

# NOTES TO THE ACCOUNTS

31st March 2001

## 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 under the historical cost convention as modified by the revaluation of investment properties, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

### (b) **Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March 2001.

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.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (c) **Jointly controlled entities**

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 jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

# NOTES TO THE ACCOUNTS

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## 1. *Principal accounting policies* (continued)

### (d) **Fixed assets**

- (i) 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 long-term investment potential, any rental income being negotiated at arm's length.

Investment properties held on lease 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 are 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.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the consolidated profit and loss account.

- (ii) Leasehold land and buildings are stated at cost less accumulated amortisation or depreciation.

Amortisation of leasehold land is calculated to write off its cost on the 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 the straight-line basis over the unexpired periods of the leases or their expected useful lives of 40 years, whichever is shorter.

- (iii) Properties held for development are stated at cost. Cost includes land cost, construction and other incidental cost incurred. Properties held for development are included in the balance sheet until such time as they are identified for transfer to a specific category of fixed assets. No depreciation is provided on properties held for development.
- (iv) Moulds are stated at cost less accumulated depreciation. Depreciation of moulds is calculated to write off their cost on the straight-line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 25%.

# NOTES TO THE ACCOUNTS

31st March 2001

## 1. Principal accounting policies (continued)

### (d) Fixed assets (continued)

- (v) Other fixed assets are stated at cost less accumulated depreciation. Depreciation of other fixed assets is calculated to write off their cost on the reducing balance basis over their expected useful lives to the Group. The principal annual rates used for this purpose range from 14.5% to 20%.
- (vi) 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.
- (vii) The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Carrying amount is the amount an asset is included in the balance sheet, whether at cost or valuation, after deducting any accumulated depreciation. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. Expected future cash flows have not been discounted in determining the recoverable amount.
- (viii) 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.

The gain or loss on disposal of an investment property, representing the difference between the net sales proceeds and the carrying amount of the relevant asset together with any revaluation reserve balance remaining attributable to the relevant asset, is recognised in the consolidated profit and loss account.

### (e) Deferred development costs

Research and development costs are expensed as incurred, except that development costs are capitalised and amortised on the straight-line basis over the period of expected future benefits of 30 months where it is expected that the product under development will be profitable and will be produced, and technical feasibility has been demonstrated.

# NOTES TO THE ACCOUNTS

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## 1. *Principal accounting policies* (continued)

### (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.

#### (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 the straight-line basis over the lease periods.

### (g) **Other investment**

Other investment held for long-term is stated at cost less provision for diminution in value.

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.

### (h) **Inventories**

Inventories comprise stocks and work in progress 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.

### (i) **Trade receivable**

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

# NOTES TO THE ACCOUNTS

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## 1. *Principal accounting policies* (continued)

### (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) **Translation of foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated 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.

### (l) **Revenue recognition**

- (i) Revenue from the sale of goods is recognised on the transfer of ownership, which generally coincides with the time of shipment and title has passed.
- (ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (iii) Rental income is recognised on the straight-line basis over the periods of the respective leases.

### (m) **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 Group's contributions under the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

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

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## 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:

	<b>Group</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Turnover		
Sale of goods	<b>3,873,945</b>	3,218,023
Other revenues		
Interest income	<b>6,211</b>	8,275
Gross rental income from investment properties	<b>1,599</b>	1,554
Other rental income in respect of plant and machineries and moulds, net of outgoings	<b>1,035</b>	2,321
Others	<b>6,910</b>	6,428
	<b>15,755</b>	18,578
Total revenues	<b>3,889,700</b>	3,236,601

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and geographical segments is as follows:

