

31st March 2003

## 1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) *Basis of preparation*

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with the Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain investment properties.

In the current year, the Group has adopted the revised SSAPs effective for accounting periods commencing on or after 1st January 2002.

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 34 (revised)	: Employee benefits

The adoption of these revised SSAPs had no significant effect on the accounts of the Group except for reclassification of cash flows presented in the consolidated cash flow statement into operating, investing and financing activities and the presentation of consolidated statement of changes in equity.

### (b) *Group accounting*

#### (i) *Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

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**1 PRINCIPAL ACCOUNTING POLICIES** *(continued)***(b) Group accounting** *(continued)**(i) Consolidation (continued)*

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

*(ii) Jointly controlled entity*

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

In the Company's balance sheet, the investment in a jointly controlled entity is stated at cost less provision for impairment losses. The results of the jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

**(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 consolidated 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. In prior years, the profit and loss of a foreign enterprise was translated at closing rate. In the adoption of SSAP 11 (revised), foreign currency translation, the profit and loss is translated at an average rate. This is a change in accounting policy, however, the translation of the profit and loss of a foreign enterprise in prior years has not been restated as the effect of this change is not material to the current and prior years. 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.

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**1 PRINCIPAL ACCOUNTING POLICIES** *(continued)***(d) Fixed assets** *(continued)**(i) Investment properties (continued)*

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual property and separate value is not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

*(ii) Leasehold land and buildings*

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

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

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

*(iii) Moulds*

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

*(iv) Other fixed assets*

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

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

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.

**(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 an intangible asset 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 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 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.

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**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 interest expense in the consolidated profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity security are reviewed at the consolidated balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are 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 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.

**(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.

**(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.

**1 PRINCIPAL ACCOUNTING POLICIES** *(continued)***(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 90 days.

**(l) 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.

**(m) 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.

**(n) Employee benefits****(i) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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 payments from employees and by the relevant Group companies. The Group contributes to defined contribution retirement plans which are available to all qualified employees. Contributions to the schemes by the Group and employees are calculated at a percentage of employees' salaries.

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**1 PRINCIPAL ACCOUNTING POLICIES** (continued)**(n) Employee benefits** (continued)*(ii) Pension obligations* (continued)

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

**(o) 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.

**(p) Segment reporting**

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of deferred development costs, fixed assets, inventories, receivables and operating cash, and mainly exclude other investment 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:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Turnover		
Consumer audio-visual products	<b>4,240,279</b>	3,381,780
Telecommunication products	<b>26,717</b>	142,584
Plastic products	<b>47,507</b>	37,661
	<b>4,314,503</b>	3,562,025
Other revenues		
Interest income	<b>4,966</b>	5,946
Gross rental income from investment properties	<b>2,383</b>	1,546
Other rental income in respect of plant and machinery and moulds, net of outgoings	–	316
Others	<b>4,399</b>	5,368
	<b>11,748</b>	13,176
Total revenues	<b>4,326,251</b>	3,575,201

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

	2003			2002		
	Consumer electronic products HK\$'000	Plastic products HK\$'000	Group HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	Group HK\$'000
Turnover	4,266,996	47,507	4,314,503	3,524,364	37,661	3,562,025
Segment results	169,935	3,079	173,014	128,821	2,408	131,229
Unallocated revenues less expenses			81			1,375
Operating profit			173,095			132,604
Segment assets	1,412,033	117,086	1,529,119	1,693,832	88,809	1,782,641
Unallocated assets			42,299			1,934
Total assets			1,571,418			1,784,575
Segment liabilities	405,745	30,708	436,453	596,093	42,158	638,251
Unallocated liabilities			118,562			230,447
Total liabilities			555,015			868,698
Capital expenditure	156,911	11,092	168,003	98,592	5,096	103,688
Depreciation	82,746	15,337	98,083	78,686	12,020	90,706
Amortisation charges	18,391	–	18,391	28,153	–	28,153
Impairment charges and write-off	29,548	3,516	33,064	29,196	649	29,845

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**2 TURNOVER, REVENUES AND SEGMENT INFORMATION** *(continued)***(b) Geographical segment**

	Turnover	
	2003 HK\$'000	2002 HK\$'000
North America	<b>2,663,351</b>	2,085,493
Europe	<b>973,946</b>	871,146
Asia	<b>441,768</b>	508,764
South America	<b>146,927</b>	46,912
Australia and New Zealand	<b>52,193</b>	26,004
Africa	<b>36,318</b>	23,706
	<b>4,314,503</b>	3,562,025

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 2003 and 2002 were located or utilised in the PRC and Hong Kong.

