



# **ALCO HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 328)

**INTERIM REPORT 2007**

The directors of Alco Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2007, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2007

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2007</b>	2006
		<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	3	<b>1,927,879</b>	2,762,714
Cost of goods sold	5	<b>(1,724,895)</b>	(2,493,643)
Gross profit		<b>202,984</b>	269,071
Other gains	4	<b>18,125</b>	15,285
Selling expenses	5	<b>(63,788)</b>	(79,896)
Administrative expenses	5	<b>(38,117)</b>	(37,268)
Other operating expenses	5	<b>(2,754)</b>	(2,669)
Operating profit		<b>116,450</b>	164,523
Finance costs		<b>(1,623)</b>	(10,369)
Profit before income tax		<b>114,827</b>	154,154
Income tax expense	6	<b>(12,537)</b>	(17,318)
Profit attributable to equity holders of the Company		<b>102,290</b>	136,836
Dividends	7	<b>50,476</b>	50,513
Earnings per share attributable to equity holders of the Company			
– basic	8	<b>18.2 cents</b>	24.4 cents
– diluted	8	<b>18.2 cents</b>	24.4 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2007

		<b>Unaudited 30th September 2007 HK\$'000</b>	Audited 31st March 2007 HK\$'000
Non-current assets			
Property, plant and equipment		<b>341,868</b>	312,799
Investment properties		<b>46,830</b>	46,830
Leasehold land and land use rights		<b>59,042</b>	59,189
Deferred development costs		<b>8,976</b>	6,184
Held-to-maturity financial assets	9	<b>85,800</b>	111,400
		<b>542,516</b>	536,402
Current assets			
Inventories		<b>859,706</b>	401,844
Trade receivables, prepayments and deposits	10	<b>774,061</b>	305,278
Cash and cash equivalents		<b>324,897</b>	892,794
		<b>1,958,664</b>	1,599,916
Current liabilities			
Trade payables, other payables and accruals	11	<b>832,782</b>	545,669
Trust receipt loans		<b>37,257</b>	–
Current income tax liabilities		<b>17,879</b>	3,474
Borrowings	12	<b>63,045</b>	648
		<b>950,963</b>	549,791
Net current assets		<b>1,007,701</b>	1,050,125
Total assets less current liabilities		<b>1,550,217</b>	1,586,527
Capital and reserves attributable to equity holders of the Company			
Share capital	13	<b>56,084</b>	56,084
Reserves		<b>1,465,456</b>	1,499,679
Total equity		<b>1,521,540</b>	1,555,763
Non-current liabilities			
Borrowings	12	<b>2,686</b>	2,905
Deferred income tax liabilities		<b>25,991</b>	27,859
		<b>28,677</b>	30,764
Total equity and non-current liabilities		<b>1,550,217</b>	1,586,527

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2007

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash used in operating activities	<b>(628,184)</b>	(905,482)
Net cash used in investing activities	<b>(39,148)</b>	(66,868)
Net cash generated from financing activities	<b>99,435</b>	443,863
Net decrease in cash and cash equivalents	<b>(567,897)</b>	(528,487)
Cash and cash equivalents at beginning of period	<b>892,794</b>	1,028,572
Cash and cash equivalents at end of period	<b>324,897</b>	500,085
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>324,897</b>	500,085

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2007

	Unaudited					
	Share	Share	Capital	Exchange	Retained	Total
	capital	premium	redemption	reserve	earnings	
	HK\$'000	HK\$'000	reserve	reserve	HK\$'000	HK\$'000
			HK\$'000	HK\$'000		
At 1st April 2006	56,125	253,894	481	(601)	1,116,138	1,426,037
Currency translation differences	-	-	-	(1,728)	-	(1,728)
Profit for the period	-	-	-	-	136,836	136,836
2006 final and final special dividends	-	-	-	-	(123,475)	(123,475)
At 30th September 2006	<u>56,125</u>	<u>253,894</u>	<u>481</u>	<u>(2,329)</u>	<u>1,129,499</u>	<u>1,437,670</u>
At 1st April 2007	<b>56,084</b>	<b>252,548</b>	<b>522</b>	<b>(1,284)</b>	<b>1,247,893</b>	<b>1,555,763</b>
Currency translation differences	-	-	-	(1,911)	-	(1,911)
Profit for the period	-	-	-	-	102,290	102,290
2007 final and final special dividends	-	-	-	-	(134,602)	(134,602)
At 30th September 2007	<u><b>56,084</b></u>	<u><b>252,548</b></u>	<u><b>522</b></u>	<u><b>(3,195)</b></u>	<u><b>1,215,581</b></u>	<u><b>1,521,540</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2007