	<b>Turnover</b>		<b>Contribution to operating profit</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
By principal activities:				
Consumer audio-visual products	<b>3,667,977</b>	3,055,756	<b>126,428</b>	108,092
Telecommunication products	<b>157,362</b>	132,971	<b>3,025</b>	4,375
Plastic products	<b>48,606</b>	29,296	<b>3,981</b>	1,518
	<b>3,873,945</b>	3,218,023	<b>133,434</b>	113,985
By geographical segments:				
North America	<b>1,997,641</b>	1,347,680		
Europe	<b>1,052,786</b>	1,053,557		
Asia	<b>559,262</b>	615,289		
South America	<b>218,008</b>	149,795		
Africa	<b>20,047</b>	37,167		
Australia and New Zealand	<b>26,201</b>	14,535		
	<b>3,873,945</b>	3,218,023		

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## 2. Turnover, revenues and segment information (continued)

No analysis of the contribution by geographical segments has been prepared as no contribution to profit or loss from any of the above geographical segments is substantially out of line with the normal ratio of profit to turnover.

## 3. Operating profit

Operating profit is stated after crediting and charging the following:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>Crediting</b>		
Gain on disposal of properties held for development	<b>4,571</b>	–
<b>Charging</b>		
Amortisation of deferred development costs	<b>34,911</b>	24,649
Auditors' remuneration	<b>1,308</b>	1,351
Depreciation of fixed assets held under finance leases	<b>12,466</b>	9,993
Depreciation of owned fixed assets	<b>79,807</b>	76,696
Loss on disposal of other fixed assets	<b>2,610</b>	2,911
Net exchange losses	<b>2,793</b>	457
Operating lease rental in respect of land and buildings	<b>30,997</b>	31,215
Out-goings in respect of investment properties	<b>108</b>	104
Provision for bad and doubtful debts	<b>5,922</b>	–
Retirement benefit costs (note 9)	<b>3,431</b>	3,356
Total staff costs (including directors' emoluments)	<b>247,517</b>	240,800
Less: amount capitalised in deferred development costs	<b>(27,824)</b>	(24,927)
Staff costs	<b>219,693</b>	215,873
Write-off of deferred development costs	<b>4,478</b>	2,461
Write-off of pre-operating expenditure	<b>–</b>	2,598

## 4. Finance costs

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	<b>30,976</b>	17,986
Interest element of finance lease rental payments	<b>3,349</b>	2,447
	<b>34,325</b>	20,433

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## 5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 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:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries		
Hong Kong profits tax	<b>6,693</b>	5,247
Under/(Over) provision in prior years	<b>545</b>	(4,914)
Deferred taxation (note 24(c))	<b>961</b>	2,402
	<b>8,199</b>	2,735

## 6. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$24,036,000 (2000: HK\$23,456,000).

## 7. Dividends

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interim, paid, of HK1.5 cents (2000: HK1.5 cents) per ordinary share	<b>8,542</b>	7,734
Final, proposed, of HK3 cents (2000: HK3 cents) per ordinary share	<b>15,411</b>	14,658
	<b>23,953</b>	22,392

## 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\$83,387,000 (2000: HK\$88,003,000). The basic earnings per share is based on the weighted average of 508,810,643 (2000: 482,173,247) ordinary shares in issue during the year.

There is no diluted earnings per share presented as the dilution from the weighted average number of outstanding share options granted by the Company is immaterial.



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## 9. Retirement benefits costs

Contributions to the ORSO Scheme and MPF Scheme charged to the consolidated profit and loss account for the year amounted to HK\$3,431,000 (2000: HK\$3,356,000). Forfeited contributions in respect of the ORSO Scheme of approximately HK\$675,000 (2000: HK\$542,000) were utilised during the year leaving HK\$117,000 (2000: HK\$98,000) available as at 31st March 2001 to reduce future contributions.

Contributions totalling HK\$757,000 (2000: HK\$600,000) were payable to the ORSO Scheme and MPF Scheme at the year end and are 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:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Fees *	<b>322</b>	240
Other emoluments :		
Basic salaries, housing allowances, other allowances and benefits in kind	<b>5,286</b>	5,181
Discretionary bonuses	<b>4,400</b>	4,430
Contributions to pension schemes	<b>229</b>	222
	<b>10,237</b>	10,073

\* The amount represents directors' fees paid to the three (2000: two) independent non-executive directors.

