

## 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 ("HKSA"). They have been prepared under the historical cost convention as modified by the revaluation of certain investment properties.

In the current year, the Group adopted the SSAP 12 (revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The adoption of SSAP 12 (revised) represents a change in accounting policy with retrospective effect and the effect of the adoption is set out in note 1 (l) below.

### (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 Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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.

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.

## 1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **(b) Group accounting** *(continued)*

#### *(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 the 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 jointly controlled entity is stated at cost less provision for impairment losses. The results of jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

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

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

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

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

#### *(i) Investment properties*

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

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.

## 1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

#### (ii) Leasehold land and buildings

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

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

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

#### (iii) Moulds

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

#### (iv) Other fixed assets

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

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

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

## 1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

#### *(v) Impairment and gain or loss on sale*

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

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

### **(e) Deferred development costs**

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

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

### **(f) Assets under leases**

#### *(i) Finance leases*

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

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

## 1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **(f) Assets under leases** *(continued)*

#### *(ii) Operating leases*

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

### **(g) Investment in security**

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

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

### **(h) Other investment**

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

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

### **(i) Inventories**

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

## 1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### *(j) Trade receivables*

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

### *(k) Cash and cash equivalents*

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

### *(l) Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entity, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

In prior year, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Under the restatement, opening retained earnings at 1st April 2002 and 2003 have reduced by HK\$2,070,000 and HK\$8,078,000 respectively, which represent the unprovided deferred tax liabilities. Taxation for the year ended 31st March 2003 has increased by HK\$6,008,000.

### *(m) Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

## 1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### **(n) 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.

### **(o) Employee benefits**

#### *(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

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

#### *(ii) Pension obligations*

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

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

### **(p) Borrowing costs**

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

## 1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### (a) 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, long-term bank deposits, inventories, receivables and operating cash, and mainly exclude other investment and investment in security. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to deferred development costs and fixed assets.

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

## 2 TURNOVER, REVENUES AND SEGMENT INFORMATION

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Consumer audio-visual products	3,709,503	4,240,279
Telecommunication products	72,461	26,717
Plastic products	32,817	47,507
	<b>3,814,781</b>	4,314,503
Other revenues		
Interest income	14,447	4,966
Rental income from investment properties	2,676	2,175
Others	5,204	4,607
	<b>22,327</b>	11,748
Total revenues	<b>3,837,108</b>	4,326,251



**2 TURNOVER, REVENUES AND SEGMENT INFORMATION** (continued)**(a) Primary reporting format – business segment**

The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong in two main business segments:

- Consumer electronic products – Design, manufacture and sale of consumer audio-visual and telecommunication products
- Plastic products – Manufacture and sale of plastic and packing products

	2004				Restated 2003			
	Consumer electronic products HK\$'000	Plastic products HK\$'000	Elimination HK\$'000	Group HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover								
External sales	3,781,964	32,817	-	3,814,781	4,266,996	47,507	-	4,314,503
Inter-segment sales	-	254,038	(254,038)	-	-	310,312	(310,312)	-
	<b>3,781,964</b>	<b>286,855</b>	<b>(254,038)</b>	<b>3,814,781</b>	<b>4,266,996</b>	<b>357,819</b>	<b>(310,312)</b>	<b>4,314,503</b>
Segment results	<b>172,933</b>	<b>707</b>		<b>173,640</b>	<b>169,935</b>	<b>3,079</b>		<b>173,014</b>
Unallocated revenues less expenses				<b>118</b>				<b>81</b>
Operating profit				<b>173,758</b>				<b>173,095</b>
Segment assets	<b>1,904,316</b>	<b>74,193</b>		<b>1,978,509</b>	<b>1,412,033</b>	<b>117,086</b>		<b>1,529,119</b>
Unallocated assets				<b>39,682</b>				<b>42,299</b>
Total assets				<b>2,018,191</b>				<b>1,571,418</b>
Segment liabilities	<b>714,817</b>	<b>28,340</b>		<b>743,157</b>	<b>405,745</b>	<b>30,708</b>		<b>436,453</b>
Unallocated liabilities				<b>173,731</b>				<b>126,640</b>
Total liabilities				<b>916,888</b>				<b>563,093</b>
Capital expenditure	<b>84,677</b>	<b>10,682</b>		<b>95,359</b>	<b>156,911</b>	<b>11,092</b>		<b>168,003</b>
Depreciation	<b>67,205</b>	<b>9,628</b>		<b>76,833</b>	<b>82,746</b>	<b>15,337</b>		<b>98,083</b>
Amortisation charges and write-off on deferred development costs	<b>17,326</b>	-		<b>17,326</b>	<b>23,950</b>	-		<b>23,950</b>
Impairment charges on fixed assets	<b>24,306</b>	-		<b>24,306</b>	<b>23,989</b>	<b>3,516</b>		<b>27,505</b>

