



# **ALCO HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 328)

**INTERIM REPORT 2008**

The directors of Alco Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2008, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2008

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2008</b>	2007
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenue	3	<b>2,825,906</b>	1,927,879
Cost of goods sold	4	<b>(2,527,075)</b>	(1,724,895)
Gross profit		<b>298,831</b>	202,984
Other income		<b>3,714</b>	3,665
Selling expenses	4	<b>(133,222)</b>	(63,788)
Administrative expenses	4	<b>(38,650)</b>	(38,117)
Other operating expenses	4	<b>(2,312)</b>	(2,754)
Exchange loss on loans and receivables	8	<b>(16,411)</b>	–
Operating profit		<b>111,950</b>	101,990
Finance income		<b>3,640</b>	14,460
Finance costs		<b>(14,318)</b>	(1,623)
Profit before income tax		<b>101,272</b>	114,827
Income tax expense	5	<b>(11,082)</b>	(12,537)
Profit attributable to equity holders of the Company		<b>90,190</b>	102,290
Dividends	6	<b>50,280</b>	50,476
Earnings per share attributable to equity holders of the Company			
– basic	7	<b>HK16.1 cents</b>	HK18.2 cents
– diluted	7	<b>HK16.1 cents</b>	HK18.2 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2008

		<b>Unaudited 30th September 2008 HK\$'000</b>	Audited 31st March 2008 HK\$'000
Non-current assets			
Property, plant and equipment		<b>348,018</b>	345,180
Investment properties		<b>70,492</b>	70,492
Leasehold land and land use rights		<b>58,932</b>	58,991
Intangible assets		<b>89,637</b>	83,863
Loans and receivables	8	<b>73,650</b>	–
Available-for-sale financial assets	9	<b>110,475</b>	–
Deposits for investment		–	23,833
Held-to-maturity financial assets	10	<b>39,000</b>	46,800
		<b>790,204</b>	629,159
Current assets			
Inventories		<b>1,790,676</b>	1,333,283
Trade and other receivables	11	<b>565,035</b>	569,970
Cash and cash equivalents		<b>596,396</b>	358,669
		<b>2,952,107</b>	2,261,922
Current liabilities			
Trade and other payables	12	<b>1,072,681</b>	756,952
Trust receipt loans		<b>667,601</b>	440,975
Current income tax liabilities		<b>30,170</b>	18,656
Borrowings	13	<b>100,976</b>	63,108
		<b>1,871,428</b>	1,279,691
Net current assets		<b>1,080,679</b>	982,231
Total assets less current liabilities		<b>1,870,883</b>	1,611,390
Capital and reserves attributable to equity holders of the Company			
Share capital	14	<b>55,867</b>	55,867
Reserves		<b>1,507,488</b>	1,521,185
Total equity		<b>1,563,355</b>	1,577,052
Non-current liabilities			
Borrowings	13	<b>275,225</b>	2,483
Deferred income tax liabilities		<b>32,303</b>	31,855
		<b>307,528</b>	34,338
Total equity and non-current liabilities		<b>1,870,883</b>	1,611,390

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2008

	Unaudited	
	Six months ended	
	30th September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from / (used in) operating activities	4,419	(628,184)
Net cash used in investing activities	(225,541)	(39,148)
Net cash generated from financing activities	<u>458,849</u>	<u>99,435</u>
Net increase / (decrease) in cash and cash equivalents	237,727	(567,897)
Cash and cash equivalents at beginning of period	<u>358,669</u>	<u>892,794</u>
Cash and cash equivalents at end of period	<u><u>596,396</u></u>	<u><u>324,897</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u><u>596,396</u></u>	<u><u>324,897</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2008

### Unaudited

	<b>Share capital</b>	<b>Share redemption premium</b>	<b>Capital reserve</b>	<b>Exchange reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April 2007	56,084	252,548	522	(1,284)	1,247,893	1,555,763
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>56,084</u>	<u>252,548</u>	<u>522</u>	<u>(3,195)</u>	<u>1,215,581</u>	<u>1,521,540</u>
At 1st April 2008	<b>55,867</b>	<b>246,311</b>	<b>739</b>	<b>(1,815)</b>	<b>1,275,950</b>	<b>1,577,052</b>
Currency translation differences	–	–	–	<b>(25,674)</b>	–	<b>(25,674)</b>
Profit for the period	–	–	–	–	<b>90,190</b>	<b>90,190</b>
2008 final dividends	–	–	–	–	<b>(78,213)</b>	<b>(78,213)</b>
At 30th September 2008	<u><b>55,867</b></u>	<u><b>246,311</b></u>	<u><b>739</b></u>	<u><b>(27,489)</b></u>	<u><b>1,287,927</b></u>	<u><b>1,563,355</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2008

### 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 2008.

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 2008, except that the Group has adopted certain interpretations which are mandatory for accounting periods commencing on or after 1st January 2008.