### 1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2007.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2007, except that the Group has adopted certain amendments to standards and interpretations which are mandatory for the year ended 31st March 2008.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in note 2 below.

### 2. Changes in accounting policies

The following new standard, amendment to standard and interpretations are mandatory for the year ended 31st March 2008. The Group has adopted these new standard, amendment to standard and interpretations where considered appropriate and relevant to its operations:

– HKAS 1 Amendment	Capital Disclosures
– HKFRS 7	Financial Instruments: Disclosures
– HK(IFRIC)-Int 8	Scope of HKFRS 2
– HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
– HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
– HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has not early adopted the following new standard, amendment to standard and interpretations that have been issued but are not yet effective in these condensed consolidated financial statements:

– HKAS 23 (Revised)	Borrowing Costs
– HKFRS 8	Operating Segments
– HK(IFRIC)-Int 12	Service Concession Arrangements
– HK(IFRIC)-Int 13	Customer Loyalty Programmes
– HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

### 3. Segment information

The Group is principally engaged in the design, manufacture and sale of consumer electronic products and plastic products.

#### (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 electronic products
- Plastic products – Manufacture and sale of plastic and packaging products

	Six months ended 30th September							
	2007				2006			
	Consumer electronic products	Plastic products	Elimination	Group	Consumer electronic products	Plastic products	Elimination	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover								
External sales	1,926,035	1,844	-	1,927,879	2,760,113	2,601	-	2,762,714
Inter-segment sales	-	66,202	(66,202)	-	-	106,712	(106,712)	-
	<u>1,926,035</u>	<u>68,046</u>	<u>(66,202)</u>	<u>1,927,879</u>	<u>2,760,113</u>	<u>109,313</u>	<u>(106,712)</u>	<u>2,762,714</u>
Segment results	<u>117,004</u>	<u>(554)</u>		<u>116,450</u>	<u>164,469</u>	<u>54</u>		<u>164,523</u>

### 3. Segment information (continued)

#### (b) Geographical segment

	Turnover	
	Six months ended	
	30th September	
	2007	2006
	HK\$'000	HK\$'000
North America	1,448,481	2,110,593
Europe	297,638	403,594
Asia	140,082	143,925
Others	41,678	104,602
	<u>1,927,879</u>	<u>2,762,714</u>

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.

### 4. Other gains

	Six months ended	
	30th September	
	2007	2006
	HK\$'000	HK\$'000
Interest income	14,460	12,202
Others	3,665	3,083
	<u>18,125</u>	<u>15,285</u>



## 5. Expenses by nature

Expenses included in cost of goods sold, selling expenses, administrative expenses and other operating expenses are analysed as follows:

	<b>Six months ended 30th September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Amortisation of deferred development costs	<b>2,199</b>	3,006
Depreciation	<b>30,564</b>	31,585
Staff costs	<b>151,725</b>	160,722

## 6. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents:

	<b>Six months ended 30th September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– Hong Kong profits tax	<b>14,405</b>	17,603
Deferred income tax	<b>(1,868)</b>	(285)
	<b>12,537</b>	17,318

## 7. Dividends

	<b>Six months ended 30th September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Interim dividend, proposed, of HK9 cents (2006: HK9 cents) per ordinary share	<b>50,476</b>	50,513

At a meeting held on 13th December 2007, the directors declared an interim dividend of HK9 cents (2006: HK9 cents) per share for the six months ended 30th September 2007.