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**3 OPERATING PROFIT**

Operating profit is stated after crediting and charging the following:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<b>Crediting</b>		
Negative goodwill recognised as income	–	1,648
Net exchange gains	–	728
<b>Charging</b>		
Amortisation of deferred development costs	<b>18,391</b>	28,153
Auditors' remuneration	<b>1,335</b>	1,308
Cost of inventories	<b>3,375,547</b>	2,881,549
Deficit on revaluation of investment properties	<b>6,570</b>	–
Depreciation of fixed assets held under finance leases	<b>6,916</b>	9,252
Depreciation of owned fixed assets	<b>91,167</b>	81,454
Impairment charges on fixed assets	<b>27,505</b>	21,768
Loss on disposal of fixed assets	<b>677</b>	4,276
Operating lease rental in respect of land and buildings	<b>34,814</b>	32,444
Out-goings in respect of investment properties	<b>99</b>	112
Provision for advance to a jointly controlled entity	–	273
Provision for bad and doubtful debts	–	6,833
Total staff costs (including directors' emoluments)	<b>273,455</b>	223,650
Less: amount capitalised in deferred development costs	<b>(11,357)</b>	(18,976)
Staff costs (note 9)	<b>262,098</b>	204,674
Write-off of deferred development costs	<b>5,559</b>	8,077

**4 FINANCE COSTS**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	<b>10,927</b>	17,867
Interest element of finance lease rental payments	<b>642</b>	1,898
	<b>11,569</b>	19,765

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## 5 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit of the Group for the year. 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	
	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	15,822	13,213
Over provision in prior years	(3,159)	(3,090)
Deferred taxation (note 26)	1,294	–
	<b>13,957</b>	10,123

There was no share of taxation attributable to a jointly controlled entity for the year (2002: 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.

## 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$32,855,000 (2002: HK\$23,059,000).

## 7 DIVIDENDS

	Company	
	2003 HK\$'000	2002 HK\$'000
Interim, paid of HK2.0 cents (2002: HK1.5 cents) per ordinary share	10,228	7,684
Final, proposed of HK6.0 cents (2002: HK4.5 cents) per ordinary share	30,683	23,012
Special, proposed of HK5.0 cents (2002: nil) per ordinary share	25,569	–
Adjustment to prior year's final dividend	–	(28)
	<b>66,480</b>	30,668

Note:

At a meeting held on 15th July 2003 the directors recommended a final dividend of HK6.0 cents per ordinary share and a special dividend of HK5.0 cents per ordinary share.

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**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\$143,337,000 (2002: HK\$98,893,000). The basic earnings per share is based on the weighted average of 511,382,099 (2002: 512,524,659) ordinary shares in issue during the year.

The diluted earnings per share is based on 516,836,174 (2002: no dilution effect) ordinary shares which is the weighted average of 5,454,075 (2002: nil) ordinary shares deemed to be issued at no consideration if all bonus warrants had been exercised.

**9 STAFF COSTS**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Wages and salaries	<b>238,991</b>	183,735
Pension costs – defined contribution retirement schemes (note 25(a))	<b>3,499</b>	3,167
Long service payments (note 25(b))	<b>6,579</b>	–
Other benefits	<b>13,029</b>	17,772
	<b>262,098</b>	204,674

**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>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Fees	<b>360</b>	360
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	<b>5,331</b>	5,331
Discretionary bonuses	<b>4,940</b>	4,160
Contributions to pension schemes	<b>240</b>	240
	<b>10,871</b>	10,091

Directors' fees disclosed above include HK\$360,000 (2002: HK\$360,000) paid to independent non-executive directors.

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

The emoluments of directors fell within the following bands:

Emolument bands	Number of directors	
	2003	2002
HK\$Nil – HK\$1,000,000	3	3
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	2	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	–

No directors waived emoluments in respect of the years ended 31st March 2003 and 2002.

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: three) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining two (2002: two) highest paid individuals during the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,568	3,180
Bonuses	1,500	1,500
Contributions to pension schemes	78	132
	<b>5,146</b>	<b>4,812</b>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2003	2002
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.