### 2. Changes in accounting policies

The following new interpretations are effective for accounting periods commencing on or after 1st January 2008 but are not relevant to the Group.

- |                      |  |
|----------------------|--|
| – HK(IFRIC) – Int 12 | Service Concession Arrangements  |
| – HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The following new standards, amendments to standards and interpretations that have been issued but are not yet effective and have not been adopted by the Group in these condensed consolidated financial statements:

- |                      |   |
|----------------------|---|
| – HKAS 1 (Revised)   | Presentation of Financial Statements                      |
| – HKAS 23 (Revised)  | Borrowing Costs   |
| – HKAS 27 (Revised)  | Consolidated and Separate Financial Statements            |
| – HKAS 32 Amendment  | Financial Instrument – Presentation                       |
| – HKAS 39 Amendment  | Financial Instrument – Recognition and Measurement        |
| – HKFRS 2 Amendment  | Share-based Payment: Vesting Conditions and Cancellations |
| – HKFRS 3 (Revised)  | Business Combination                                      |
| – HKFRS 7 Amendment  | Financial Instrument – Disclosures                        |
| – HKFRS 8            | Operating Segments  |
| – HK(IFRIC) – Int 13 | Customer Loyalty Programmes                               |
| – HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate            |
| – HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation         |

### 3. Segment information

The Group is principally engaged in designing, manufacturing and selling of consumer electronic 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							
	2008				2007			
	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	2,821,686	4,220	-	2,825,906	1,926,035	1,844	-	1,927,879
Inter-segment sales	-	95,869	(95,869)	-	-	66,202	(66,202)	-
	<u>2,821,686</u>	<u>100,089</u>	<u>(95,869)</u>	<u>2,825,906</u>	<u>1,926,035</u>	<u>68,046</u>	<u>(66,202)</u>	<u>1,927,879</u>
Segment results	<u>112,194</u>	<u>(244)</u>		<u>111,950</u>	<u>102,544</u>	<u>(554)</u>		<u>101,990</u>

### 3. Segment information (continued)

#### (b) Geographical segment

	Turnover	
	Six months ended	
	30th September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	2,146,891	1,448,481
Europe	402,889	297,638
Asia	194,121	140,082
Others	82,005	41,678
	<u>2,825,906</u>	<u>1,927,879</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. Expenses by nature

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

	Six months ended	
	30th September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible assets	6,070	2,199
Depreciation	34,476	30,564
Staff costs	186,715	151,725
	<u>227,261</u>	<u>184,488</u>



## 5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– Hong Kong profits tax	<b>10,634</b>	14,405
Deferred income tax	<b>448</b>	(1,868)
	<b>11,082</b>	12,537

## 6. Dividends

	<b>Six months ended 30th September</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Interim dividend, proposed, of HK9 cents (2007: HK9 cents) per ordinary share	<b>50,280</b>	50,476

At a meeting held on 11th December 2008, the directors declared an interim dividend of HK9 cents (2007: HK9 cents) per share for the six months ended 30th September 2008.

## 7. 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</b>	
	<b>30th September</b>	
	<b>2008</b>	2007
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<b>90,190</b>	102,290
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>558,668</b>	560,842
Basic and diluted earnings per share ( <i>HK cents</i> ) ( <i>Note</i> )	<b>16.1</b>	18.2

*Note:* There were no dilutive potential ordinary shares during the six months ended 30th September 2008 and 2007.

## 8. Loans and receivables

	<b>30th September</b>	31st March
	<b>2008</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Cost of corporate bond	<b>90,061</b>	–
Exchange loss for the period	<b>(16,411)</b>	–
	<b>73,650</b>	–

Loans and receivables represent investment in corporate bond of BOE Hydys Technology Co. Ltd. (“BOE Hydys”), a company incorporated in Korea. Due to the depreciation of Korean Won, there was an unrealised exchange loss of HK\$16,411,000 for the six months ended 30th September 2008.

