrial	2899

A summary of the results and of the assets and liabilities of the Group for the last five financial years is as follows:

	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	4,314,503	3,562,025	3,873,945	3,218,023	3,160,300
Profit attributable to the shareholders	143,337	98,893	83,387	88,003	88,626
Total assets	1,571,418	1,784,575	1,608,227	1,531,560	1,300,399
Total liabilities	(555,015)	(868,698)	(767,392)	(759,977)	(600,618)
Shareholders' funds	1,016,403	915,877	840,835	771,583	699,781