## 8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	<b>Six months ended 30th September</b>	
	<b>2007</b>	2006
Profit attributable to equity holders of the Company (HK\$'000)	<b>102,290</b>	136,836
Weighted average number of ordinary shares in issue (thousands)	<b>560,842</b>	561,252
Basic and diluted earnings per share (HK cents) (Note)	<b>18.2</b>	24.4

*Note:* There were no dilutive potential ordinary shares during the six months ended 30th September 2007 and 2006.

## 9. Held-to-maturity financial assets

	<b>30th September 2007 HK\$'000</b>	31st March 2007 HK\$'000
Structured bank deposits in Hong Kong	<b><u>85,800</u></b>	<u>111,400</u>

Held-to-maturity financial assets are denominated in the following currencies:

	<b>30th September 2007 HK\$'000</b>	31st March 2007 HK\$'000
Hong Kong dollar	–	10,000
US dollar	<b><u>85,800</u></b>	<u>101,400</u>
	<b><u>85,800</u></b>	<u>111,400</u>

These investments earn interests at rates offered by the banks. The fair value of these financial assets is not materially different from the carrying value.

## 10. Trade receivables, prepayments and deposits

	<b>30th September 2007 HK\$'000</b>	31st March 2007 HK\$'000
Trade receivables	<b>752,752</b>	291,006
Prepayments and deposits	<b><u>21,309</u></b>	<u>14,272</u>
	<b><u>774,061</u></b>	<u>305,278</u>

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.

The fair value of the trade receivables, prepayments and deposits approximate to their carrying value.

## 10. Trade receivables, prepayments and deposits (continued)

At 30th September 2007, the ageing analysis of trade receivables based on invoiced date is as follows:

	<b>30th September</b> <b>2007</b> <b>HK\$'000</b>	31st March 2007 HK\$'000
0 – 30 days	<b>648,403</b>	209,323
31 – 60 days	<b>70,944</b>	79,160
61 – 90 days	<b>27,623</b>	48
Over 90 days	<b>5,782</b>	2,475
	<u><b>752,752</b></u>	<u>291,006</u>

## 11. Trade payables, other payables and accruals

	<b>30th September</b> <b>2007</b> <b>HK\$'000</b>	31st March 2007 HK\$'000
Trade payables	<b>577,516</b>	288,436
Other payables and accruals	<b>255,266</b>	257,233
	<u><b>832,782</b></u>	<u>545,669</u>

At 30th September 2007, the ageing analysis of trade payables based on invoiced date is as follows:

	<b>30th September</b> <b>2007</b> <b>HK\$'000</b>	31st March 2007 HK\$'000
0 – 30 days	<b>429,197</b>	214,665
31 – 60 days	<b>116,423</b>	48,979
61 – 90 days	<b>31,609</b>	23,904
Over 90 days	<b>287</b>	888
	<u><b>577,516</b></u>	<u>288,436</u>

## 12. Borrowings

	<b>30th September</b> <b>2007</b> <b>HK\$'000</b>	31st March 2007 HK\$'000
Non-current		
Bank borrowings, secured (Note (a))	<u>2,686</u>	<u>2,905</u>
Current		
Bank borrowings, secured (Note (a))	<b>645</b>	648
Bank borrowings, unsecured (Note (b))	<u>62,400</u>	<u>–</u>
	<u><b>63,045</b></u>	<u>648</u>
Total borrowings	<u><b>65,731</b></u>	<u>3,553</u>

### Notes:

- (a) The bank borrowing is secured by a building and leasehold land and land use rights of the Group. The borrowing is denominated in Renminbi. Interest is charged at market borrowing rate offered by the bank.
- (b) The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Note 14). The borrowings are denominated in US dollars. Interests are charged at margin over the LIBOR rate.

The maturity of bank borrowings is as follows:

	<b>30th September</b> <b>2007</b> <b>HK\$'000</b>	31st March 2007 HK\$'000
Within 1 year	<b>63,045</b>	648
Between 1 and 2 years	<b>696</b>	661
Between 2 and 5 years	<u>1,990</u>	<u>2,244</u>
	<u><b>65,731</b></u>	<u>3,553</u>

The carrying amounts of the bank borrowings approximate to their fair value.