The other emoluments above have not included the benefits in kind arising from shares acquired by the executive directors under the share option scheme during the year (note 10(e)).

# NOTES TO THE ACCOUNTS

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## 10. Directors' and senior management's emoluments (continued)

(b) The number of directors whose emoluments fell within the following bands are as follows:

Emolument bands	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	3	2
HK\$2,000,001 – HK\$2,500,000	-	1
HK\$2,500,001 – HK\$3,000,000	2	1
HK\$4,500,001 – HK\$5,000,000	1	1

No director waived emoluments in respect of the years ended 31st March 2001 and 2000.

(c) Among the five highest paid individuals, three (2000: three) are directors of the Company and the details of their remuneration have already been disclosed in the preceding paragraph.

The aggregate amounts of the remaining two (2000: two) highest paid individuals whose emoluments have not been disclosed in directors' emoluments noted above are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,180	3,580
Bonuses	1,500	1,500
Contributions to pension schemes	132	130
	<b>4,812</b>	<b>5,210</b>

The emoluments above have not included the benefits in kind arising from shares acquired by the two highest paid individuals under the share option scheme during the year (note 10(e)).

(d) The number of the two highest paid individuals who are not directors and whose emoluments fell within the following bands are as follows:

Emolument bands	Number of individuals	
	2001	2000
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	-
HK\$3,500,001 – HK\$4,000,000	-	1

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## 10. Directors' and senior management's emoluments (continued)

- (e) Under a share option scheme approved by the shareholders of the Company, the directors of the Company may, at their discretion, invite employees and executive directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. During the year, no options have been granted. Details of options exercised during the year and outstanding as at 31st March 2001 are as follows:

			Number of option shares outstanding as at 1st April 2000	Number of option shares exercised during the year	Number of option shares outstanding as at 31st March 2001
<b>Directors</b>					
Mr LEUNG Kai Ching, Kimen	6th November 1997	HK\$0.38	10,000,000	(10,000,000)	-
Mr LEUNG Wai Sing, Wilson	6th November 1997	HK\$0.38	10,000,000	(10,000,000)	-

The share options are exercisable at any time after the first date of grant but before the third anniversary of the date of grant. Each option gives the holder the right to subscribe for one share.

In addition, during the year, 4,444,000 options granted on 6th November 1997 were exercised by the two of the five highest paid individuals, other than the directors of the Company, to subscribe for 4,444,000 shares in the Company at HK\$0.38 each.

The market prices at the dates of exercise of the above options ranged from HK\$0.53 to HK\$0.61 per share.

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## 11. Fixed assets

	<b>Group</b>								<b>Total</b> HK\$'000
	<b>Investment properties</b>	<b>Leasehold land and buildings</b>	<b>Properties held for development</b>	<b>Leasehold improvements</b>	<b>Furniture, fixtures and equipment</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Moulds</b>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Cost or valuation</b>									
At 1st April 2000	13,670	109,775	18,089	60,379	251,428	289,032	16,113	179,110	937,596
Reclassification	-	1,257	(1,257)	-	-	-	-	-	-
Additions	-	1,470	-	5,129	13,706	67,531	2,137	28,693	118,666
Adjustment on revaluation	(230)	-	-	-	-	-	-	-	(230)
Disposals	-	-	(16,832)	-	(4,274)	(6,814)	(137)	(36)	(28,093)
At 31st March 2001	13,440	112,502	-	65,508	260,860	349,749	18,113	207,767	1,027,939
<b>Aggregate depreciation</b>									
At 1st April 2000	-	9,546	-	35,307	150,239	143,974	8,953	118,267	466,286
Charge for the year	-	2,600	-	5,536	21,825	30,928	1,833	29,551	92,273
Disposals	-	-	-	-	(2,383)	(4,904)	(132)	(22)	(7,441)
At 31st March 2001	-	12,146	-	40,843	169,681	169,998	10,654	147,796	551,118
<b>Net book value</b>									
<b>As at 31st March 2001</b>	<b>13,440</b>	<b>100,356</b>	<b>-</b>	<b>24,665</b>	<b>91,179</b>	<b>179,751</b>	<b>7,459</b>	<b>59,971</b>	<b>476,821</b>
As at 31st March 2000	13,670	100,229	18,089	25,072	101,189	145,058	7,160	60,843	471,310

