

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 new or revised SSAPs effective for accounting periods commencing on or after 1st January 2001.

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases (effective for accounting periods commencing on or after 1st July 2000)
SSAP 26	: Segment reporting
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets

The adoption of these new SSAPs has no material effects on the Group's results. Certain comparative figures have been reclassified to conform with the current year's presentation.

(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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting *(continued)*

*(i) Consolidation *(continued)**

For acquisitions after 1st April 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which does not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

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.

(iii) 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 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 a subsidiary expressed in foreign currencies is translated at the rate of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in exchange reserve.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) 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.

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%

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Fixed assets *(continued)*

(iv) Other fixed assets (continued)

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.

(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.

(d) 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 have 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 expenses 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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) 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.

(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.

(f) 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 expenses in the consolidated profit and loss account.

(g) 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.

(h) Trade receivables

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated 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.

(j) 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.

(k) 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.

(l) Retirement benefit costs

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

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as an MPF Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme Ordinance"). With effect from 1st December 2000, a new 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. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% on their monthly gross salaries whereas the Group's monthly contribution will be 5% of relevant income with a maximum monthly contribution of HK\$1,000.

The retirement benefit scheme cost charged to the consolidated profit and loss account represents contributions payable by the Group to the fund.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Retirement benefit costs *(continued)*

The Group's contributions to the ORSO Scheme and MPF Scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the contributions.

The assets of the ORSO Scheme and MPF Scheme are held separately from those of the Group in an independently administered fund.

(m) Borrowing costs

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

(n) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segment 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. 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.

(o) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.

As detailed in Note 21, this change has resulted in an increase in opening retained earnings at 1st April 2001 by HK\$15,411,000 (1st April 2000: HK\$14,658,000) which is the reversal of the provision for 2001 (2000) proposed final dividend previously recorded as a liability as at 31st March 2001 (31st March 2000) although not declared until after the balance sheet date.

Dividend income is recognised when the right to receive the dividend is established. The Company's profit for the year ended 31st March 2001 and dividends receivable from subsidiaries as at 31st March 2001 were reduced by HK\$16,100,000 (31st March 2000: HK\$16,000,000) as a result of the changed policy (notes 6 and 21).

NOTES TO THE ACCOUNTS

31st March 2002

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	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Consumer audio-visual products	3,381,780	3,667,977
Telecommunication products	142,584	157,362
Plastic products	37,661	48,606
	3,562,025	3,873,945
Other revenues		
Interest income	5,946	6,211
Gross rental income from investment properties	1,546	1,599
Other rental income in respect of plant and machinery and moulds, net of outgoings	316	1,035
Others	5,368	6,910
	13,176	15,755
Total revenues	3,575,201	3,889,700

2. TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)

(a) Business segment

The Group operates 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

	2002			2001		
	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	3,524,364	37,661	3,562,025	3,825,339	48,606	3,873,945
Segment results	128,821	2,408	131,229	129,453	3,981	133,434
Unallocated revenues less expenses			1,375			-
Operating profit			132,604			133,434
Segment assets	1,693,832	88,809	1,782,641	1,509,544	95,899	1,605,443
Unallocated assets			1,934			2,784
Total assets			1,784,575			1,608,227
Segment liabilities	596,093	42,158	638,251	479,464	46,805	526,269
Unallocated liabilities			230,447			241,123
Total liabilities			868,698			767,392
Capital expenditure	98,592	5,096	103,688	133,618	20,635	154,253
Depreciation	78,686	12,020	90,706	79,863	12,410	92,273
Amortisation charges	28,153	-	28,153	34,911	-	34,911
Impairment charges	29,196	649	29,845	4,478	-	4,478

NOTES TO THE ACCOUNTS

31st March 2002

2. TURNOVER, REVENUES AND SEGMENT INFORMATION *(continued)*

(b) Geographical segment

	Turnover	
	2002 HK\$'000	2001 HK\$'000
North America	2,085,493	1,997,641
Europe	871,146	1,052,786
Asia	508,764	559,262
South America	46,912	218,008
Australia and New Zealand	26,004	26,201
Africa	23,706	20,047
	3,562,025	3,873,945

The analysis of turnover by geographical segment is based on the country in which the customer is located. 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. The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong. All of its assets and capital expenditure for the years ended 31st March 2002 and 2001 were located or utilised in the PRC and Hong Kong.