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

### *(b) Secondary reporting format – geographical segment*

	Turnover	
	2004 HK\$'000	2003 HK\$'000
North America	2,474,800	2,663,351
Europe	862,109	973,946
Asia	381,678	441,768
Africa	45,653	36,318
Australia and New Zealand	37,965	52,193
South America	12,576	146,927
	<b>3,814,781</b>	<b>4,314,503</b>

The analysis of turnover by geographical segment is based on the destination to which the shipments are made. No analysis of the contribution by geographical segment has been presented as the ratios of profit to turnover achieved for the above geographical segments are not substantially out of line with the Group's overall ratio of profit to turnover. Most of its assets and capital expenditure for the years ended 31st March 2004 and 2003 were located or utilised in the PRC and Hong Kong.

## 3 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Group	
	2004 HK\$'000	2003 HK\$'000
Amortisation of deferred development costs	12,485	18,391
Amortisation of premium on investment in security	683	–
Auditors' remuneration	1,443	1,335
Cost of inventories	2,892,633	3,375,547
(Surplus)/deficit on revaluation of investment properties	(780)	6,570
Depreciation of fixed assets held under finance leases	2,657	6,916
Depreciation of owned fixed assets	74,176	91,167
Impairment charges on fixed assets	24,306	27,505
Loss on disposal of fixed assets	1,897	677
Operating lease rental in respect of land and buildings	36,045	34,814
Provision for other investment	1,934	–
Total research and development costs	77,874	72,965
Less: amount capitalised in deferred development costs and moulds	(46,510)	(47,204)
	<b>31,364</b>	<b>25,761</b>
Total staff costs (including directors' emoluments)	273,090	273,455
Less: amount capitalised in deferred development costs	(12,286)	(11,357)
Staff costs (note 9)	<b>260,804</b>	<b>262,098</b>
Write-off of deferred development costs	4,841	5,559

#### 4 FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest on bank loans wholly repayable within five years	6,836	10,927
Interest element of finance leases	166	642
	<b>7,002</b>	<b>11,569</b>

#### 5 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2004 HK\$'000	Restated 2003 HK\$'000
Current taxation:		
Hong Kong profits tax	16,898	15,822
Over-provision in prior years	(71)	(3,159)
Deferred taxation relating to the origination and reversal of temporary differences (note 25)	(1,449)	7,302
Taxation charges	<b>15,378</b>	<b>19,965</b>

There was no share of taxation attributable to a jointly controlled entity for the year (2003: nil). No overseas taxation has been provided as the Group's subsidiaries in Canada and the PRC have no estimated assessable profits during the year.

# Notes to the Accounts

31st March 2004

## 5 TAXATION (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2004 HK\$'000	Restated 2003 HK\$'000
Profit before taxation	166,438	161,045
Calculated at a taxation rate of 17.5% (2003: 16%)	29,127	25,767
Effect of different taxation rates in other countries	(1,276)	(534)
Income not subject to taxation	(16,718)	(9,346)
Expenses not deductible for taxation purposes	1,860	3,300
Over-provision in prior years	(71)	(3,159)
Tax losses not recognised	2,456	1,272
Increase in deferred tax liabilities resulting from an increase in expected tax rate	-	2,665
Taxation charges	15,378	19,965

## 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$74,153,000 (2003: HK\$32,855,000).

## 7 DIVIDENDS

	Company 2004 HK\$'000	2003 HK\$'000
Interim, paid, of HK3.0 cents (2003: HK2.0 cents) per ordinary share	15,977	10,228
Final, proposed, of HK8.0 cents (2003: HK6.0 cents) per ordinary share	42,634	30,683
Special, proposed, of HK3.0 cents (2003: HK5.0 cents) per ordinary share	15,988	25,569
	74,599	66,480

At a meeting held on 13th July 2004, the directors proposed a final dividend of HK8.0 cents per ordinary share and a special dividend of HK3.0 cents per ordinary share.