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

### At 31st March 2001

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

### At 31st March 2000

At cost	-	109,775	18,089	60,379	251,428	289,032	16,113	179,110	923,926
At professional valuation	13,670	-	-	-	-	-	-	-	13,670
	13,670	109,775	18,089	60,379	251,428	289,032	16,113	179,110	937,596

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## 11. Fixed assets (continued)

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

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	<b>84,857</b>	86,997
Leases of between 10 to 50 years	<b>16,032</b>	16,337
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	<b>12,907</b>	28,654
	<b>113,796</b>	131,988

- (b) Investment properties were revalued on an open market value basis as at 31st March 2001 by Chung, Chan & Associates Chartered Surveyors, an independent firm of professional valuers. The deficit arising from the revaluation has been taken directly to the investment properties revaluation reserve (note 21).
- (c) Certain leasehold land and buildings with a total carrying value of HK\$84,857,000 (2000: HK\$86,997,000) have been pledged to certain banks to secure mortgage loans granted to the Group (note 27).
- (d) As at 31st March 2001, the total cost and accumulated depreciation of fixed assets held under finance leases were HK\$98,298,000 (2000: HK\$81,426,000) and HK\$26,592,000 (2000: HK\$21,064,000) respectively.
- (e) As at 31st March 2001, the Company's fixed assets comprised furniture, fixtures and equipment with a total cost of HK\$41,000 (2000: HK\$41,000) and accumulated depreciation of HK\$35,000 (2000: HK\$33,000).

## 12. Deferred development costs

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
At 1st April	<b>46,622</b>	37,680
Additions	<b>35,587</b>	36,052
Amortisation	<b>(34,911)</b>	(24,649)
Write-off	<b>(4,478)</b>	(2,461)
At 31st March	<b>42,820</b>	46,622

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## 13. Investments in subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost (note (a))	67,586	67,586
Amounts due from subsidiaries (note (b))	241,380	232,179
	<b>308,966</b>	299,765

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	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	-	-	-	-
Share of net assets	-	-	-	-
Advance to a jointly controlled entity (note)	850	-	850	-
	<b>850</b>	-	<b>850</b>	-

Note:

The advance to a jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment.

As at 31st March 2001, 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%

E-Global has not yet commenced its operation as at 31st March 2001.

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## 15. Other investment

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Contributed capital, at cost	<b>1,934</b>	1,934

As at 31st March 2001, the Group had an interest in the following company:

<b>Company</b>	<b>Place of establishment</b>	<b>Issued and fully paid registered capital</b>	<b>Equity interest held</b>	<b>Nature of business</b>
Guilin Alco Electronics Limited ("GAEL")	The People's Republic of China	US\$500,000	50%	Inactive

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

## 16. Inventories

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>340,071</b>	348,814
Work in progress	<b>24,791</b>	22,121
Finished goods	<b>232,953</b>	226,362
	<b>597,815</b>	597,297

As at 31st March 2001, the carrying amount of inventories that were carried at net realisable value amounted to HK\$80,578,000 (2000: HK\$60,222,000).

