



ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 328)

INTERIM REPORT 2016

The directors of Alco Holdings Limited (the “Company”) announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2016, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2016

		Unaudited	
		Six months ended	
		30th September	
		2016	2015
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Revenue	3	931,356	1,383,088
Cost of goods sold	5	(793,563)	(1,223,336)
Gross profit		137,793	159,752
Other income	4	10,542	4,164
Selling expenses	5	(48,491)	(51,518)
Administrative expenses	5	(45,908)	(37,858)
Other operating expenses	5	(4,094)	(5,099)
Operating profit		49,842	69,441
Finance income		5,724	8,590
Finance costs		(4,021)	(1,637)
Profit before income tax		51,545	76,394
Income tax expenses	6	(5,369)	(5,271)
Profit for the period		46,176	71,123
Profit/(loss) for the period			
attributable to:			
– Equity holders of the Company		46,355	71,329
– Non-controlling interests		(179)	(206)
		46,176	71,123
Earnings per share attributable to equity holders of the Company			
– Basic	8	HK8.0 cents	HK12.3 cents
– Diluted	8	HK8.0 cents	HK12.3 cents
Dividends	9	28,968	34,762

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2016

	Unaudited	
	Six months ended	
	30th September	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	46,176	71,123
Other comprehensive loss, net of tax:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(3,562)</u>	<u>(3,444)</u>
Total comprehensive income for the period	<u>42,614</u>	<u>67,679</u>
Total comprehensive income/(loss) for the period attributable to:		
– Equity holders of the Company	42,793	67,885
– Non-controlling interests	<u>(179)</u>	<u>(206)</u>
	<u>42,614</u>	<u>67,679</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2016

		Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		198,857	198,312
Investment properties		79,420	79,420
Leasehold land and land use rights		6,220	6,423
Intangible assets		9,750	13,650
Deferred income tax assets		28,360	32,371
Prepayments, deposits and other receivables	10	27,357	41,068
		349,964	371,244
Current assets			
Inventories		723,026	315,639
Trade and other receivables	10	918,709	692,934
Cash and cash equivalents		949,738	1,591,643
		2,591,473	2,600,216
Current liabilities			
Trade and other payables	11	574,577	348,390
Dividend payable		–	347,621
Current income tax liabilities		8,109	6,755
Deferred gain	7	17,450	17,450
Trust receipt loan		229,978	–
Borrowings	12	67,900	9,700
		898,014	729,916
Net current assets		1,693,459	1,870,300
Total assets less current liabilities		2,043,423	2,241,544
Capital and reserves attributable to equity holders of the Company			
Share capital	13	57,937	57,937
Reserves		1,796,480	1,927,497
		1,854,417	1,985,434
Non-controlling interests		(615)	(436)
Total equity		1,853,802	1,984,998
Non-current liabilities			
Deferred gain	7	24,721	33,446
Borrowings	12	164,900	223,100
		189,621	256,546
Total equity and non-current liabilities		2,043,423	2,241,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2016

	Unaudited									
	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Staff compensation reserve	Revaluation surplus	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st April 2015	57,937	309,674	1,012	(2,199)	11,783	58,074	1,490,481	1,926,762	(427)	1,926,335
Comprehensive income/(loss)										
Profit/(loss) for the period	-	-	-	-	-	-	71,329	71,329	(206)	71,123
Other comprehensive loss										
Currency translation differences	-	-	-	(3,444)	-	-	-	(3,444)	-	(3,444)
Total comprehensive (loss)/income	-	-	-	(3,444)	-	-	71,329	67,885	(206)	67,679
Transactions with owners										
2015 final dividend	-	-	-	-	-	-	(57,937)	(57,937)	-	(57,937)
Total transactions with owners	-	-	-	-	-	-	(57,937)	(57,937)	-	(57,937)
At 30th September 2015	57,937	309,674	1,012	(5,643)	11,783	58,074	1,503,873	1,936,710	(633)	1,936,077
At 1st April 2016	57,937	309,674	1,012	(9,235)	11,783	-	1,614,263	1,985,434	(436)	1,984,998
Comprehensive income/(loss)										
Profit/(loss) for the period	-	-	-	-	-	-	46,355	46,355	(179)	46,176
Other comprehensive loss										
Currency translation differences	-	-	-	(3,562)	-	-	-	(3,562)	-	(3,562)
Total comprehensive (loss)/income	-	-	-	(3,562)	-	-	46,355	42,793	(179)	42,614
Transactions with owners										
2016 final dividend	-	-	-	-	-	-	(173,810)	(173,810)	-	(173,810)
Total transactions with owners	-	-	-	-	-	-	(173,810)	(173,810)	-	(173,810)
At 30th September 2016	57,937	309,674	1,012	(12,797)	11,783	-	1,486,808	1,854,417	(615)	1,853,802

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2016

	Unaudited	
	Six months ended	
	30th September	
	2016	2015
	HK\$'000	HK\$'000
Net cash used in operating activities	(328,444)	(921,485)
Net cash used in investing activities	(22,008)	(44,549)
Net cash (used in)/generated from financing activities	(291,453)	679,521
Net decrease in cash and cash equivalents	(641,905)	(286,513)
Cash and cash equivalents at the beginning of the period	1,591,643	888,335
Cash and cash equivalents at the end of the period	949,738	601,822
Analysis of balances of cash and cash equivalents		
Bank balances and cash	949,738	601,822

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

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 (“HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2016.

