ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 328)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2005

PERFORMANCE HIGHLIGHTS

- Turnover increased by 41% to HK$5.4 billion.
- Net profit increased by 60% to HK$239 million.
- Recommended a final dividend of HK12 cents per share and a special dividend of HK4 cents per share.
- Strong financial position with a net surplus cash of HK$651 million.

The Directors of Alco Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2005 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31st March 2005

	Note	2005 HK$'000	2004 HK$'000
Turnover	2	**5,389,124**	3,814,781
Cost of sales		**(4,921,101)**	(3,482,935)
Gross profit		**468,023**	331,846
Other revenues		**25,710**	22,327
Selling expenses		**(114,622)**	(90,202)
Administrative expenses		**(93,362)**	(82,707)
Other operating expenses		**(7,181)**	(7,506)
Operating profit	3	**278,568**	173,758
Finance costs		**(8,532)**	(7,002)
Share of loss of a jointly controlled entity		**–**	(318)
Profit before taxation		**270,036**	166,438
Taxation	4	**(28,371)**	(15,378)
Profit after taxation		**241,665**	151,060
Minority interests		**(2,519)**	(1,695)
Profit attributable to shareholders		**239,146**	149,365
Dividends	5	**117,005**	74,599
Earnings per share – basic	6	**43.7 cents**	28.5 cents
– diluted	6	**43.0 cents**	27.4 cents

CONSOLIDATED BALANCE SHEET
As at 31st March 2005

	2005 HK$'000	2004 HK$'000
Fixed assets	**417,928**	427,523
Deferred development costs	**8,112**	16,398
Investment in a jointly controlled entity	**–**	–
Investment in security	**–**	39,682
Other investment	**–**	–
Long-term bank deposits	**111,400**	119,200
Current assets		
Inventories	**549,546**	596,828
Trade receivables, prepayments and deposits	**367,616**	351,881
Bank balances and cash	**746,944**	466,679
	1,664,106	1,415,388
Current liabilities		
Trade payables, other payables and accruals	**671,093**	587,500
Trust receipt loans	**89,050**	152,638
Taxation payable	**12,814**	13,607
Obligations under finance leases	**206**	2,813
Bank loans – current portion	**77,619**	57,143
	850,782	813,701
Net current assets	**813,324**	601,687
Total assets less current liabilities	**1,350,764**	1,204,490
Financed by:		
Share capital	**55,733**	53,292
Reserves	**1,222,044**	1,048,011
Shareholders' funds	**1,277,777**	1,101,303
Minority interests	**–**	19,204
Obligations under finance leases	**–**	206
Bank loans – long-term portion	**40,000**	54,286
Deferred taxation	**32,987**	29,491
	1,350,764	1,204,490

Notes:

(1) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention as modified by the revaluation of certain investment properties.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("new HKFRSs") and Hong Kong Accounting Standards ("HKAS") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005.

The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group are as follows:

Under HKAS 17 'Leases', leasehold land in Hong Kong will no longer be accounted for as property, plant and equipment. Instead, it will be accounted for as prepayment of lease and stated at cost and recognised as an expense on a straight-line basis over the lease term under HKAS 17.

Under HKAS 40 'Investment Property', the change in fair value of the investment properties will be recognised in the profit and loss account. This treatment may increase the volatility of the Group's results as any revaluation surplus or deficit would be reflected in the profit and loss account.

Under HKAS 39 'Financial Instruments: Recognition and Measurement', financial instruments will be carried at either amortised cost or fair value, depending on their classification. Depending on the classification of the financial instruments, movements in fair value will be either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts will be recognised in the balance sheet at fair value. This will result in a change to the Group's current accounting policies in respect of classification, measurement and recognition of derivative financial instruments. This new accounting policy will be applied prospectively from 1st January 2005. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not been completed. However, the requirements to recognise derivatives and certain other financial instruments with changes in fair value being reflected in the profit and loss account may result in increased volatility in the Group's profit and net assets.