### 13. Share capital

	<b>Company</b>	
	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April 2007 and 30th September 2007	<b>800,000,000</b>	<b>80,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2006 and 30th September 2006	561,251,720	56,125
At 1st April 2007 and 30th September 2007	<b>560,841,720</b>	<b>56,084</b>

### 14. Contingent liabilities

	<b>Group</b>		<b>Company</b>	
	<b>30th</b>	31st	<b>30th</b>	31st
	<b>September</b>	March	<b>September</b>	March
	<b>2007</b>	2007	<b>2007</b>	2007
	<b>HK\$'000</b>	<i>HK\$'000</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Corporate guarantees given to banks in respect of utilised banking facilities	–	–	<b>102,988</b>	3,553

### 15. Commitments

#### (a) Capital commitments

	<b>30th September</b>	31st March
	<b>2007</b>	2007
	<b>HK\$'000</b>	<i>HK\$'000</i>
Moulds, plant and machinery contracted but not provided for	<b>3,479</b>	859

## 15. Commitments (continued)

### (b) Operating lease commitments (as lessee)

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	<b>30th September 2007 HK\$'000</b>	31st March 2007 HK\$'000
Not later than one year	<b>34,108</b>	15,331
Later than one year and not later than five years	<b>63,425</b>	33,094
Later than five years	<b>12,609</b>	13,026
	<b><u>110,142</u></b>	<b><u>61,451</u></b>

### (c) Operating lease commitments (as lessor)

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	<b>30th September 2007 HK\$'000</b>	31st March 2007 HK\$'000
Not later than one year	<b>3,549</b>	2,469
Later than one year and not later than five years	<b>2,214</b>	536
	<b><u>5,763</u></b>	<b><u>3,005</u></b>

## DIVIDEND

The directors have resolved to declare an interim dividend of HK9 cents (2006: HK9 cents) per share for the six months ended 30th September 2007 to the shareholders whose names are on the register of members of the Company on 11th January 2008. The dividend warrants are expected to be despatched on 22nd January 2008.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 10th January 2008 to Friday, 11th January 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 9th January 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Group Results

For the six months ended 30th September 2007, the Group recorded a turnover of HK\$1.93 billion, against HK\$2.76 billion for the corresponding period last year. Profit attributable to shareholders was HK\$102.3 million, a decrease of 25% as compared with HK\$136.8 million for the same period last year. Earnings per share were HK18.2 cents (2006: HK24.4 cents).

Committed to maintaining a steady dividend policy, the Board of Directors resolved to declare an interim dividend payment of HK9 cents (2006: HK9 cents) per share for the six months ended 30th September 2007.

### Review of Operations

During the review period, the Group continued to develop high-end, value added products. Reflecting this approach, LCD TVs now represent the main revenue driver for the Group, achieving double-digit growth and accounted for the substantial portion of the Group's turnover. Such marked increase has been the result of the successful deployment of an aggressive business strategy that includes producing a greater variety of LCD TVs in terms of sizes, ranging from 15 inches to 32 inches.

The Group's business strategy is also a reflection of the ongoing shortage of small size TFT-LCD panels that has been affecting all players in the industry. Involving panels in the 7 inches to 10 inches range, this directly influenced the Group's ability to meet market demand for portable DVD players and digital picture frames. With a supply shortage of smaller size TFT-LCD panels and especially suppliers' inability to satisfy demand during peak seasons, prices of certain panels has been pushed up by as much as 50%. The Group sought to mitigate the situation by transferring costs to customers as well as placing greater focus on LCD TVs. Furthermore, during the period under review, for products that depend on 7 inches to 10 inches panels, the Group has taken the policy of maintaining profit margin first and foremost even at the expense of lower revenue.