## 9. Available-for-sale financial assets

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Cost of unlisted equity securities	<b>135,091</b>	–
Exchange loss for the period	<b>(24,616)</b>	–
	<b><u>110,475</u></b>	<b><u>–</u></b>

Available-for-sale financial assets represent investment in shares of BOE Hydys. Due to the depreciation of Korean Won, there was an unrealised exchange loss of HK\$24,616,000 for the six months ended 30th September 2008.

## 10. Held-to-maturity financial assets

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Structured bank deposits in Hong Kong	<b><u>39,000</u></b>	<b><u>46,800</u></b>

All held-to-maturity financial assets are denominated in United States dollars.

## 11. Trade and other receivables

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Trade receivables	<b>508,674</b>	544,180
Prepayments and deposits	<b><u>56,361</u></b>	<b><u>25,790</u></b>
	<b><u>565,035</u></b>	<b><u>569,970</u></b>

The credit terms given to customers 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 and other receivables approximate to their carrying value.

## 11. Trade and other receivables (continued)

At 30th September 2008, the ageing analysis of trade receivables based on invoice date is as follows:

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
0-30 days	351,783	337,191
31-60 days	141,369	159,990
61-90 days	13,905	45,479
Over 90 days	1,617	1,520
	<u>508,674</u>	<u>544,180</u>

## 12. Trade and other payables

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Trade payables	826,442	478,998
Other payables and accruals	246,239	277,954
	<u>1,072,681</u>	<u>756,952</u>

At 30th September 2008, the ageing analysis of trade payables based on invoice date is as follows:

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
0-30 days	467,146	243,775
31-60 days	244,760	124,987
61-90 days	103,672	85,870
Over 90 days	10,864	24,366
	<u>826,442</u>	<u>478,998</u>

### 13. Borrowings

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Non-current		
Bank borrowing, secured (Note (a))	2,225	2,483
Bank borrowings, unsecured (Note (b))	<u>273,000</u>	<u>–</u>
	<u>275,225</u>	<u>2,483</u>
Current		
Bank borrowing, secured (Note (a))	776	708
Bank borrowings, unsecured (Note (b))	<u>100,200</u>	<u>62,400</u>
	<u>100,976</u>	<u>63,108</u>
Total borrowings	<u><u>376,201</u></u>	<u><u>65,591</u></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 Renminbi Benchmark Lending Rates determined by the People's Bank of China.
- (b) The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Note 15). The borrowings are denominated in Hong Kong dollars. Interests are charged at margin over 1 to 3-month HIBOR.

The maturity of the bank borrowings is as follows:

	<b>30th September 2008 HK\$'000</b>	31st March 2008 HK\$'000
Within 1 year	100,976	63,108
Between 1 and 2 years	74,838	765
Between 2 and 5 years	<u>200,387</u>	<u>1,718</u>
	<u><u>376,201</u></u>	<u><u>65,591</u></u>

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

## 14. 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 2008 and 30th September 2008	<b>800,000,000</b>	<b>80,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2007 and 30th September 2007	560,841,720	56,084
At 1st April 2008 and 30th September 2008	<b>558,667,720</b>	<b>55,867</b>

## 15. 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>2008</b>	2008	<b>2008</b>	2008
	<b>HK\$'000</b>	<i>HK\$'000</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Bills discounted with recourse	<b>178,045</b>	–	–	–
Corporate guarantees given to banks in respect of utilised banking facilities	–	–	<b>1,043,802</b>	506,566

## 16. Commitments

### (a) Capital commitments

	<b>30th September</b>	31st March
	<b>2008</b>	2008
	<b>HK\$'000</b>	<i>HK\$'000</i>
Moulds, plant and machinery contracted but not provided for	<b>2,318</b>	334

## 16. 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 2008 HK\$'000</b>	31st March 2008 HK\$'000
Not later than one year	<b>32,424</b>	33,996
Later than one year and not later than five years	<b>29,451</b>	43,613
Later than five years	<b>9,170</b>	10,890
	<b><u>71,045</u></b>	<b><u>88,499</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 2008 HK\$'000</b>	31st March 2008 HK\$'000
Not later than one year	<b>4,522</b>	1,491
Later than one year and not later than five years	<b>643</b>	454
	<b><u>5,165</u></b>	<b><u>1,945</u></b>

## 17. Comparative figures

Certain comparative figures have been reclassified to conform to current period's presentation.