## 8 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders for the year ended 31st March 2004 of HK\$149,365,000 (2003 restated: HK\$137,329,000). The basic earnings per share is based on the weighted average of 523,486,059 (2003: 511,382,099) ordinary shares in issue during the year.

The diluted earnings per share is based on 546,017,321 (2003: 516,836,174) ordinary shares which is the weighted average of ordinary shares in issue during the year plus the weighted average of 22,531,262 (2003: 5,454,075) ordinary shares deemed to be issued at no consideration if all outstanding bonus warrants had been exercised.

## 9 STAFF COSTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Wages and salaries	240,420	238,991
Pension costs – defined contribution retirement schemes (note 24(a))	3,657	3,499
Long service payments (note 24(b))	2,067	6,579
Other staff benefits	14,660	13,029
	<b>260,804</b>	<b>262,098</b>

## 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	
	2004	2003
	HK\$'000	HK\$'000
Fees	360	360
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	7,083	5,331
Discretionary bonuses	7,300	4,940
Contributions to pension schemes	316	240
	<b>15,059</b>	<b>10,871</b>

Directors' fees disclosed above include HK\$360,000 (2003: HK\$360,000) 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	
	2004	2003
HK\$Nil – HK\$1,000,000	3	3
HK\$2,500,001 – HK\$3,000,000	1	2
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$6,000,001 – HK\$6,500,000	1	–

No directors waived emoluments in respect of the years ended 31st March 2004 and 2003.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2003: three) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining two (2003: two) highest paid individuals during the year are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,182	3,568
Discretionary bonuses	1,500	1,500
Contributions to pension schemes	132	78
	<b>4,814</b>	<b>5,146</b>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2004	2003
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	1

During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement or upon joining the Group, or as compensation for loss of office (2003: nil).

## 11 FIXED ASSETS

	Group							Total HK\$'000
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Moulds HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	
	<b>Cost or valuation</b>							
At 1st April 2003	29,480	87,303	269,125	79,296	272,490	450,544	19,942	1,208,180
Additions	-	-	32,961	6,304	15,778	24,133	2,634	81,810
Revaluation surplus	780	-	-	-	-	-	-	780
Disposals	-	-	-	(413)	(10,376)	(6,191)	(2,937)	(19,917)
<b>At 31st March 2004</b>	<b>30,260</b>	<b>87,303</b>	<b>302,086</b>	<b>85,187</b>	<b>277,892</b>	<b>468,486</b>	<b>19,639</b>	<b>1,270,853</b>
<b>Accumulated depreciation</b>								
At 1st April 2003	-	13,319	231,812	55,574	206,618	238,338	13,247	758,908
Charge for the year	-	2,002	16,538	5,611	15,270	35,786	1,626	76,833
Impairment charges	-	-	24,306	-	-	-	-	24,306
Disposals	-	-	-	(245)	(8,046)	(5,661)	(2,765)	(16,717)
<b>At 31st March 2004</b>	<b>-</b>	<b>15,321</b>	<b>272,656</b>	<b>60,940</b>	<b>213,842</b>	<b>268,463</b>	<b>12,108</b>	<b>843,330</b>
<b>Net book value</b>								
At 31st March 2004	30,260	71,982	29,430	24,247	64,050	200,023	7,531	427,523
At 31st March 2003	29,480	73,984	37,313	23,722	65,872	212,206	6,695	449,272