## 17. Trade receivable

At 31st March 2001, the ageing analysis of the trade receivable was as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>192,687</b>	151,315
31-60 days	<b>16,370</b>	32,025
61-90 days	<b>102</b>	4,829
Over 90 days	<b>10,853</b>	17,923
	<b>220,012</b>	206,092

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## 17. Trade receivable (continued)

The credit terms vary and are generally based on the financial strengths of individual customer. In order to effectively manage the credit risks associated with trade receivable, 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 payable

At 31st March 2001, the ageing analysis of the trade payable was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0-30 days	146,901	230,805
31-60 days	106,867	107,863
61-90 days	40,239	53,133
Over 90 days	1,983	816
	<b>295,990</b>	<b>392,617</b>

## 20. Share capital

	Company	
	Number of shares	HK\$'000
Authorised: Ordinary shares of HK\$0.10 each		
At 31st March 2000 and 2001	800,000,000	80,000
Issued and fully paid: Ordinary shares of HK\$0.10 each		
At 1st April 1999	470,907,854	47,091
Exercise of share options	17,676,000	1,767
At 31st March 2000 and 1st April 2001	488,583,854	48,858
Exercise of share options (note (a))	27,514,000	2,751
Repurchase of shares (note (b))	(2,394,000)	(239)
At 31st March 2001	513,703,854	51,370



# NOTES TO THE ACCOUNTS

31st March 2001

## 20. Share capital (continued)

- (a) Under a share option scheme approved by the shareholders of the Company, the directors of the Company may, at their discretion, invite employees and executive directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

On 6th November 1997, options conferring rights to subscribe for 47,000,000 ordinary shares at HK\$0.38 each were granted. The share options are exercisable at any time after the first date of grant but before the third anniversary of the date of grant.

During the year ended 31st March 2001, 27,514,000 ordinary shares of HK\$0.10 each of the Company were issued at a subscription price of HK\$0.38 per share to the option holders on the exercise of their share options for a total cash consideration of HK\$10,455,000.

Details of the movement and outstanding share options as at 31st March 2001 were as follows:

Exercisable period	Subscription price per share	Number of option shares outstanding as at 1st April 2000	Number of option shares exercised during the year	Number of option shares forfeited during the year	Number of option shares outstanding as at 31st March 2001
6th November 1997 to 5th November 2000	HK\$0.38	28,384,000	(27,514,000)	(870,000)	-

- (b) During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Trading month	Number of shares repurchased	Price per share Highest HK\$	Price per share Lowest HK\$	Total consideration HK\$'000
November 2000	388,000	0.470	0.460	180
December 2000	766,000	0.490	0.460	370
January 2001	630,000	0.490	0.480	305
February 2001	350,000	0.500	0.495	174
March 2001	260,000	0.510	0.500	131
	<u>2,394,000</u>			<u>1,160</u>

Subsequent to year end, the Company repurchased 612,000 ordinary shares of HK\$0.10 each at prices ranging from HK\$0.485 to HK\$0.570 per share through The Stock Exchange of Hong Kong Limited. The total cash consideration is approximately HK\$323,000.

# NOTES TO THE ACCOUNTS

31st March 2001

## 21. Reserves

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>Share premium account</b>				
At 1st April	204,359	199,410	204,359	199,410
Arising from exercise of share options	7,704	4,949	7,704	4,949
Repurchase of shares	(921)	-	(921)	-
At 31st March	211,142	204,359	211,142	204,359
<b>Capital redemption reserve</b>				
At 1st April	-	-	-	-
Repurchase of shares	239	-	239	-
At 31st March	239	-	239	-
<b>Reserve arising on consolidation</b>				
At 1st April	9	320	-	-
Write off of goodwill arising from the acquisition of additional interests in subsidiaries	-	(311)	-	-
At 31st March	9	9	-	-
<b>Investment properties revaluation reserve</b>				
At 1st April	9,665	10,410	-	-
Deficit arising on revaluation	(230)	(745)	-	-
At 31st March	9,435	9,665	-	-
<b>Contributed surplus</b>				
At 1st April and 31st March	-	-	40,586	40,586
<b>Retained profits</b>				
At 1st April	494,034	428,423	6,998	5,934
Profit retained for the year	59,434	65,611	83	1,064
Transfer to capital redemption reserve	(239)	-	(239)	-
At 31st March	553,229	494,034	6,842	6,998
<b>Total reserves</b>	<b>774,054</b>	<b>708,067</b>	<b>258,809</b>	<b>251,943</b>