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Crediting		
Gain on disposal of properties held for development	-	4,571
Negative goodwill recognised as income	1,648	-
Net exchange gains	728	-
Charging		
Amortisation of deferred development costs	28,153	34,911
Auditors' remuneration	1,308	1,308
Cost of inventories	2,881,549	3,139,620
Depreciation of fixed assets held under finance leases	9,252	12,466
Depreciation of owned fixed assets	81,454	79,807
Impairment/write-off of deferred development costs	8,077	4,478
Impairment charges on fixed assets	21,768	-
Loss on disposal of other fixed assets	4,276	2,610
Net exchange losses	-	2,793
Operating lease rental in respect of land and buildings	32,444	30,997
Out-goings in respect of investment properties	112	108
Provision for advance to a jointly controlled entity	273	-
Provision for bad and doubtful debts	6,833	5,922
Total staff costs (including directors' emoluments)	223,650	247,517
Less: amount capitalised in deferred development costs	(18,976)	(27,824)
Staff costs	204,674	219,693
Retirement benefit costs (note 9)	3,167	3,431

4. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	17,867	30,976
Interest element of finance lease rental payments	1,898	3,349
	19,765	34,325

NOTES TO THE ACCOUNTS

31st March 2002

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit of the Group for the year.

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries		
Hong Kong profits tax	13,213	6,693
(Over)/Under provision in prior years	(3,090)	545
Deferred taxation (note 24)	-	961
	10,123	8,199

There was no share of taxation attributable to a jointly controlled entity for the year (2001: Nil).

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$23,059,000 (as restated 2001: HK\$23,936,000).

7. DIVIDENDS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interim, paid of HK1.5 cents (2001: HK1.5 cents) per ordinary share	7,684	8,542
Final, proposed of HK4.5 cents (2001: HK3 cents) per ordinary share	23,012	15,411
Adjustment to prior year's final dividend	(28)	-
	30,668	23,953

Note:

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st March 2000 and 2001 were HK\$14,658,000 and HK\$15,411,000 respectively. Under the Group's new accounting policy as described in note 1(o), these have been written back against opening retained earnings as at 1st April 2000 and 2001 and are now charged in the periods in which they were proposed (note 21).
- (b) At a meeting held on 11th July 2002 the directors declared a final dividend of HK4.5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, as described in note 1(o).

7. DIVIDENDS (continued)

- (c) The directors also recommended to grant bonus warrants to the shareholders (other than overseas shareholders) whose names appear 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 held in the issued share capital of the Company at subscription price of HK\$0.98 per share. These warrants are expected to be exercisable from 2nd September 2002 to 1st September 2005, both days inclusive. Based on the issued share capital of the Company as at the date of this report, 51,138,185 bonus warrants would be issued (note 20 (c)).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$98,893,000 (2001: HK\$83,387,000) and the weighted average of 512,524,659 (2001: 508,810,643) ordinary shares in issue during the year.

Diluted earnings per share were not presented for both years as there were no dilutive potential ordinary shares.

9. RETIREMENT BENEFIT COSTS

Contributions to the ORSO Scheme and MPF Scheme charged to the consolidated profit and loss account for the year amounted to HK\$3,167,000 (2001: HK\$3,431,000). Forfeited contributions in respect of the ORSO Scheme of approximately HK\$658,000 (2001: HK\$675,000) were utilised during the year leaving HK\$221,000 (2001: HK\$117,000) available as at 31st March 2002 to reduce future contributions.

Contributions totalling HK\$579,000 (2001: HK\$757,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accrued charges.

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	
	2002 HK\$'000	2001 HK\$'000
Fees	360	322
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	5,331	5,286
Discretionary bonuses	4,160	4,400
Contributions to pension schemes	240	229
	10,091	10,237

Directors' fees disclosed above include HK\$360,000 (2001: HK\$322,000) paid to independent non-executive directors.

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

The emoluments of directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
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	1	2
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 2002 and 2001.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2001: three) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining two (2001: two) highest paid individuals during the year are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,180	3,180
Bonuses	1,500	1,500
Contributions to pension schemes	132	132
	4,812	4,812

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2002	2001
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	1

No emoluments have been paid by the Group to the directors or the five highest paid individuals mentioned above as an inducement to join the Group or as compensation for loss of office for the years ended 31st March 2002 and 2001.

