



Chairman
LEUNG Kai Ching, Kimen

RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I am pleased to announce the annual results for the year ended 31st March 2004.

During the year under review, the Group recorded a turnover of approximately HK\$3.8 billion (2003: HK\$4.3 billion). Profit attributable to shareholders rose from HK\$137 million to HK\$149 million, an increase of 9%. Earnings per share recorded an increase of 6%, from HK26.9 cents to HK28.5 cents.

The Board of Directors recommended a final dividend of HK8.0 cents (2003: HK6.0 cents) per ordinary share and a special dividend of HK3.0 cents (2003: HK5.0 cents) per ordinary share for the year ended 31st March 2004. Together with the interim dividend paid of HK3.0 cents (2003: HK2.0 cents) per ordinary share, we will pay a total dividend of HK14.0 cents (2003: HK13.0 cents) per ordinary share for this financial year.

The final and special dividends will be payable on 13th September 2004 to shareholders of the Company, subject to shareholders' approval of payment of the final and special dividends at the forthcoming Annual General Meeting.

BUSINESS REVIEW

Audio-visual Products



In the past year, audio-visual products, led by digital audio and digital video products, remained as the Group's most substantial contributor of revenue. With strong focus on digital products, the Group was able to capture the rise in demand for high-value digital audio-visual products and attained satisfactory levels of business.

During the second half of the year, the global economic conditions improved and there was increase in demand for digital electronic products subsequently. Despite the negative impact of Severe Acute Respiratory Syndrome and global economy downturn in the first half of the year, the Group's business started to pick up in the second half of the year. Products that received positive market response included solid-state-memory based audio, DVD-related products such as high-powered Home Theatre Systems, portable TFT-LCD displays and video players, home-use TFT-LCD TV with DVD players, as well as the Group's traditional products such as 20-CD Home Audio Systems.

During the year, prices of raw materials, in particular, of memory integrated circuits and plastic resins, increased the pressure on the Group's costs. However, the Group had been able to mitigate the effect of such costs pressure to the Group's financial performance by enhancing continuous cost control measures and operational efficiency. Such materials cost increases are expected to ease towards the end of 2004 and early 2005, and hence hopefully bring back a more healthy cost environment.

Production Facilities



The Group enhanced its ability to manufacture sophisticated high-end products such as DVD recorder drives, TFT-LCD displays and video players by expanding its "clean zone" facilities and establishing a lead-free soldering environment within its production plant. During the year, the Group continued to invest in advanced Surface Mount Technology ("SMT") facilities, and is committed to investing more in 2005. It enables the Group to further diversify its product range and boosts its ability to attract more potential EMS business.

Recently, power shortages in the PRC have become prevalent. Equipped with more than fifty power generators in the Group's plants over the past years, the Group is able to provide sufficient electricity for its smooth and uninterrupted operations.

Last year, the Group achieved the much sought-after ISO9000:2000 certification, thanks to the ongoing efforts and commitment of its Quality Committee and staff members, who have worked hard to ensure that products are of consistently superb quality. This achievement is evidence of the Group's quality control procedures meeting stringent international standards. To continue our efforts, the Group has also been taking steps to improve the environmental friendliness of each production process, and has secured ISO14000 certification during the year under review.



Markets and Customers

During the year under review, North America and Europe remained as the Group's major markets. Turnover from the North American and European markets represented 65% and 22% of the Group's turnover respectively. With the recovery of the global economy, and more promising market outlook, the Group expects its market share for the private label products continuing to grow in the long run. Although the Group saw steady growth in OEM orders, the competitive market environment in this business exerted pressure on profit margin, which fortunately has been able to be compensated, to certain extent, by the profit margin achieved by the Group's private label products.



Chairman's Statement

PROSPECTS



Looking ahead, determined to maintain its reputation as a provider of high quality products and services, the Group will strive to stay abreast of changes in the dynamic market and develop sophisticated new products with strong market potential. It will continue to focus on the development of high-end and high value products such as solid-state-memory, Hard Disc and TFT-LCD-related products. The Group is all geared up to take advantage of the immense potential of and growing demand for such sophisticated digital products, both in existing markets and in emerging markets with promising business opportunities.

The Group will also continue to consolidate its presence in the North American and European markets where solid foundations have been laid for its private label products. To further broaden its customer base and diversify its source of revenue, the Group is committed to strengthening its strategic partnerships with existing OEM customers as well as forging ties with new ones with good growth potential.

With these initiatives plus Alco's constant quest for quality and cost efficiency, the Group is confident that it will continue to bring healthy rewards to its shareholders in the coming year.



APPRECIATION

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

LEUNG Kai Ching, Kimen

Chairman

Hong Kong, 13th July 2004