Complementing the Group's efforts in LCD TV production has been an ongoing emphasis on enhancing efficiency through automation. Greater reliance on Automatic Optical Inspection equipment, as an example, has achieved the desired effect of enhancing the quality of PCB assemblies and products, while concurrently reducing the Group's reliance on direct labour. This is particularly relevant in light of rising labour costs and increasing shortage of skilled labour. Similarly, automated spraying facilities and the newly acquired super high speed SMT machines have achieved cost savings and ensured consistent quality.

In terms of geographical coverage, the Group continued to enjoy steady demand in North America which accounted for approximately 75% of all products shipped. Similarly, Europe accounted for some 15% of total sales.



## Prospects

As consumers continue to take interest in LCD-related products, and the acceptance of High Definition (HD) technology shows no sign of waning, these two areas should offer good prospects for the Group. Accordingly, LCD TVs of even larger sizes such as 40 inches and above, are among the products that the Group targets for launch in FY2008. Remaining cautiously optimistic about its performance in the near and mid-term, the Group is fully aware that a slumping American housing market and continuing escalation in oil prices are among the factors to be weary of.

As regard to the potentially on-going supply shortages of small size TFT-LCD panels, the Group has taken proactive steps to alleviate concerns over such problems. In November 2007, the Group entered into an agreement with two industry peers (Prime View International Co. Ltd. of Taiwan and Varitronix International Limited of Hong Kong) to form a joint venture company to bid for a small-to-medium size TFT panel supplier located in Korea. Being a minor shareholder with 11% interest in the joint venture company, the investment is about HK\$241 million which will be funded by internal resources of the Group. The Group aims at securing an additional and steady source of small-to-medium size TFT-LCDs via this arrangement. However, this arrangement is by no means a replacement for those suppliers it is currently engaged with. Indeed, the Group remains dedicated to nurturing ties and working closely with its existing TFT-LCD panel suppliers with the goal of mitigating any sudden supply shortages of TFT-LCD panels.

While tending to concerns over the shortage of small size panels, the Group will also dedicate energies at increasing the variety of LCD TV products. To meet this objective, it has made a concerted effort towards locating a new state-of-the-art production facility that enables efficient production of LCD TVs, including models of up to 32 inches and 40 inches in sizes. Most importantly, however, the change of location would certainly be accompanied by enhanced overall productivity – the ultimate objective. Thus far, several strategic locations within the Pearl River Delta region have been identified, taking into consideration the Group's established foothold in the area and the region's logistical advantage and a final decision will be made in 2008 with planned relocation by 2009.

In addition to its commitment to LCD-TVs, the Group will continue to utilise its R&D expertise to constantly enhance its portfolio of products so that they incorporate the latest technologies. The successful introduction of OEM HD DVD players underscores such efforts. Furthermore, the Group is planning to introduce a series of high-end and high value audio products, which are not dependent on TFT-LCD panels. They are specifically designed to complement and take advantage of the popularity of the latest in solid state digital music players.

Entering the second half of the financial year, the Group will maintain its guiding principle of consistency and prudence. Consistent in its labours to refine the Group's product mix to address market and consumer dictates while prudent in management of production, development and overall business strategy as such is the formula that has enabled it to be a trusted player in the industry.

## LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' funds as at 30th September 2007 were HK\$1,522 million (31st March 2007: HK\$1,556 million) and net assets per share were HK\$2.71 (31st March 2007: HK\$2.77).

The cash position of the Group remained healthy. As at 30th September 2007, our cash and bank balances stood at HK\$325 million (2006: HK\$500 million). After deducting the interest bearing debts of HK\$103 million, we had net surplus cash of HK\$222 million.

The trade receivables balance as at 30th September 2007 was HK\$753 million (2006: HK\$1,039 million). We have been adopting a prudent credit policy, and credit terms granted are generally based on the financial strengths of individual customers.

We continued to finance our operations using internal resources and banking facilities. As at 30th September 2007, we had been granted banking facilities of HK\$2,407 million, of which HK\$103 million were utilised. Among the utilised facilities, HK\$100 million are repayable within one year and HK\$3 million are repayable within five years. All bank debts were borrowed on floating rate basis and are denominated in HK dollar, US dollar or Renminbi.