11. FIXED ASSETS

	Group							Total HK\$'000
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Moulds HK\$'000	Furniture, fixtures and equipment			Motor vehicles HK\$'000	
				Leasehold improvements HK\$'000	Plant and machinery HK\$'000			
Cost or valuation								
At 1st April 2001	13,440	112,502	207,767	65,508	260,860	349,749	18,113	1,027,939
Reclassification	388	(388)	-	-	-	-	-	-
Additions	-	11,292	28,964	8,894	9,535	21,111	1,114	80,910
Adjustment on revaluation	412	-	-	-	-	-	-	412
Disposals	-	-	(18)	(5,661)	(4,730)	(6,785)	(685)	(17,879)
At 31st March 2002	14,240	123,406	236,713	68,741	265,665	364,075	18,542	1,091,382
Accumulated depreciation								
At 1st April 2001	-	12,146	147,796	40,843	169,681	169,998	10,654	551,118
Charge for the year	-	2,811	29,923	6,311	18,801	31,251	1,609	90,706
Impairment charges	-	-	11,672	2,440	7,376	-	280	21,768
Disposals	-	-	(13)	(3,380)	(3,548)	(4,470)	(567)	(11,978)
At 31st March 2002	-	14,957	189,378	46,214	192,310	196,779	11,976	651,614
Net book value								
At 31st March 2002	14,240	108,449	47,335	22,527	73,355	167,296	6,566	439,768
At 31st March 2001	13,440	100,356	59,971	24,665	91,179	179,751	7,459	476,821

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

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
At 31st March 2001								
At cost	-	112,502	207,767	65,508	260,860	349,749	18,113	1,014,499
At professional valuation	13,440	-	-	-	-	-	-	13,440
	13,440	112,502	207,767	65,508	260,860	349,749	18,113	1,027,939

11. FIXED ASSETS (continued)

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	82,717	84,857
Leases of between 10 to 50 years	16,233	16,032
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	23,739	12,907
	122,689	113,796

- (b) Investment properties were revalued as at 31st March 2002 on the basis of their open market value by Chung, Chan & Associates Chartered Surveyors, an independent firm of professional valuers. The surplus arising from the revaluation has been taken directly to the investment properties revaluation reserve (note 21). No provision has been made for deferred taxation liability in respect of the timing differences relating to the surplus from the revaluation of the investment properties. The revaluation does not constitute a timing difference for taxation purposes because the revalued properties are not subject to capital gains tax.
- (c) Certain leasehold land and buildings with a total carrying value of HK\$82,717,000 (2001: HK\$84,857,000) have been pledged to certain banks to secure mortgage loans granted to the Group (note 27).
- (d) As at 31st March 2002, the total cost and accumulated depreciation of fixed assets held under finance leases were HK\$61,601,000 (2001: HK\$98,298,000) and HK\$18,286,000 (2001: HK\$26,592,000) respectively which have been included in plant and machinery category.
- (e) As at 31st March 2002, the Company's fixed assets comprised furniture, fixtures and equipment with a total cost of HK\$41,000 (2001: HK\$41,000) and accumulated depreciation of HK\$41,000 (2001: HK\$35,000).

12. DEFERRED DEVELOPMENT COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
At 1st April	42,820	46,622
Additions	22,778	35,587
Amortisation charges	(28,153)	(34,911)
Impairment charges/write-off	(8,077)	(4,478)
At 31st March	29,368	42,820
Cost	97,255	113,156
Accumulated amortisation and impairment charges/write-off	(67,887)	(70,336)
Net book amount	29,368	42,820

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost (note (a))	67,586	67,586
Amounts due from subsidiaries (note (b))	241,049	241,380
	308,635	308,966

Note:

(a) Details of principal subsidiaries are set out in note 31 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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost (note (a))	-	-	-	-
Share of net liabilities	(827)	-	-	-
Advance to a jointly controlled entity (note (b))	1,100	850	1,100	850
Less: provision	(273)	-	(1,100)	-
	-	850	-	850

NOTES TO THE ACCOUNTS

31st March 2002

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (continued)

Note:

(a) At 31st March 2002, 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 ("E-Global")	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 proportion amount from the respective investors based on their percentage of equity interest held in E-Global. The amount is unsecured, interest-free and has no fixed terms of repayment.