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## 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 2002	14,240	123,406	236,713	68,741	265,665	364,075	18,542	1,091,382
Reclassification	31,657	(36,103)	-	4,070	(4,070)	-	-	(4,446)
Additions	-	-	32,447	6,620	17,291	94,123	2,765	153,246
Adjustment on revaluation	(16,417)	-	-	-	-	-	-	(16,417)
Disposals	-	-	(35)	(135)	(6,396)	(7,654)	(1,365)	(15,585)
<b>At 31st March 2003</b>	<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>
<b>Accumulated depreciation</b>								
At 1st April 2002	-	14,957	189,378	46,214	192,310	196,779	11,976	651,614
Reclassification	-	(4,446)	-	2,625	(2,625)	-	-	(4,446)
Charge for the year	-	2,808	27,757	5,579	16,028	44,281	1,630	98,083
Impairment charges	-	-	14,702	1,266	6,688	4,367	482	27,505
Disposals	-	-	(25)	(110)	(5,783)	(7,089)	(841)	(13,848)
<b>At 31st March 2003</b>	<b>-</b>	<b>13,319</b>	<b>231,812</b>	<b>55,574</b>	<b>206,618</b>	<b>238,338</b>	<b>13,247</b>	<b>758,908</b>
<b>Net book value</b>								
<b>As at 31st March 2003</b>	<b>29,480</b>	<b>73,984</b>	<b>37,313</b>	<b>23,722</b>	<b>65,872</b>	<b>212,206</b>	<b>6,695</b>	<b>449,272</b>
As at 31st March 2002	14,240	108,449	47,335	22,527	73,355	167,296	6,566	439,768

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

<b>At 31st March 2003</b>								
<b>At cost</b>	-	87,303	269,125	79,296	272,490	450,544	19,942	1,178,700
<b>At professional valuation</b>	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>
<b>At 31st March 2002</b>								
<b>At cost</b>	-	123,406	236,713	68,741	265,665	364,075	18,542	1,077,142
<b>At professional valuation</b>	14,240	-	-	-	-	-	-	14,240
	14,240	123,406	236,713	68,741	265,665	364,075	18,542	1,091,382

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**11 FIXED ASSETS** *(continued)*

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

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	<b>64,427</b>	82,717
Leases of between 10 to 50 years	<b>16,041</b>	16,233
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	<b>22,996</b>	23,739
	<b>103,464</b>	122,689

- (b) Investment properties were revalued as at 31st March 2003 on the basis of their open market value by Chung, Chan & Associates Chartered Surveyors, an independent firm of professional valuers. The deficits arising on revaluation of investment properties amounted to HK\$16,417,000 (2002: surplus of HK\$412,000). The deficit arising on revaluation of investment properties was first offset against the investment properties revaluation reserve of HK\$9,847,000 (2002: credit of HK\$412,000) and the remaining balance of HK\$6,570,000 (2002: nil) was charged to the consolidated profit and loss account.
- (c) No leasehold land and buildings (2002: carrying value of HK\$82,717,000) have been pledged to banks to secure mortgage loans granted to the Group (note 28).
- (d) As at 31st March 2003, the total cost and accumulated depreciation of fixed assets held under finance leases were HK\$30,162,000 (2002: HK\$61,601,000) and HK\$11,480,000 (2002: HK\$18,286,000) respectively which have been included in plant and machinery category.
- (e) As at 31st March 2003, the Company's fixed assets comprised furniture, fixtures and equipment with a total cost of HK\$41,000 (2002: HK\$41,000) and accumulated depreciation of HK\$41,000 (2002: HK\$41,000).

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**12 DEFERRED DEVELOPMENT COSTS**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
At 1st April	<b>29,368</b>	42,820
Additions	<b>14,757</b>	22,778
Amortisation charges	<b>(18,391)</b>	(28,153)
Write-off	<b>(5,559)</b>	(8,077)
At 31st March	<b>20,175</b>	29,368
Cost	<b>112,012</b>	97,255
Accumulated amortisation and write-off	<b>(91,837)</b>	(67,887)
Net book amount	<b>20,175</b>	29,368

**13 INVESTMENTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost (note (a))	<b>67,586</b>	67,586
Amounts due from subsidiaries (note (b))	<b>240,575</b>	241,049
	<b>308,161</b>	308,635

Note:

- (a) Details of principal subsidiaries are set out in note 32 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**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost (note (a))	–	–	–	–
Share of net liabilities	<b>(1,308)</b>	(827)	–	–
Advance to a jointly controlled entity (note (b))	<b>1,500</b>	1,100	<b>1,500</b>	1,100
Less: provision	<b>(192)</b>	(273)	<b>(1,500)</b>	(1,100)
	–	–	–	–

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**14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY** *(continued)*

Note:

(a) As at 31st March 2003, 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 in. The amount is unsecured, interest-free and has no fixed terms of repayment.