(2) Segment information

The Group is principally engaged in the design, manufacture and sale of consumer audio-visual, telecommunication and plastic products.

(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

	2005				2004			
	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	**5,379,739**	**9,385**	**–**	**5,389,124**	3,781,964	32,817	–	3,814,781
Inter-segment sales	**–**	**215,190**	**(215,190)**	**–**	–	254,038	(254,038)	–
	5,379,739	**224,575**	**(215,190)**	**5,389,124**	3,781,964	286,855	(254,038)	3,814,781
Segment results	**272,756**	**589**		**273,345**	172,933	707		173,640
Negative goodwill arising from additional interest in a subsidiary	**–**	**5,223**		**5,223**	–	–		–
Unallocated revenues less expenses				**–**				118
Operating profit				**278,568**				173,758
Finance costs				**(8,532)**				(7,002)
Share of loss of a jointly controlled entity				**–**				(318)
Profit before taxation				**270,036**				166,438
Taxation				**(28,371)**				(15,378)
Profit after taxation				**241,665**				151,060
Minority interests				**(2,519)**				(1,695)
Profit attributable to shareholders				**239,146**				149,365
Segment assets	**2,110,544**	**91,002**		**2,201,546**	1,904,316	74,193		1,978,509
Unallocated assets				**–**				39,682
Total assets				**2,201,546**				2,018,191
Segment liabilities	**739,271**	**21,078**		**760,349**	714,817	28,340		743,157
Unallocated liabilities				**163,420**				173,731
Total liabilities				**923,769**				916,888
Capital expenditure	**89,454**	**13,665**		**103,119**	84,677	10,682		95,359
Depreciation	**65,674**	**10,040**		**75,714**	67,205	9,628		76,833
Amortisation charges and write-off on deferred development costs	**20,948**	**–**		**20,948**	17,326	–		17,326
Impairment charges on fixed assets	**18,404**	**1,032**		**19,436**	24,306	–		24,306

(b) Secondary reporting format – Geographical segment

	Turnover 2005 HK$'000	Turnover 2004 HK$'000
North America	**3,376,923**	2,474,800
Europe	**1,409,699**	862,109
Asia	**468,842**	381,678
Australia and New Zealand	**75,098**	37,965
South America	**39,811**	12,576
Africa	**18,751**	45,653
	5,389,124	3,814,781

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 2005 and 2004 were located or utilised in the PRC and Hong Kong.

(3) Operating profit

Operating profit is stated after charging the following:

	2005 HK$'000	2004 HK$'000
Depreciation of fixed assets	**75,714**	76,833
Amortisation of deferred development costs	**12,183**	12,485
Operating lease rental in respect of land and buildings	**35,916**	36,045

(4) Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit 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:

	2005 HK$'000	2004 HK$'000
Current taxation:		
Hong Kong profits tax	**24,687**	16,898
Under/(Over)-provision in prior years	**188**	(71)
Deferred taxation relating to the origination and reversal of temporary differences	**3,496**	(1,449)
Taxation charges	**28,371**	15,378

There was no share of taxation attributable to a jointly controlled entity for the year (2004: 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.

(5) Dividends

	2005 HK$'000	2004 HK$'000
Interim, paid, of HK5.0 cents (2004: HK3.0 cents) per ordinary share	**27,832**	15,977
Final, proposed, of HK12.0 cents (2004: HK8.0 cents) per ordinary share	**66,880**	42,634
Special, proposed, of HK4.0 cents (2004: HK3.0 cents) per ordinary share	**22,293**	15,988
	117,005	74,599

(6) 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 2005 of HK$239,146,000 (2004: HK$149,365,000). The basic earnings per share is based on the weighted average of 547,469,710 (2004: 523,486,059) ordinary shares in issue during the year.

The diluted earnings per share is based on 556,361,658 (2004: 546,017,321) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 8,891,948 (2004: 22,531,262) ordinary shares deemed to be issued at no consideration if all outstanding bonus warrants had been exercised.