15. OTHER INVESTMENT

	Group	
	2002 HK\$'000	2001 HK\$'000
Contributed capital, at cost	1,934	1,934

At 31st March 2002, 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
Gullin Alco Electronics Limited ("GAEL")	The People's Republic of China	Inactive	US\$500,000	50%

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

16. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Raw materials	305,607	340,071
Work in progress	46,001	24,791
Finished goods	158,811	232,953
	510,419	597,815

As at 31st March 2002, the carrying amount of inventories that were carried at net realisable value amounted to HK\$45,655,000 (2001: HK\$80,578,000).

17. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at 31st March 2002 is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	313,722	192,687
31 – 60 days	29,206	16,370
61 – 90 days	2,331	102
Over 90 days	2,534	10,853
	347,793	220,012

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.

18. AMOUNT DUE TO A RELATED COMPANY

The amount due is unsecured, interest-free and has no fixed terms of repayment.

19. TRADE PAYABLES

An ageing analysis of the trade payables as at 31st March 2002 is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	225,356	146,901
31 – 60 days	116,732	106,867
61 – 90 days	64,269	40,239
Over 90 days	780	1,983
	407,137	295,990

NOTES TO THE ACCOUNTS

31st March 2002

20. SHARE CAPITAL

	Company	
	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31st March 2001 and 31st March 2002	800,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2000	488,583,854	48,858
Exercise of share options	27,514,000	2,751
Repurchase of shares	(2,394,000)	(239)
At 31st March 2001 and 1st April 2001	513,703,854	51,370
Repurchase of shares (note (a))	(2,322,000)	(232)
At 31st March 2002	511,381,854	51,138

Note:

- (a) During the year, the Company repurchased its own ordinary shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited as follows:

Trading month	Number of shares repurchased	Price per share		Total consideration HK\$'000
		Highest HK\$	Lowest HK\$	
April 2001	258,000	0.500	0.485	128
May 2001	354,000	0.570	0.500	195
July 2001	100,000	0.540	0.540	54
August 2001	200,000	0.530	0.520	105
September 2001	330,000	0.485	0.450	155
October 2001	200,000	0.480	0.480	96
January 2002	848,000	0.530	0.500	442
February 2002	32,000	0.570	0.570	18
	2,322,000			1,193

- (b) Share options

No share option was granted during the year and there were no outstanding share options as at 31st March 2002 and 31st March 2001.

20. SHARE CAPITAL (continued)

(c) Warrants

On 11th July 2002, the directors proposed to grant bonus warrants to the shareholders (other than overseas shareholders) whose names appear 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. Based on the issued share capital of the Company as at the date of this report, 51,138,185 bonus warrants would be issued.

Each warrant will entitle the holder thereof to subscribe in cash for one new share at the initial subscription price of HK\$0.98, subject to adjustment, at any time during the subscription period (expected to be 2nd September 2002 to 1st September 2005, both days inclusive).

Full exercise of the subscription rights attaching to the warrants would result in the issue of 51,138,185 new shares and the receipt by the Company of approximately HK\$50,115,000 before expenses.

The new shares falling to be issued upon exercise of the subscription rights attaching to the warrants will rank *pari passu* in all respects with the then existing fully paid shares in issue on the relevant subscription date.

The issue of bonus warrants is conditional upon, *inter alia*:

- (i) the passing of an ordinary resolution by the shareholders at the Special General Meeting approving the issue of bonus warrants and the issue of new shares falling to be issued upon the exercise of the subscription rights attaching to the warrants;
- (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting listings of, and permission to deal in the warrants and any shares which may fall to be issued upon the exercise of the subscription rights attaching to the warrants; and
- (iii) the Bermuda Monetary Authority consenting to the issue of the warrants and any shares to be issued upon exercise of the subscription rights attaching to the warrants.

NOTES TO THE ACCOUNTS

31st March 2002

21. RESERVES

	Group						Total HK\$'000
	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	
At 1st April 2000, as previously stated	204,359	-	9	-	9,665	494,034	708,067
Prior year adjustment for dividend (note 1(o))	-	-	-	-	-	14,658	14,658
At 1st April 2000, as restated	204,359	-	9	-	9,665	508,692	722,725
2000 final dividend paid	-	-	-	-	-	(14,658)	(14,658)
2001 interim dividend paid	-	-	-	-	-	(8,542)	(8,542)
Exercise of share options	7,704	-	-	-	-	-	7,704
Repurchase of shares	(921)	239	-	-	-	(239)	(921)
Deficit on revaluation	-	-	-	-	(230)	-	(230)
Profit for the year	-	-	-	-	-	83,387	83,387
At 31st March 2001	211,142	239	9	-	9,435	568,640	789,465
Company and subsidiaries	211,142	239	9	-	9,435	568,640	789,465
A jointly controlled entity	-	-	-	-	-	-	-
At 31st March 2001	211,142	239	9	-	9,435	568,640	789,465

