



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