During the period under review, we invested HK\$60 million (2006: HK\$61 million) in the purchase of moulds, plant and equipment. All expenditures were financed from internal resources. As at 30th September 2007, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounted to HK\$3 million.

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

## EMPLOYEES

As at 30th September 2007, the Group had approximately 13,600 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.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

### (a) Long positions in ordinary shares of HK\$0.10 each of the Company

As at 30th September 2007, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

	Number of shares held				Percentage of the issued share capital of the Company
	Personal interest	Corporate interest	Family interest	Total interest	
Mr LEUNG Kai Ching, Kimen	18,200,000	38,891,600 (note (i))	187,019,800 (note (ii))	244,111,400	43.53%
Mr LEUNG Wai Sing, Wilson	44,640,000	-	187,019,800 (note (ii))	231,659,800	41.31%
Mr KUOK Kun Man, Andrew	1,202,000	-	-	1,202,000	0.21%

#### Notes:

- (i) These shares were owned by Shundean Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder.
- (ii) These shares were owned by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION** *(continued)*

**(b) Long positions in underlying shares of the Company**

Other than as disclosed under the heading "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 30th September 2007, other than one ordinary share each in the Hong Kong incorporated subsidiaries of the Company held in trust for the Group by Mr LEUNG Kai Ching, Kimen, none of the directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30th September 2007, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY** *(continued)*

<b>Name</b>	<b>Capacity in which shares were held</b>	<b>Long position</b>	<b>Percentage of the issued share capital of the Company</b>
Shunde Investments Limited	Beneficial owner	225,911,400 (note (i))	40.28%
HSBC International Trustee Limited	Trustee	187,835,800 (note (ii))	33.49%
Kim Leung UT Limited	Trustee	187,019,800 (notes (i) & (ii))	33.35%
Commonwealth Bank of Australia	Interest of controlled corporation	32,992,000 (note (iii))	5.88%
Leung Wai Lap, David	Beneficial owner	32,972,190	5.88%

*Notes:*

- (i) Among the referenced shares, 38,891,600 ordinary shares were held by Shunde Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder; and 187,019,800 ordinary shares were held by Kim Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kim Leung Unit Trust which is beneficially owned by The Kim Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kim Leung Family Trust which is a discretionary trust.
- (ii) Among the referenced shares, 187,019,800 ordinary shares were held for Kim Leung UT Limited, which were related to the same block of shares held by Kim Leung UT Limited.
- (iii) According to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, these shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

Save as disclosed above, as at 30th September 2007, according to the register of interests required to be kept by the Company under Section 336 of Part XV of the SFO, there was no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, who had any interest or short position in the shares or underlying shares of the Company.

## **SHARE OPTION SCHEME**

On 21st August 2003, the Company adopted a share option scheme under which it may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares in the Company. There are no changes in any terms of the scheme during the six months ended 30th September 2007.

Up to 30th September 2007, no share option was granted under the above scheme.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

For the six months ended 30th September 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company.

## **CORPORATE GOVERNANCE**

The Group is committed to maintaining high standards of corporate governance so as to enhance clarity and transparency of business activities. The Group has adopted all the Code provisions on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules, except for the deviations from Code provision A.4.1.

Under the Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However, 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors’ securities transactions with the Company during the period under review.

## **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 financial statements of the Group for the six months ended 30th September 2007.

The audit committee comprises three independent non-executive directors of the Company, namely Mr WONG Po Yan, G.B.M., J.P., the Hon LI Wah Ming, Fred, J.P. and Mr LAU Wang Yip, Derrick.

## LIST OF DIRECTORS

As at the date of this report, the Board of Directors comprises three executive directors, namely Mr LEUNG Kai Ching, Kimen, Mr LEUNG Wai Sing, Wilson and Mr KUOK Kun Man, Andrew and three independent non-executive directors, namely Mr WONG Po Yan, G.B.M., J.P., the Hon LI Wah Ming, Fred, J.P. and Mr LAU Wang Yip, Derrick.

On behalf of the Board  
**LEUNG Kai Ching, Kimen**  
*Chairman*

Hong Kong, 13th December 2007