21. RESERVES (continued)

	Group						
	Share premium	Capital redemption reserve	Reserve on acquisition	Exchange reserve	Investment properties revaluation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2001, as previously stated	211,142	239	9	-	9,435	553,229	774,054
Prior year adjustment for dividend (note 1(o))	-	-	-	-	-	15,411	15,411
At 1st April 2001, as restated	211,142	239	9	-	9,435	568,640	789,465
2001 final dividend paid	-	-	-	-	-	(15,411)	(15,411)
2002 interim dividend paid	-	-	-	-	-	(7,656)	(7,656)
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
Company and subsidiaries	210,181	471	-	6	9,847	645,334	865,839
A jointly controlled entity	-	-	-	-	-	(1,100)	(1,100)
At 31st March 2002	210,181	471	-	6	9,847	644,234	864,739

NOTES TO THE ACCOUNTS

31st March 2002

21. 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 2000, as previously stated	204,359	-	40,586	6,998	251,943
Prior year adjustment for dividend (note 1(o))					
- dividend proposed	-	-	-	14,658	14,658
- dividend income	-	-	-	(16,000)	(16,000)
At 1st April 2000, as restated	204,359	-	40,586	5,656	250,601
2000 final dividend paid	-	-	-	(14,658)	(14,658)
2001 interim dividend paid	-	-	-	(8,542)	(8,542)
Exercise of share options	7,704	-	-	-	7,704
Repurchase of shares	(921)	239	-	(239)	(921)
Profit for the year	-	-	-	23,936	23,936
At 31st March 2001	211,142	239	40,586	6,153	258,120
At 1st April 2001, as previously stated	211,142	239	40,586	6,842	258,809
Prior year adjustment for dividend (note 1(o))					
- dividend proposed	-	-	-	15,411	15,411
- dividend income	-	-	-	(16,100)	(16,100)
At 1st April 2001, as restated	211,142	239	40,586	6,153	258,120
2001 final dividend paid	-	-	-	(15,411)	(15,411)
2002 interim dividend paid	-	-	-	(7,656)	(7,656)
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

21. RESERVES *(continued)*

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.

22. OBLIGATIONS UNDER FINANCE LEASES

At 31st March 2002, the Group's finance lease liabilities were payable as follows:

	Group	
	2002	As restated 2001
	HK\$'000	HK\$'000
Within one year	15,725	20,934
In the second year	7,014	14,511
In the third to fifth year	3,092	8,429
	25,831	43,874
Future finance charges on finance leases	(942)	(3,007)
Present value of finance lease liabilities	24,889	40,867

The present value of finance lease liabilities is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year	15,060	19,068
In the second year	6,793	13,705
In the third to fifth year	3,036	8,094
Present value of finance lease liabilities	24,889	40,867

NOTES TO THE ACCOUNTS

31st March 2002

23. BANK LOANS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Bank loans – secured (note 27)	11,052	17,664
– unsecured (note)	172,486	177,686
	183,538	195,350

The above bank loans are repayable in the following periods:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year	65,769	49,312
In the second year	98,028	55,769
In the third to fifth year	19,741	90,269
	117,769	146,038
	183,538	195,350

Note:

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

24. DEFERRED TAXATION

	Group	
	2002	2001
	HK\$'000	HK\$'000
At 1st April	21,568	20,607
Transfer from consolidated profit and loss account (note 5)	–	961
At 31st March	21,568	21,568
Provided for in respect of:		
Accelerated depreciation allowances	17,184	17,184
Deferred development costs	2,790	2,790
Other timing differences	1,594	1,594
	21,568	21,568
The potential deferred taxation liabilities/(assets) not provided for in the accounts amount to:		
Accelerated depreciation allowances	737	3,517
Taxation losses	(4,936)	(5,034)
	(4,199)	(1,517)