# NOTES TO THE ACCOUNTS

31st March 2001

## 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. Bank loans

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank loans – secured (note 27)	<b>17,664</b>	25,766
– unsecured	<b>177,686</b>	51,516
	<b>195,350</b>	77,282

The above bank loans are repayable in the following periods:

	Group	
	2001	2000
	HK\$'000	HK\$'000
– Within one year	<b>49,312</b>	44,635
– In the second year	<b>55,769</b>	21,594
– In the third to fifth year	<b>90,269</b>	11,053
	<b>146,038</b>	32,647
	<b>195,350</b>	77,282

# NOTES TO THE ACCOUNTS

31st March 2001

## 23. Obligations under finance leases

These borrowings are repayable in the following periods:

	<b>Group</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
– Within one year	<b>19,068</b>	18,608
– In the second year	<b>13,705</b>	11,027
– In the third to fifth year	<b>8,094</b>	5,758
	<b>21,799</b>	16,785
	<b>40,867</b>	35,393

## 24. Deferred taxation

- (a) An analysis of the full potential deferred taxation and the provision made in the accounts is as follows:

	<b>Group</b>			
	<b>2001</b>		2000	
	<b>Full potential liabilities/ (assets) HK\$'000</b>	<b>Provision made HK\$'000</b>	Full potential liabilities/ (assets) HK\$'000	Provision made HK\$'000
Timing difference in respect of				
– Accelerated depreciation allowances	<b>20,701</b>	<b>17,184</b>	20,251	16,843
– Deferred development costs	<b>2,790</b>	<b>2,790</b>	2,861	2,861
– Others	<b>1,594</b>	<b>1,594</b>	903	903
	<b>25,085</b>	<b>21,568</b>	24,015	20,607
– Tax losses	<b>(5,034)</b>	<b>-</b>	(5,087)	-
	<b>20,051</b>	<b>21,568</b>	18,928	20,607

No provision has been made in respect of that portion of the potential liability which is not expected to crystallise in the foreseeable future. No recognition of the potential deferred taxation asset has been made as the asset is not expected to crystallise in the foreseeable future.

# NOTES TO THE ACCOUNTS

31st March 2001

## 24. Deferred taxation (continued)

- (b) The surplus arising on the revaluation of investment properties in Hong Kong does not constitute a timing difference for taxation purposes as profit arising on disposal of these assets are not subject to taxation.
- (c) Movements of the provision for deferred taxation are as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
At 1st April	<b>20,607</b>	18,205
Transferred from the consolidated profit and loss account (note 5)	<b>961</b>	2,402
At 31st March	<b>21,568</b>	20,607

## 25. Notes to the consolidated cash flow statement

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

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>99,109</b>	93,552
Interest income	<b>(6,211)</b>	(8,275)
Interest on bank loans	<b>30,976</b>	17,986
Interest element of finance lease rental payments	<b>3,349</b>	2,447
Amortisation of deferred development costs	<b>34,911</b>	24,649
Write-off of deferred development costs	<b>4,478</b>	2,461
Write-off of pre-operating expenditure	<b>-</b>	2,598
Net (gain)/loss on disposal of fixed assets including properties held for development	<b>(1,961)</b>	2,911
Depreciation of owned fixed assets	<b>79,807</b>	76,696
Depreciation of fixed assets held under finance leases	<b>12,466</b>	9,993
Increase in inventories	<b>(518)</b>	(242,035)
(Increase)/decrease in trade receivable, other receivables, prepayments and deposits	<b>(39,737)</b>	19,215
(Decrease)/increase in amount due to a related company, trade payable, other payables and accrued charges	<b>(82,035)</b>	126,395
Net cash inflow from operating activities	<b>134,634</b>	128,593