## DIVIDEND

The directors have resolved to declare an interim dividend of HK9 cents (2007: HK9 cents) per share for the six months ended 30th September 2008 to the shareholders whose names are on the register of members of the Company on 30th December 2008. The dividend warrants are expected to be despatched on 13th January 2009.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 29th December 2008 to Tuesday, 30th December 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, 24th December 2008.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Group results**

For the six months ended 30th September 2008, the Group recorded turnover of HK\$2.83 billion, up 47% from the corresponding period last year (2007: HK\$1.93 billion). Profit attributable to shareholders was HK\$90.2 million (2007: HK\$102.3 million). Earnings per share were HK16.1 cents (2007: HK18.2 cents).

Consistent with the Group's stable dividend policy, the Board declared an interim dividend payment of HK9 cents (2007: HK9 cents) per share for the six months ended 30th September 2008.

### **Business review and prospects**

During the review period, the Group continued to operate under a volatile business environment in which fluctuating oil prices, rising labor and material costs, and depressed consumer sentiment were among the major concerns. Nevertheless, the Group has been able to increase turnover as it has been successful in promoting new audio/iPod-related products to retailers in North America and Europe.

The Group's 19-inch to 22-inch LCD TV product range also achieved solid sales growth during the period. Maintaining the strategy of raising turnover via organic growth, the Group has further enhanced its product offerings by capitalizing on its R&D strength to introduce popular technologies within shorter life cycles.

While the Group has achieved solid sales growth with a number of its products, which in turn reflects sound relations with several key customers, it has had to accept the growing practice of providing domestic deliveries in North America. Such a practice encompasses both a lengthened shipping window and inventory holding time. Indeed, an increase in turnover of 47%, combined with domestic deliveries in North America, brought a rise in inventory levels. Though this may be regarded as an added responsibility, it is considered a competitive advantage for the Group since its sound financial position allows it to adapt to this trend. Certainly, business partners view the ability to cater for domestic deliveries as an attribute, and the management will prudently utilize this ability while keeping mindful of inventory risk.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business review and prospects (continued)

With the economic outlook expected to experience an extended period of uncertainty, and consumption momentum will be particularly weak during these tense times, the management will be closely monitoring market developments with the aim of minimizing the negative impact on the Group. Accordingly, the management will focus on preserving cash reserves and maintaining a high degree of liquidity.

As geographical coverage has remained relatively unchanged with North America accounting for approximately 76% of products shipped, and Europe at 14%, the current downturn in both regions is set to pose extremely stiff challenges. Consequently, ongoing efforts at tightening cost controls, rationalizing operations and raising productivity will receive renewed vigor. Already, the integration of such technologies as Automatic Optical Inspection and Super High Speed SMT machines has highlighted the Group's successful automation drive. Efforts at refining the product mix to cope with current market and consumer needs, as well as raising the commonality of parts and components to enhance efficiency and assembly are also continuing meticulously. Already, the Group has stepped up efforts to enhance production flexibility in order to better cope with fluctuating demand and to economically produce a greater variety of products. It is the Group's belief that the combination of production efficiency and flexibility will be vital for dealing with fast changing market conditions that are expected in the coming months.

With four decades' worth of experience in the audio-visual manufacturing sector, the Group has established a solid reputation for excellence that is founded on prudent leadership, superior customer service, and the ability to operate at optimum efficiency. Drawing from such strengths, and employing a long-term strategy put into action by a dedicated workforce, the Group is confident of its ability to overcome the challenges ahead and realize further successes in the years to come.

### Liquidity and financial resources

Shareholders' funds as at 30th September 2008 were HK\$1,563 million (31st March 2008: HK\$1,577 million) and net assets per share were HK\$2.80 (31st March 2008: HK\$2.82).

The cash position of the Group remained strong. As at 30th September 2008, our cash and bank balances stood at HK\$596 million (31st March 2008: HK\$359 million). Further enhancement of our cash position is expected as shipments for the Christmas season, which extends from mid-September to October, will be reported in the upcoming financial period. However, keeping in mind the current economic climate, we will continue to focus on maintaining adequate cash reserves and high degree of liquidity.