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	112,012	99,109
Interest income	(5,946)	(6,211)
Interest on bank loans	17,867	30,976
Interest element of finance lease rental payments	1,898	3,349
Negative goodwill recognised as income	(1,648)	-
Share of loss of a jointly controlled entity	827	-
Provision for advance to a jointly controlled entity	273	-
Amortisation of deferred development costs	28,153	34,911
Impairment charges/write-off of deferred development costs	8,077	4,478
Net loss/(gain) on disposal of fixed assets including properties held for development	4,276	(1,961)
Depreciation of owned fixed assets	81,454	79,807
Depreciation of fixed assets held under finance leases	9,252	12,466
Impairment charges on fixed assets	21,768	-
Decrease/(Increase) in inventories	87,396	(518)
Increase in trade receivables, other receivables, prepayments and deposits	(107,039)	(39,737)
Increase/(Decrease) in amount due to a related company, trade payables, other payables and accrued charges	149,838	(82,035)
Net cash inflow from operating activities	408,458	134,634

NOTES TO THE ACCOUNTS

31st March 2002

25. 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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1st April	262,512	253,217	195,819	92,982	22,001	16,578	40,867	35,393
Cash (outflow)/ inflow from financing	(1,193)	9,295	(2,112)	102,837	-	-	(19,859)	(25,171)
Inception of finance leases	-	-	-	-	-	-	3,881	30,645
Minority interests' share of profits	-	-	-	-	2,996	7,523	-	-
Dividend paid to minority shareholders	-	-	-	-	(3,000)	(2,100)	-	-
Further acquisition of interest in a subsidiary (note (c))	-	-	-	-	(6,639)	-	-	-
At 31st March	261,319	262,512	193,707	195,819	15,358	22,001	24,889	40,867

(c) Further acquisition of interest in a subsidiary

	2002 HK\$'000	2001 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	-

(d) Major non-cash transactions

During the year the Group entered into finance leases arrangements in respect of assets with a total capital value at the inception of such arrangements of approximately HK\$3,881,000 (2001: HK\$30,645,000).

26. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

	2002	2001
	HK\$'000	HK\$'000
Bank balances and cash	425,077	217,017
Trust receipt loans	(79,548)	(111,126)
	345,529	105,891

27. BANKING FACILITIES

As at 31st March 2002, banking facilities of approximately HK\$999 million (2001: HK\$1,019 million) were granted by certain banks to the Group, of which approximately HK\$273 million (2001: HK\$327 million) have been utilised by the Group, which were secured by the following:

- (i) first charge of mortgage loans over the Group's certain leasehold land and buildings with a total carrying value of approximately HK\$83 million; and
- (ii) corporate guarantees given by the Company and certain subsidiaries.

28. CONTINGENT LIABILITIES

- (a) As at 31st March 2002, the Group had no bills discounted with recourse to banks (2001: HK\$20,377,000).
- (b) The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain subsidiaries (note 27).

29. COMMITMENTS**(a) Operating lease commitments**

At 31st March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002	As restated 2001
	HK\$'000	HK\$'000
Not later than one year	25,034	31,262
Later than one year and not later than five years	37,339	32,978
Later than five years	31,974	31,784
	94,347	96,024

The comparative figures of lease commitments have been restated as a result of the adoption of the SSAP 14 (revised).

NOTES TO THE ACCOUNTS

31st March 2002

29. COMMITMENTS (continued)

(b) Capital commitments

	Group	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for:		
Moulds, plant and machinery	30,673	10,810
Leasehold land and buildings	-	10,342
	30,673	21,152
Authorised but not contracted for:		
Moulds, plant and machinery	481	283
	31,154	21,435

30. 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. in which a son of a director of the Company has beneficial interests.

	Group	
	2002 HK\$'000	2001 HK\$'000
Sales of goods to:		
Venturer Electronics Inc.	274,134	164,875

As at 31st March 2002, an outstanding balance of HK\$41,221,000 (2001: HK\$18,330,000) with Venturer Electronics Inc. resulting from the above transactions has been included in trade receivables classified under current assets in the consolidated balance sheet and has been settled subsequent to the year end.

31. PRINCIPAL SUBSIDIARIES

As at 31st March 2002, 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 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\$3,500,000	-	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
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

NOTES TO THE ACCOUNTS

31st March 2002

31. 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 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

- (a) Except for the management services, which are provided by Alco Investments (B.V.I.) Limited in Europe, the manufacturing activities and provision of designing and logistic services which are carried out in the PRC, the subsidiaries' activities are principally carried out in Hong Kong.
- (b) The above table lists out the principal subsidiaries of the Company as at 31st March 2002 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.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 11th July 2002.