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 2016, except the Group has adopted certain HKASs and Hong Kong Financial Reporting Standards (“HKFRS”) which are mandatory for the financial year beginning 1st April 2016.

2. Changes in accounting policies

- (a) The following new and amended standards and interpretations are mandatory for the Group’s financial year beginning on 1st April 2016 and have been adopted in the preparation of this interim condensed consolidated financial information.

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual improvements project	Annual Improvements 2012-2014 Cycle

The adoption of the above new and amended standards and interpretations has had no material effect on the preparation of the Group’s interim condensed consolidated financial information, except for certain additional or revised disclosures.

2. Changes in accounting policies (continued)

- (b) The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning on 1st April 2016 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 7 (Amendments)	Statement of Cashflows	1st January 2017
HKAS 12 (Amendments)	Income Taxes	1st January 2017
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Management is in the process of making an assessment of the likely impact of these changes but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and/or the presentation of its financial statements will result.

3. Segment information

- (a) *Segment analysed by products*

The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong and is principally engaged in designing, manufacturing and selling consumer electronic products.

	Six months ended	
	30th September	
	2016	2015
	HK\$'000	HK\$'000
Segment revenue	931,356	1,383,088
Segment results	49,842	69,441

3. Segment information (continued)

(b) Segment analysed by geographical areas

	Revenue	
	Six months ended	
	30th September	
	2016	2015
	HK\$'000	HK\$'000
North America	922,458	1,370,845
Europe	3,225	1,730
Asia	1,499	10,513
Others	4,174	–
	<u>931,356</u>	<u>1,383,088</u>

The analysis of revenue by geographical segment is based on the destination to which the shipments are made. Primarily all of the Group's assets and capital expenditure for the six months ended 30th September 2016 and 2015 were located or utilised in the PRC or Hong Kong.

4. Other income

	Six months ended	
	30th September	
	2016	2015
	HK\$'000	HK\$'000
Rental income from investment properties	1,277	4,009
Amortisation of deferred gain (Note 7)	8,725	–
Others	540	155
	<u>10,542</u>	<u>4,164</u>

5. 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	
	2016	2015
	HK\$'000	HK\$'000
Amortisation of intangible assets	3,900	3,900
Depreciation	19,290	15,941
Employee benefit expenses	111,956	128,195
Severance pay	1,362	3,800

6. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (charged)/credited to the condensed consolidated income statement represents:

	Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	(933)	(3,401)
– Over provision in prior years	14	–
– PRC corporate income tax	(439)	(2,212)
Deferred income tax (expenses)/credit	(4,011)	342
Income tax expenses	(5,369)	(5,271)

7. Gain on disposal of properties and deferred gain

In January 2016, Alco Electronics Limited (“AEL”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, Lead Harvest Group Limited (“Lead Harvest”), for the disposal of a self-occupied property and certain investment properties in Quarry Bay with carrying values of HK\$23,791,000 and HK\$236,310,000, respectively, at a total net consideration of HK\$533,769,000. The transaction was completed on 29th February 2016 (“Completion Date”).

Upon completion of the disposal, AEL and Lead Harvest entered into a tenancy agreement, whereby AEL leased the aforesaid self-occupied property from Lead Harvest for its own use for 3 years commencing on the Completion Date. The fair value of the self-occupied property near the Completion Date was determined by the Valuer. The excess of consideration over fair value has been deferred and amortised over the lease period, resulting in the recognition of deferred gain amounting to HK\$42,171,000 (31st March 2016: HK\$50,896,000) in the consolidated balance sheet and amortisation of the deferred gain amounting to HK\$8,725,000 in the consolidated income statement for the current period (2015: Nil).

8. Earnings per share

Basic

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

	Six months ended 30th September	
	2016	2015
Profit for the period attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>46,355</u>	<u>71,329</u>
Weighted average number of ordinary shares in issue	<u>579,367,720</u>	<u>579,367,720</u>
Basic earnings per share (<i>HK cents</i>)	<u>8.0</u>	<u>12.3</u>

8. Earnings per share (continued)

Diluted

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. There were no dilutive potential ordinary shares during the six months ended 30th September 2016 and 2015. Therefore, the diluted earnings per share are the same as the basic earnings per share.

9. Dividends

	Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend, declared, of HK5 cents (2015: HK6 cents) per ordinary share	28,968	34,762

At a meeting held on 25th November 2016, the directors declared an interim dividend of HK5 cents (2015: HK6 cents) per share for the six months ended 30th September 2016.

10. Trade and other receivables

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Non-current		
Prepayments, deposits and other receivables (Note)	27,357	41,068
Current		
Trade receivables	890,972	662,059
Prepayments, deposits and other receivables (Note)	27,737	30,875
	918,709	692,934
Total	946,066	734,002

10. Trade and other receivables (continued)

Note:

As at 30th September 2016, other receivables included approximately HK\$28,629,000 (31st March 2016: HK\$43,374,000) consideration receivable from PVI Global Corporation (a subsidiary of E Ink Holdings Inc. (“E Ink”)) for the disposal of the corporate bond of Hydix Technologies Company Limited. A guarantee was granted by E Ink to cover the entire receivable amount.