As at 30th September 2008, the ratio of total debts (net of cash) to shareholders' equity was 29%. (31st March 2008: 9%)

The Group's inventory level as at 30th September 2008 totalled HK\$1,791 million which compared with HK\$1,333 million as at 31st March 2008. This increase was the direct result of a rise in turnover of 47%. In addition, in order to cater for several key customers requiring domestic deliveries in North America, we had to address such concerns as higher inventory levels.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Liquidity and financial resources *(continued)*

The trade receivables balance as at 30th September 2008 was HK\$509 million (31st March 2008: HK\$544 million). We have been employing a prudent credit policy, and credit terms granted are generally based on the financial strength of individual customers. Our customers include the largest American mass-market retailers and international customers who are in strong financial positions, however, we will continue to closely monitor the credit policy.

It is the Group's policy to employ multiple sourcing that is complemented by sound supply chain management. This thereby minimizes the Group's exposure to undue risks associated with suppliers particularly in view of current economic conditions. Our trade payables as at 30th September 2008 were HK\$826 million, comparing with HK\$479 million as at 31st March 2008.

We financed our operations using internal resources and banking facilities. In September 2007, we had secured a 4-year committed term loan facilities of HK\$380 million, that is set to expire in September 2011. It hence provides sufficient funding to meet our working capital requirements. As at 30th September 2008, we were granted banking facilities of HK\$2,394 million, of which HK\$1,044 million has been utilised. Among the used facilities, HK\$769 million are repayable within one year and HK\$275 million are repayable within three years. The bank loans were borrowed on floating rate basis and are denominated in Hong Kong dollars.

During the period under review, we invested HK\$37 million (2007: HK\$60 million) in the purchase of moulds, plant and equipment. All expenditures were financed from internal resources. As at 30th September 2008, the Group had capital commitments contracted but not provided for in respect of moulds, plant and machinery that amounted to HK\$2,318,000 (31st March 2008: HK\$334,000).

Our exposure to trade-related foreign exchange risk is limited as nearly all of its sales, purchases and borrowings are denominated United States dollars and Hong Kong dollars. Moreover, we observe a policy of not engaging in speculative activities, but rather, maintaining a stable and healthy financial approach at all times. Accordingly, outside of a structured deposit of HK\$39 million which is principal protected, we did not have any derivative or enter into any structured contracts as at 30th September 2008. As always, we are fully committed to preserving a healthy financial position that allows it to overcome challenging operating conditions.

### Employees

As at 30th September 2008, the Group had approximately 12,400 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 2008, 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			Total interest	Percentage of the issued share capital of the Company
	Personal interest	Corporate interest	Family interest		
Mr LEUNG Kai Ching, Kimen	18,200,000	38,891,600 <i>(note (i))</i>	187,019,800 <i>(note (ii))</i>	244,111,400	43.70%
Mr LEUNG Wai Sing, Wilson	44,640,000	-	187,019,800 <i>(note (ii))</i>	231,659,800	41.47%
Mr KUOK Kun Man, Andrew	1,202,000	-	-	1,202,000	0.22%
The Hon LI Wah Ming, Fred	10,000	-	-	10,000	0.00%

#### 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 2008, 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 2008, 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)*

Name	Capacity in which shares were held	Long position	Percentage of the issued share capital of the Company
Shunde Investments Limited	Beneficial owner	225,911,400 <i>(note (i))</i>	40.44%
HSBC International Trustee Limited	Trustee	187,835,800 <i>(note (ii))</i>	33.62%
Kim Leung UT Limited	Trustee	187,019,800 <i>(notes (i) &amp; (ii))</i>	33.48%
Commonwealth Bank of Australia	Interest of controlled corporation	32,992,000 <i>(note (iii))</i>	5.91%
Leung Wai Lap, David	Beneficial owner	32,972,190	5.90%
Webb David Michael	Beneficial owner	27,971,400	5.01%

*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, Kim Leung 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, Kim Leung 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 2008, 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 2008.

Up to 30th September 2008, no share option was granted under the above scheme.

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

For the six months ended 30th September 2008, 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 to 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 (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all 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 for the six months ended 30th September 2008.

## AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the financial statements of the Group for the six months ended 30th September 2008.

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, 11th December 2008