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

<b>At 31st March 2004</b>								
At cost	-	87,303	302,086	85,187	277,892	468,486	19,639	1,240,593
At valuation	30,260	-	-	-	-	-	-	30,260
	<b>30,260</b>	<b>87,303</b>	<b>302,086</b>	<b>85,187</b>	<b>277,892</b>	<b>468,486</b>	<b>19,639</b>	<b>1,270,853</b>
<b>At 31st March 2003</b>								
At cost	-	87,303	269,125	79,296	272,490	450,544	19,942	1,178,700
At valuation	29,480	-	-	-	-	-	-	29,480
	<b>29,480</b>	<b>87,303</b>	<b>269,125</b>	<b>79,296</b>	<b>272,490</b>	<b>450,544</b>	<b>19,942</b>	<b>1,208,180</b>

## 11 FIXED ASSETS (continued)

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

	Group	
	2004 HK\$'000	2003 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	63,169	64,427
Leases of between 10 to 50 years	16,685	16,041
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	22,388	22,996
	<b>102,242</b>	103,464

- (b) Investment properties were revalued as at 31st March 2004 on the basis of their open market value by Chung, Chan & Associates Chartered Surveyors, an independent firm of professional valuers. The surplus arising on revaluation of investment properties amounted to HK\$780,000 (2003: deficit of HK\$16,417,000). The surplus arising on revaluation of investment properties was charged to the consolidated profit and loss account. As at 31st March 2003, the deficit arising on revaluation of investment properties was first offset against the investment properties revaluation reserve of HK\$9,847,000 and the remaining balance of HK\$6,570,000 was charged to the consolidated profit and loss account.
- (c) As at 31st March 2004, the total cost and accumulated depreciation of fixed assets held under finance leases were HK\$18,259,000 (2003: HK\$30,162,000) and HK\$8,827,000 (2003: HK\$11,480,000) respectively which have been included in plant and machinery category.
- (d) As at 31st March 2004, the Company's fixed assets comprised furniture, fixtures and equipment with a total cost of HK\$41,000 (2003: HK\$41,000) and accumulated depreciation of HK\$41,000 (2003: HK\$41,000).



## 12 DEFERRED DEVELOPMENT COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1st April	20,175	29,368
Additions	13,549	14,757
Amortisation charges	(12,485)	(18,391)
Write-off	(4,841)	(5,559)
At 31st March	16,398	20,175
Cost	98,684	112,012
Accumulated amortisation and write-off	(82,286)	(91,837)
Net book amount	16,398	20,175

## 13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost (note (a))	67,586	67,586
Amounts due from subsidiaries (note (b))	262,012	240,575
	329,598	308,161

*Notes:*

- (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.

# Notes to the Accounts

31st March 2004

## 14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost (note (a))	-	-	-	-
Share of net liabilities	(1,626)	(1,308)	-	-
Advance to a jointly controlled entity (note (b))	1,700	1,500	1,700	1,500
Less: provision	(74)	(192)	(1,700)	(1,500)
	-	-	-	-

Notes:

(a) As at 31st March 2004, the Group had an interest in the following company:

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

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

## 15 INVESTMENT IN SECURITY

	Group	
	2004 HK\$'000	2003 HK\$'000
Held-to-maturity debt security		
Listed in overseas, at cost	40,365	40,365
Less: accumulated amortisation of the premium	(683)	-
	39,682	40,365
Quoted market value of listed held-to-maturity debt security as at 31st March	40,878	40,404

## 16 OTHER INVESTMENT

	Group	
	2004 HK\$'000	2003 HK\$'000
Contributed capital, at cost	1,934	1,934
Less: provision	(1,934)	–
	<b>–</b>	<b>1,934</b>

As at 31st March 2004, the Group had an interest in the following company:

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

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

## 17 INVENTORIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Raw materials	307,866	258,084
Work in progress	54,004	25,983
Finished goods	234,958	137,846
	<b>596,828</b>	<b>421,913</b>

As at 31st March 2004, the carrying amount of inventories that were carried at net realisable value amounted to HK\$136,798,000 (2003: HK\$43,730,000).