**15 INVESTMENT IN SECURITY**

	Group 2003 HK\$'000	2002 HK\$'000
Held-to-maturity debt security Listed in overseas, at cost	<b>40,365</b>	–
Quoted market value of listed held-to-maturity debt security as at 31st March	<b>40,404</b>	–

**16 OTHER INVESTMENT**

	Group 2003 HK\$'000	2002 HK\$'000
Contributed capital, at cost	<b>1,934</b>	1,934

As at 31st March 2003, 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.

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**17 INVENTORIES**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>258,084</b>	305,607
Work in progress	<b>25,983</b>	46,001
Finished goods	<b>137,846</b>	158,811
	<b>421,913</b>	510,419

As at 31st March 2003, the carrying amount of inventories that were carried at net realisable value amounted to HK\$43,730,000 (2002: HK\$45,655,000).

**18 TRADE RECEIVABLES**

At 31st March 2003, the ageing analysis of the trade receivables based on invoiced date is as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
0–30 days	<b>139,436</b>	313,722
31–60 days	<b>57,513</b>	29,206
61–90 days	<b>4,619</b>	2,331
Over 90 days	<b>2,218</b>	2,534
	<b>203,786</b>	347,793

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 AMOUNT DUE TO A RELATED COMPANY**

The amount due was unsecured, interest-free and had no fixed terms of repayment. The balance was fully repaid during the year.

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**20 TRADE PAYABLES**

At 31st March 2003, the ageing analysis of the trade payables based on invoiced date is as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
0–30 days	<b>153,146</b>	225,356
31–60 days	<b>66,531</b>	116,732
61–90 days	<b>40,479</b>	64,269
Over 90 days	<b>482</b>	780
	<b>260,638</b>	407,137

**21 SHARE CAPITAL**

	<b>Company</b>	
	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31st March 2002 and 2003	800,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2001	513,703,854	51,370
Repurchase of shares	(2,322,000)	(232)
At 31st March 2002 and 1st April 2002	511,381,854	51,138
Exercise of bonus warrants (note)	880	–
At 31st March 2003	511,382,734	51,138

*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.

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**21 SHARE CAPITAL** (continued)

Note (continued):

During the year ended 31st March 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\$862.

Details of the movement and outstanding bonus warrants as at 31st March 2003 were as follows:

Subscription price per share	Number of bonus warrants outstanding as at 2nd September 2002	Number of bonus warrants exercised during the year	Number of bonus warrants outstanding as at 31st March 2003
HK\$0.98	51,138,185	880	51,137,305

Subsequent to the year end, 53,160 bonus warrants were exercised, resulting in the issue of 53,160 ordinary shares of HK\$0.10 each of the Company at the subscription price of HK\$0.98 per share for a total cash consideration of HK\$52,097.

**22 RESERVES**

	Group						
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Reserve on acquisition HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 2002	210,181	471	-	6	9,847	644,234	864,739
Dividends	-	-	-	-	-	(33,240)	(33,240)
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	-	-	-	-	-	143,337	143,337
<b>At 31st March 2003</b>	<b>210,182</b>	<b>471</b>	<b>-</b>	<b>281</b>	<b>-</b>	<b>754,331</b>	<b>965,265</b>
At 1st April 2001	211,142	239	9	-	9,435	568,640	789,465
Dividends	-	-	-	-	-	(23,067)	(23,067)
Repurchase of shares	(961)	232	-	-	-	(232)	(961)
Negative goodwill recognised as income	-	-	(9)	-	-	-	(9)
Surplus on revaluation	-	-	-	-	412	-	412
Exchange differences arising on translation of a foreign subsidiary	-	-	-	6	-	-	6
Profit for the year	-	-	-	-	-	98,893	98,893
At 31st March 2002	210,181	471	-	6	9,847	644,234	864,739