PROPOSED FINAL AND SPECIAL DIVIDENDS

The Board of Directors have recommended the payment of a final dividend of HK12.0 cents (2004: HK8.0 cents) per ordinary share and a special dividend of HK4.0 cents (2004: HK3.0 cents) per ordinary share for the year ended 31st March 2005 to the shareholders whose names appear on the Register of Members of the Company on 8th September 2005.

Subject to shareholders' approval at the forthcoming Annual General Meeting, the final and special dividends are expected to be paid on 22nd September 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 6th September 2005 to Thursday, 8th September 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final and special dividends, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Monday, 5th September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

During the year under review, the Group recorded a turnover of approximately HK$5.4 billion, an increase of 41% when compared with last year's HK$3.8 billion. Profit attributable to shareholders rose from HK$149 million to HK$239 million, an increase of 60%. Earnings per share increased by 53%, from HK28.5 cents to HK43.7 cents.

BUSINESS REVIEW

2004 was a challenging yet fruitful year for Alco. The Group led the market in launching high-value consumer digital products, which generated substantial amount of orders. The Group continued to invest in sophisticated production facilities to ensure our products meet customers' ever-growing expectation for product performance and quality.

During the year, the Group continued to face different challenges. Margin pressure was partly due to keen market competition and partly due to higher prices of raw materials and other components, particularly plastic resin and memory integrated circuits. Nevertheless, by focusing on producing more high-end digital products for OEM and private label customers, adopting prudent cost control measures and boosting economies of scale, we were able to mitigate the pressure and maintained gross profit margin at about 8.7%.

Audio-visual products

For the year ended 31st March 2005, audio-visual products continued to be the major revenue contributor of the Group. The market responded well to our high-value products such as portable DVD players with built-in TFT-LCD screens, translating into significant income for us during the year. To widen our product portfolio, we also diversified our product range further to cover home-use TFT-LCD TV and DVD recorder products. Other new models have also been added and will be added throughout calendar year 2005, especially to the solid-state memory based digital audio player and hard-disk based digital audio player categories. Though under severe price pressure, our traditional audio products, such as 20-CD home audio systems, micro audio systems and personal CD players, continued to generate stable order and income for the Group.

Production facilities

Even though we have not expanded our production plants physically, we have continued to upgrade and expand our manufacturing facilities to meet increasing customer demands for our high-value digital products. More "clean zone" facilities, lead-free soldering equipment and advanced Surface Mount Technology ("SMT") facilities were added during the year. To support our consistently expanding digital AV product range, we plan to further expand all these advanced production facilities in 2006. In order to further alleviate our demand for and reliance on labour, we also stepped up automation of our many production processes including the use of robotic arms in the plastic moulding operation and the installation of automatic-spraying facilities.

Continuous investment is critical to ensure that we have the production capacity, ability and flexibility to produce our world-class product range that can cater to the ever-changing needs of our customers and consumers.

Markets and customers

Part of Alco's success rests on our direct and long-term relationship with mass retail chain stores in North America and Europe. These strong ties allow us to very effectively and quickly ascertain the viability of new products and concepts, and shorten the lead time for us to deliver existing and new models to retail customers.

As for our OEM business, in addition to the existing largely AV-products customer base, we have been manufacturing products for and are bidding on projects related to other product sectors, such as office automation, industrial security systems, and the like. All these activities are part of our efforts to enlarge our customer base for non-AV OEM business.

LIQUIDITY AND FINANCIAL RESOURCES

The cash position of the Group remained very strong. As at 31st March 2005, our cash on hand and deposits totaled at HK$858 million. After deducting the interest bearing debts of HK$207 million, we had net surplus cash of HK$651 million, as compared with last year's HK$319 million. The increase in net surplus cash was from profit generated from operations and the lower capital expenditure incurred during the year.

At the continuous effort of the Group to control its working capital, despite the increase in turnover, the inventory level as at 31st March 2005 decreased from HK$597 million to HK$550 million and the average inventory turnover dropped from 68 days to 63 days. The average trade receivables turnover also decreased from 48 days to 40 days.