# Notes to the Accounts

31st March 2004

## 18 TRADE RECEIVABLES

At 31st March 2004, the ageing analysis of the trade receivables based on invoiced date is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	227,222	139,436
31 – 60 days	90,641	57,513
61 – 90 days	7,639	4,619
Over 90 days	7,819	2,218
	<b>333,321</b>	<b>203,786</b>

The credit terms given vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

## 19 TRADE PAYABLES

At 31st March 2004, the ageing analysis of the trade payables based on invoiced date is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	307,447	153,146
31 – 60 days	117,940	66,531
61 – 90 days	27,182	40,479
Over 90 days	5,986	482
	<b>458,555</b>	<b>260,638</b>

## 20 SHARE CAPITAL

	Company Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each At 31st March 2003 and 2004	800,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2002	511,381,854	51,138
Exercise of bonus warrants (note)	880	–
At 31st March 2003 and 1st April 2003	511,382,734	51,138
Exercise of bonus warrants (note)	21,540,754	2,154
At 31st March 2004	532,923,488	53,292

*Note:*

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

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

During the year ended 31st March 2004, 21,540,754 (2003: 880) ordinary shares of HK\$0.10 each of the Company were issued at a subscription price of HK\$0.98 per share to bonus warrant holders on the exercise of their bonus warrants for a total cash consideration of HK\$21,109,939 (2003: HK\$862).

Details of the movement and outstanding bonus warrants as at 31st March 2004 were as follows:

Subscription price per share	Number of bonus warrants outstanding as at 31st March 2003	Number of bonus warrants exercised during the year	Number of bonus warrants outstanding as at 31st March 2004
HK\$0.98	51,137,305	21,540,754	29,596,551

Subsequent to the year end, 46,000 bonus warrants were exercised, resulting in the issue of 46,000 ordinary shares of HK\$0.10 each by the Company at the subscription price of HK\$0.98 per share for a total cash consideration of HK\$45,080.

# Notes to the Accounts

31st March 2004

## 21 RESERVES

	Group					Total HK\$'000
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Retained earnings HK\$'000	
At 1st April 2003, as previously stated	210,182	471	281	-	754,331	965,265
Prior year adjustment for SSAP 12 (revised)	-	-	-	-	(8,078)	(8,078)
At 1st April 2003, as restated	210,182	471	281	-	746,253	957,187
2004 interim dividends	-	-	-	-	(15,977)	(15,977)
2003 final and special dividends	-	-	-	-	(56,252)	(56,252)
Adjustment of prior year dividends	-	-	-	-	(1,818)	(1,818)
Exercise of bonus warrants	18,955	-	-	-	-	18,955
Exchange differences arising on translation of foreign subsidiaries	-	-	(3,449)	-	-	(3,449)
Profit for the year	-	-	-	-	149,365	149,365
<b>At 31st March 2004</b>	<b>229,137</b>	<b>471</b>	<b>(3,168)</b>	<b>-</b>	<b>821,571</b>	<b>1,048,011</b>
At 1st April 2002, as previously stated	210,181	471	6	9,847	644,234	864,739
Prior year adjustment for SSAP 12 (revised)	-	-	-	-	(2,070)	(2,070)
At 1st April 2002, as restated	210,181	471	6	9,847	642,164	862,669
2003 interim dividends	-	-	-	-	(10,228)	(10,228)
2002 final dividends	-	-	-	-	(23,012)	(23,012)
Exercise of bonus warrants	1	-	-	-	-	1
Deficit on revaluation	-	-	-	(9,847)	-	(9,847)
Exchange differences arising on translation of foreign subsidiaries	-	-	275	-	-	275
Profit for the year, as restated	-	-	-	-	137,329	137,329
At 31st March 2003	210,182	471	281	-	746,253	957,187

**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 2003	210,182	471	40,586	
2004 interim dividends	-	-	-	(15,977)	(15,977)
2003 final and special dividends	-	-	-	(56,252)	(56,252)
Adjustment of prior year dividends	-	-	-	(1,818)	(1,818)
Exercise of bonus warrants	18,955	-	-	-	18,955
Profit for the year	-	-	-	74,153	74,153
<b>At 31st March 2004</b>	<b>229,137</b>	<b>471</b>	<b>40,586</b>	<b>5,634</b>	<b>275,828</b>
At 1st April 2002	210,181	471	40,586	5,913	257,151
2003 interim dividends	-	-	-	(10,228)	(10,228)
2002 final dividends	-	-	-	(23,012)	(23,012)
Exercise of bonus warrants	1	-	-	-	1
Profit for the year	-	-	-	32,855	32,855
At 31st March 2003	210,182	471	40,586	5,528	256,767