31st March 2003

**22 RESERVES** (continued)

	Company				Total HK\$'000
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	
	<b>At 1st April 2002</b>	<b>210,181</b>	<b>471</b>	<b>40,586</b>	
<b>Dividends</b>	–	–	–	<b>(33,240)</b>	<b>(33,240)</b>
<b>Exercise of bonus warrants</b>	<b>1</b>	–	–	–	<b>1</b>
<b>Profit for the year</b>	–	–	–	<b>32,855</b>	<b>32,855</b>
<b>At 31st March 2003</b>	<b>210,182</b>	<b>471</b>	<b>40,586</b>	<b>5,528</b>	<b>256,767</b>
At 1st April 2001	211,142	239	40,586	6,153	258,120
Dividends	–	–	–	(23,067)	(23,067)
Repurchase of shares	(961)	232	–	(232)	(961)
Profit for the year	–	–	–	23,059	23,059
At 31st March 2002	210,181	471	40,586	5,913	257,151

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.

**23 OBLIGATIONS UNDER FINANCE LEASES**

At 31st March 2003, the Group's finance lease liabilities were payable as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	<b>6,981</b>	15,725
In the second year	<b>2,857</b>	7,014
In the third to fifth year	<b>214</b>	3,092
	<b>10,052</b>	25,831
Future finance charges on finance leases	<b>(232)</b>	(942)
Present value of finance lease liabilities	<b>9,820</b>	24,889

31st March 2003

**23 OBLIGATIONS UNDER FINANCE LEASES** *(continued)*

The present value of finance lease liabilities is as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>6,795</b>	15,060
In the second year	<b>2,812</b>	6,793
In the third to fifth year	<b>213</b>	3,036
Present value of finance lease liabilities	<b>9,820</b>	24,889

**24 BANK LOANS**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Bank loans – secured (note 28)	–	11,052
– unsecured (note)	<b>70,000</b>	172,486
	<b>70,000</b>	183,538

The above bank loans are repayable in the following periods:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>22,500</b>	65,769
In the second year	<b>37,500</b>	98,028
In the third to fifth year	<b>10,000</b>	19,741
	<b>47,500</b>	117,769
	<b>70,000</b>	183,538

*Note:*

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

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**25 RETIREMENT BENEFIT COSTS**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Obligations on:		
– defined contribution retirement schemes (note (a))	<b>589</b>	579
– long service payments (note (b))	<b>6,579</b>	–
	<b>7,168</b>	579

**(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 salaries.

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 the MPF Scheme charged to the consolidated profit and loss account for the year amounted to HK\$3,499,000 (2002: HK\$3,167,000). Forfeited contributions in respect of the defined contribution retirement scheme of approximately HK\$169,000 (2002: HK\$658,000) were utilised during the year, leaving HK\$39,000 (2002: HK\$211,000) available as at 31st March 2003 to reduce future contributions.

Contributions totalling HK\$589,000 (2002: HK\$579,000) were payable to the ORSO Scheme and the 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\$370,000. The provision balance is set-off against the Company’s accumulated contributions to the ORSO Scheme and the MPF Scheme.

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**26 DEFERRED TAXATION**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
At 1st April	<b>21,568</b>	21,568
Charged to consolidated profit and loss account (note 5)	<b>1,294</b>	–
At 31st March	<b>22,862</b>	21,568
Provided for in respect of:		
Accelerated depreciation allowances	<b>20,143</b>	17,184
Deferred development costs	<b>1,597</b>	2,790
Other timing differences	<b>1,122</b>	1,594
	<b>22,862</b>	21,568

The potential deferred taxation liabilities/(assets) not provided for in the accounts amount to:

Accelerated depreciation allowances	<b>644</b>	737
Taxation losses	<b>(2,420)</b>	(4,936)
	<b>(1,776)</b>	(4,199)

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**27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(a) Reconciliation of profit before taxation to net cash inflow generated from operations**