We finance our operations by drawing from a combination of resources including retained profits, trust receipt banking facilities and committed long term bank loan. As at 31st March 2005, the Group had been granted banking facilities of HK$1,924 million, of which HK$207 million were used. Among the used facilities, HK$167 million are repayable within one year and the remaining HK$40 million are repayable within five years.

To meet the working capital requirements of manufacturing high-value products, especially larger screen TFT-LCD related items, we arranged a 3-year syndicated term loan of HK$350 million as standby facilities. The securing of the loan not only enhanced the Group's financial position, but also demonstrated our bankers' strong confidence in Alco. No drawing had been made on the loan as at 31st March 2005.

Capital expenditure on fixed assets spent during the year was HK$90 million (2004: HK$82 million), mainly on enhancing our various advanced production facilities. At 31st March 2005, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounting to HK$7 million (2004: HK$2 million).

Our foreign exchange exposure is well managed and as nearly all of our sales, purchases and borrowings are denominated in US dollar and HK dollar, we have natural hedges against currency risks and it is our policy not to engage in speculative activities.

As at 31st March 2005, shareholders' funds amounted to HK$1,278 million, representing an increase of 16% as compared with HK$1,101 million last year. The increased amount mainly constituted profit for the year and the proceeds of HK$24 million from the issue of new shares through the exercise of warrants. As at 31st March 2005, outstanding warrants numbered at 5,185,951.

As at 31st March 2005, we had approximately 14,000 employees in Hong Kong and the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

PROSPECTS

Aiming to grow our shares in major markets such as North America and Europe, we are gearing up to expand our product portfolio by developing more high-end and high-value products. Such product advancements are necessary to sustain growth of the Group, as traditional low-end products will eventually be all phased out. This has been the business strategy of the Group for the past few years and we plan to continue to do so consistently and prudently.

During the year, we saw various challenges that affected the entire industry. Factors such as oil prices hike making raw materials such as plastic resin more expensive, labour shortage and power shortage in Mainland China, and the tight supply of certain key components all contributed to the increase in the costs of manufacturing for the industry. The Group alleviated the impact of some of these problems by stepping up automation to lower our reliance on direct labour and beefing up our own power generation facilities for uninterrupted electricity supply. Even though we have no definite plan to relocate our existing production facilities, we have been constantly studying the feasibility of establishing manufacturing facilities in the northern part of Guangdong province where a lower-cost labour pool is available.

On the portable DVD products front, though the Group anticipated tight supply of TFT-LCD panels in the upcoming peak production season, with new generations of TFT-LCD fabrication facilities coming on-stream, the supply and pricing of the panels are expected to improve by the end of 2005. Facing intense competition in the portable DVD market, we have been developing new applications and new products employing medium sized LCD panels. We have also been developing new LCD TV products to further enhance our overall product portfolio and variety in this product segment.

To stay abreast of the changing needs in such a dynamic market, the Group will increase investment in research and development to strategically and selectively grow the number and variety of products. During the year, we expanded our office in Shenzhen to further enhance our research and development resources there. Staffed by high calibre and experienced professionals, our product development teams are dedicated to developing more sophisticated and value-added products that will provide ever-better margins for the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied with the Code of Best Practice during the year except that independent non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, independent non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the accounts of the Group for the year ended 31st March 2005.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

The detailed results containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website in due course.

APPRECIATION

We would not have achieved such encouraging performance without the support of our business partners, staff, the management and shareholders. On behalf of the Board, I would like to express my sincere gratitude to all of them for their continuous dedication, commitment and support over the past year.

LIST OF DIRECTORS

The directors of the Company as at the date of this announcement are Mr Leung Kai Ching, Kimen, Mr Leung Wai Sing, Wilson and Mr Kuok Kun Man, Andrew as executive directors; Mr Wong Po Yan, The Hon Li Wah Ming, Fred and Mr Lau Wang Yip, Derrick as independent non-executive directors.

By Order of the Board
LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 18th July 2005