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 2004, the Group's finance lease liabilities were repayable as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	2,838	6,981
In the second year	207	2,857
In the third to fifth year	-	214
	<b>3,045</b>	10,052
Future finance charges on finance leases	(26)	(232)
Present value of finance lease liabilities	<b>3,019</b>	9,820

# Notes to the Accounts

31st March 2004

## 22 OBLIGATIONS UNDER FINANCE LEASES *(continued)*

The present value of finance lease liabilities is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	2,813	6,795
In the second year	206	2,812
In the third to fifth year	–	213
	206	3,025
Present value of finance lease liabilities	3,019	9,820

## 23 BANK LOANS

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank loans, unsecured (note 27)	111,429	70,000

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

The above bank loans are repayable in the following periods:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	57,143	22,500
In the second year	34,286	37,500
In the third to fifth year	20,000	10,000
	54,286	47,500
	111,429	70,000



**24 RETIREMENT BENEFIT COSTS**

	Group	
	2004	2003
	HK\$'000	HK\$'000
Obligations on:		
– defined contribution retirement schemes (note (a))	557	589
– long service payments (note (b))	8,646	6,579
	<b>9,203</b>	<b>7,168</b>

**(a) Defined contribution retirement schemes**

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

With effect from 1st December 2000, the Mandatory Provident Fund Scheme (the “MPF Scheme”) was set up under the MPF Scheme Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. The ORSO Scheme has remained in place with the introduction of the MPF Scheme. Under the MPF Scheme, eligible employees and the Group are required to contribute 5% on the employees’ monthly net salaries with a maximum monthly contribution of HK\$1,000.

Contributions to the ORSO Scheme and MPF Scheme charged to the consolidated profit and loss account for the year amounted to HK\$3,657,000 (2003: HK\$3,499,000). Forfeited contributions in respect of the defined contribution retirement scheme of approximately HK\$56,000 (2003: HK\$169,000) were utilised during the year, leaving HK\$135,000 (2003: HK\$39,000) available as at 31st March 2004 to reduce future contributions.

Contributions totalling HK\$557,000 (2003: HK\$589,000) were payable to the ORSO Scheme and MPF Scheme at the year end and were included in other payables and accrued charges.

**(b) Long service payments**

Long service payments provision is calculated in accordance with Section 31V of the Hong Kong Employment Ordinance at two-thirds of the employee’s last full month’s wages, or the two-thirds of HK\$22,500, whichever is lower, with the total provision for each employee limited to HK\$390,000. The provision balance is set-off against the Company’s accumulated contributions to the ORSO and MPF Schemes.

## 25 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on the deferred tax liabilities account is as follows:

	<b>Group</b>	Restated
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
At 1st April	<b>30,940</b>	23,638
Deferred taxation (credited)/charged to consolidated profit and loss account (note 5)	<b>(1,449)</b>	7,302
At 31st March	<b>29,491</b>	30,940

Deferred income tax assets are recognised for tax loss carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$15,192,000 (2003: HK\$9,422,000) to carry forward against future taxable income.

**25 DEFERRED TAXATION** (continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

**Deferred tax liabilities**

	Accelerated tax depreciation		Deferred development costs		Others		Total	
	2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	Restated 2003 HK\$'000
At 1st April	29,389	22,884	1,878	2,435	1,323	1,291	32,590	26,610
(Credited)/charged to profit and loss account	(1,343)	6,505	(61)	(557)	(990)	32	(2,394)	5,980
At 31st March	28,046	29,389	1,817	1,878	333	1,323	30,196	32,590

**Deferred tax assets**

	Tax losses	
	2004 HK\$'000	Restated 2003 HK\$'000
At 1st April	(1,650)	(2,972)
Charged to profit and loss account	945	1,322
At 31st March	(705)	(1,650)

	Group	
	2004 HK\$'000	Restated 2003 HK\$'000
Deferred tax liabilities	30,196	32,590
Deferred tax assets	(705)	(1,650)
	29,491	30,940