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	161,045	112,012
Interest income	(4,966)	(5,946)
Interest on bank loans	10,927	17,867
Interest element of finance lease rental payments	642	1,898
Negative goodwill recognised as income	–	(1,648)
Share of loss of a jointly controlled entity	481	827
(Reversal of provision)/provision for advance to a jointly controlled entity	(81)	273
Amortisation of deferred development costs	18,391	28,153
Write-off of deferred development costs	5,559	8,077
Loss on disposal of fixed assets	677	4,276
Depreciation of owned fixed assets	91,167	81,454
Depreciation of fixed assets held under finance leases	6,916	9,252
Impairment charges on fixed assets	27,505	21,768
Deficit on revaluation of investment properties	6,570	–
Exchange differences	275	–
Operating profit before working capital changes	<b>325,108</b>	278,263
Decrease in inventories	<b>88,506</b>	87,396
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits	<b>147,774</b>	(107,039)
(Decrease)/increase in amount due to a related company, trade payables, other payables and accrued charges	<b>(140,924)</b>	149,838
Net cash inflow generated from operations	<b>420,464</b>	408,458

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

	Share capital including premium		Trust receipt loans and bank loans		Minority interests		Obligations under finance leases	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1st April	261,319	262,512	193,707	195,819	15,358	22,001	24,889	40,867
Cash inflow/(outflow)								
from financing	1	(1,193)	(112,385)	(2,112)	-	-	(15,069)	(19,859)
Inception of finance leases	-	-	-	-	-	-	-	3,881
Minority interests'								
share of profits	-	-	-	-	3,751	2,996	-	-
Dividend paid to minority shareholders	-	-	-	-	-	(3,000)	-	-
Further acquisition of interest in a subsidiary (note (c))	-	-	-	-	-	(6,639)	-	-
At 31st March	261,320	261,319	81,322	193,707	19,109	15,358	9,820	24,889

**(c) Further acquisition of interest in a subsidiary**

	2003 HK\$'000	2002 HK\$'000
Net assets acquired in respect of additional interest	-	6,639
Negative goodwill	-	(1,639)
	-	5,000
Satisfied by:		
Cash consideration and net cash outflow in respect of further acquisition of interest in a subsidiary	-	5,000

**28 BANKING FACILITIES**

As at 31st March 2003, banking facilities of approximately HK\$1,052 million (2002: HK\$999 million) were granted by banks to the Group, of which approximately HK\$114 million (2002: HK\$273 million) have been utilised by the Group. The facilities were supported by corporate guarantees given by the Company.

**29 CONTINGENT LIABILITIES**

The Company provided guarantees in favour of certain banks to secure general banking facilities granted to certain subsidiaries (note 28).

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

At 31st March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	34,797	25,034
Later than one year and not later than five years	94,664	37,339
Later than five years	25,531	31,974
	154,992	94,347

**(b) Capital commitments**

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for:		
Moulds, plant and machinery	11,620	30,673
Authorised but not contracted for:		
Moulds, plant and machinery	648	481
	12,268	31,154

**31 RELATED PARTY TRANSACTIONS**

Save as disclosed in other notes to the accounts, during the year and in the normal course of business, the Group had the following significant related party transactions with Venturer Electronics Inc. ("Venturer") in which a son of a director of the Company has beneficial interests.

On 31st August 2002, all the beneficial interests of Venturer were disposed of by the son of the director to an independent third party. Since then, Venturer has ceased to be a related party. The below amount for 2003 represents sales to Venturer up to 31st August 2002.

	Group	
	2003	2002
	HK\$'000	HK\$'000
Sales of goods to:		
Venturer Electronics Inc.	125,008	274,134
	125,008	274,134

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**32 PRINCIPAL SUBSIDIARIES**

As at 31st March 2003, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity held by the Company		Principal activities
			Direct	Indirect	
Alco Investments (B.V.I.) Limited	British Virgin Islands	Ordinary US\$50,000	100	–	Investment holding and provision of management services to its subsidiaries
Advance Packaging Limited	Hong Kong	Ordinary HK\$500,000	–	100	Manufacture and sale of packing products
Alco Communications Limited	Hong Kong	Ordinary HK\$10,000	–	100	Manufacture of consumer audio and telecommunication products
Alco Digital Devices Limited	Hong Kong	Ordinary HK\$1,000,000	–	100	Software development and trading of electronic products
Alco Electronics 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 designing and logistic services to group companies
Alco International Limited	Hong Kong	Ordinary HK\$500,000	–	100	Trading of consumer audio-visual and telecommunication products

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**32 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 2003 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.

**33 APPROVAL OF ACCOUNTS**

The accounts were approved by the board of directors on 15th July 2003.