# NOTES TO THE ACCOUNTS

31st March 2001

## 25. Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	2001			2000		
	Share capital including premium HK\$'000	Trust receipt and bank loans HK\$'000	Obligations under finance leases HK\$'000	Share capital including premium HK\$'000	Trust receipt and bank loans HK\$'000	Obligations under finance leases HK\$'000
At 1st April	253,217	92,982	35,393	246,500	103,512	31,842
Cash inflow/(outflow) from financing	9,295	102,837	(25,171)	6,717	(10,530)	(23,548)
Inception of finance leases	-	-	30,645	-	-	27,099
At 31st March	262,512	195,819	40,867	253,217	92,982	35,393

(c) 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\$30,645,000 (2000: HK\$27,099,000).

## 26. Analysis of the balance of cash and cash equivalents

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	217,017	183,164
Trust receipt loans	(111,126)	(135,387)
Other short-term bank loans	-	(1,506)
	105,891	46,271

## 27. Banking facilities

As at 31st March 2001, banking facilities of approximately HK\$1,019 million (2000: HK\$546 million) were granted by banks to the Group, of which approximately HK\$327 million (2000: HK\$257 million) have been utilised by the Group, which were secured by the following:

- (i) first charge over the Group's certain leasehold land and buildings with a total carrying value of approximately HK\$85 million to secure mortgage loans granted to the Group;
- (ii) corporate guarantees given by the Company.

# NOTES TO THE ACCOUNTS

31st March 2001

## 28. Contingent liabilities

- (a) As at 31st March 2001, the Group had bills discounted with recourse to banks amounting to HK\$20,377,000 (2000: HK\$27,559,000).
- (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

As at 31st March 2001, the Group had the following commitments to make payments in the next year in respect of land and buildings:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Operating leases expiring:		
– Within one year	<b>3,358</b>	2,540
– In the second to fifth year inclusive	<b>23,972</b>	28,186
– After the fifth year	<b>3,932</b>	4,064
	<b>31,262</b>	34,790

### (b) Capital commitments

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Contracted but not provided for:		
Moulds, plant and machinery	<b>10,810</b>	16,900
Land and buildings and properties held for development	<b>10,342</b>	738
	<b>21,152</b>	17,638
Authorised but not contracted for:		
Moulds, plant and machinery	<b>283</b>	1,359
	<b>21,435</b>	18,997

# NOTES TO THE ACCOUNTS

31st March 2001

## 30. Related party transactions

Apart from those 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.

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Sales of goods to:		
Venturer Electronics Inc.	<b>164,875</b>	220,505
Venturer Electronics U.K. Ltd.	-	34,288
	<b>164,875</b>	254,793

As at 31st March 2001, an outstanding balance of HK\$18,330,000 (2000: HK\$48,113,000) with Venturer Electronics Inc. resulting from the above transactions has been included in trade receivable classified under current assets in the consolidated balance sheet.

## 31. Group structure – principal subsidiaries

As at 31st March 2001, the Company held interests in the following principal subsidiaries:

Subsidiary	Place of incorporation	Issued and fully paid share 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 polyfoam and blister 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 of multi-media electronic products



# NOTES TO THE ACCOUNTS

31st March 2001

## 31. Group structure – principal subsidiaries (continued)

Subsidiary	Place of incorporation	Issued and fully paid share capital	Percentage of equity held by the Company		Principal activities
			Direct	Indirect	
Alco Electronics Limited	Hong Kong	Ordinary HK\$1,000  Non-voting deferred HK\$5,000,000	–	100	Manufacture and sale of consumer audio-visual and telecommunication products
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	–	70	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

- (a) Except for the management services, which are provided by Alco Investments (B.V.I.) Limited in Europe and the People's Republic of China (the "PRC"), and the manufacturing activities 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 2001 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.
- (c) All of the above subsidiaries are audited by PricewaterhouseCoopers, Hong Kong.

## 32. Approval of accounts

The accounts were approved by the board of directors on 12th July 2001.