## 26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	166,438	161,045
Interest income	(14,447)	(4,966)
Interest expense on bank loans	6,836	10,927
Interest element of finance leases	166	642
Share of loss of a jointly controlled entity	318	481
Reversal of provision for advance to a jointly controlled entity	(118)	(81)
Amortisation of deferred development costs	12,485	18,391
Write-off of deferred development costs	4,841	5,559
Amortisation of premium on investment in security	683	–
Loss on disposal of fixed assets	1,897	677
Depreciation of owned fixed assets	74,176	91,167
Depreciation of fixed assets held under finance leases	2,657	6,916
Impairment charges on fixed assets	24,306	27,505
(Surplus)/deficit on revaluation of investment properties	(780)	6,570
Provision for other investment	1,934	–
Exchange differences arising on translation of foreign subsidiaries	(3,449)	275
Operating profit before working capital changes	277,943	325,108
(Increase)/decrease in inventories	(174,915)	88,506
(Increase)/decrease in trade receivables, other receivables, prepayments and deposits	(121,646)	147,774
Increase/(decrease) in trade payables, other payables and accrued charges	204,779	(140,924)
Net cash inflow generated from operations	186,161	420,464

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

	Share capital including premium		Trust receipt loans repayable over three months and bank loans				Obligations under finance leases	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	Minority interests		2004 HK\$'000	2003 HK\$'000
At 1st April	261,320	261,319	81,322	193,707	19,109	15,358	9,820	24,889
Cash inflow/(outflow) from financing	21,109	1	30,107	(112,385)	-	-	(6,801)	(15,069)
Minority interests' share of profits	-	-	-	-	1,695	3,751	-	-
Dividends paid to minority shareholders	-	-	-	-	(1,600)	-	-	-
At 31st March	282,429	261,320	111,429	81,322	19,204	19,109	3,019	9,820

**27 BANKING FACILITIES**

As at 31st March 2004, banking facilities of approximately HK\$1,056 million (2003: HK\$1,052 million) were granted by banks to the Group, of which approximately HK\$264 million (2003: HK\$114 million) have been utilised by the Group, which were supported by corporate guarantees given by the Company.

**28 CONTINGENT LIABILITIES**

The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain of its subsidiaries (note 27).

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

At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	34,987	34,797
Later than one year and not later than five years	65,378	94,664
Later than five years	22,405	25,531
	<b>122,770</b>	<b>154,992</b>

# Notes to the Accounts

31st March 2004

## 29 COMMITMENTS (continued)

### (b) Capital commitments

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for: Moulds, plant and machinery	1,690	11,620
Authorised but not contracted for: Moulds, plant and machinery	–	648
	<b>1,690</b>	<b>12,268</b>

## 30 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st March 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	1,506	2,584
Later than one year and not later than five years	358	1,753
	<b>1,864</b>	<b>4,337</b>

## 31 PRINCIPAL SUBSIDIARIES

As at 31st March 2004, 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 polyfoam and packing products
Alco Communications Limited	Hong Kong	Ordinary HK\$10,000	–	100	Manufacture of consumer audio and telecommunication products
Alco Digital Devices Limited	Hong Kong	Ordinary HK\$1,000,000	–	100	Software development and trading of electronic products
Alco Electronics Inc.	Canada	Ordinary C\$500,000	–	100	Trading of consumer audio-visual products
Alco Electronics Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$5,000,000	–	100	Design, manufacture and sale of consumer audio-visual and telecommunication products
Alco Electronics (Shenzhen) Limited	The PRC	Registered capital HK\$8,000,000	–	100	Provision of design and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK\$500,000	–	100	Trading of consumer audio-visual and telecommunication products

# Notes to the Accounts

31st March 2004

## 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 Plastic Products Limited	Hong Kong	Ordinary HK\$3,000,000	–	80	Manufacture and sale of plastic products
Alco Properties Limited	Hong Kong	Ordinary HK\$10,000	–	100	Property investment
Alco Technologies Limited	Hong Kong	Ordinary HK\$10,000	–	100	Investment holding
Commusonic Industries Limited	Hong Kong	Ordinary HK\$400,000	–	100	Manufacture of consumer audio products

The above table lists out the principal subsidiaries of the Company as at 31st March 2004 which, in the opinion of the directors, principally affected the results for the year or form 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 13th July 2004.