The ageing analysis of trade receivables based on shipping terms is as follows:

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
0 – 30 days	356,259	58,780
31 – 60 days	137,253	110,303
61 – 90 days	61,399	51,483
Over 90 days	336,061	441,493
	890,972	662,059

As at 30th September 2016, trade receivables of HK\$50,964,000 (31st March 2016: HK\$359,587,000) were considered past due with reference to the credit terms offered. The overdue sum is not considered as impaired since all of the overdue sum has been settled in October 2016.

11. Trade and other payables

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Trade payables	518,879	290,455
Other payables and accruals	55,698	57,935
	574,577	348,390

11. Trade and other payables (continued)

The ageing analysis of trade payables based on invoice date is as follows:

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
0 – 30 days	470,631	267,298
31 – 60 days	27,648	15,193
61 – 90 days	16,078	3,317
Over 90 days	4,522	4,647
	518,879	290,455

12. Borrowings

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Non-current		
Bank borrowings, unsecured (Note)	164,900	223,100
Current		
Bank borrowings, unsecured (Note)	67,900	9,700
Total borrowings	232,800	232,800

Note:

The bank borrowings are unsecured and are supported by corporate guarantees given by the Company (Note 14). The borrowings were denominated in USD and interest bearing at a margin over LIBOR.

12. Borrowings (continued)

The maturity of bank borrowings is as follows:

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Within one year	67,900	9,700
In the second year	116,400	116,400
In the third year	48,500	106,700
	<u>232,800</u>	<u>232,800</u>

The carrying amounts of the bank borrowings approximated to their fair values.

13. Share capital

	Company Ordinary Shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April 2015, 31st March 2016 and 30th September 2016	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2015, 31st March 2016 and 30th September 2016	<u>579,367,720</u>	<u>57,937</u>

14. Contingent liabilities

The Company provided corporate guarantees in favour of the banks to secure general banking facilities granted to certain of its subsidiaries (*Note 12*).

15. Commitments

(a) Capital commitments

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Moulds, plant and machinery and renovation contracted but not provided for	<u>1,922</u>	<u>11,878</u>

(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:

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Not later than one year	34,259	32,843
Later than one year and not later than five years	133,989	134,980
Later than five years	<u>257,167</u>	<u>295,644</u>
	<u>425,415</u>	<u>463,467</u>

(c) Operating lease commitments (as lessor)

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	30th September 2016 HK\$'000	31st March 2016 HK\$'000
Not later than one year	2,212	924
Later than one year and not later than five years	<u>83</u>	<u>152</u>
	<u>2,295</u>	<u>1,076</u>

The lease terms are from one to two years.

DIVIDEND

The directors have resolved to declare an interim dividend of HK5 cents (2015: HK6 cents) per share for the six months ended 30th September 2016 to the shareholders whose names are on the register of members of the Company on 13th December 2016. The dividend warrants are expected to be despatched on 23rd December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12th December 2016 to Tuesday, 13th December 2016, 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 registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 9th December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

For the six months ended 30th September 2016, the Group generated turnover of HK\$0.93 billion (2015: HK\$1.38 billion), with profit attributable to shareholders totalling HK\$46.4 million (2015: HK\$71.3 million). The generally lacklustre performance reflects the immense price competition faced by the Group during the period. Nonetheless, Alco has persisted with maintaining favourable margin levels by declining orders that do not meet profit requirements.

Besides the aforementioned price pressure, the presidential election in the US prompted certain retailers to adopt more conservative ordering practices, which also contributed to the decline in the Group's performance.

Business review

During the latest financial period, Alco experienced downward pressure resulting from, among other factors, weakened consumption sentiment precipitated by the economic slowdown in the US. The performance of the Group's infotainment products subsequently experienced a decline. Alco has nevertheless continued to develop this area of business given its strong growth potential. Correspondingly, it has maintained efforts at expanding associated accessories to add to the appeal of these electronic devices.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business review *(continued)*

With regards to the Group's AV products, comprising sound bar systems, home theatre systems and the like, they have all continued to generate stable revenue. The steady performance of these products can directly be attributed to upgrades made from time to time, enabling their appeal to be maintained with consumers.

While product development has been ongoing, Alco has continued to exert effort at enhancing its production capabilities. Even though the Group's Houjie Town production facility is already state-of-the-art, the management has continued to make investments in equipment for raising quality assurance. Correspondingly, the latest 3D Automated Optical Inspection equipment and 3D Automated X-Ray Inspection equipment have been acquired, along with other reliability and durability test facilities. Furthermore, the Group has introduced robotic arms to aid production – raising quality and efficiency while reducing manual labour. Towards achieving these same objectives, Alco has also continued to simplify processes in many areas of the company's operations.

Prospects

The US economy is expected to gradually recover; hence, consumption sentiment should make modest improvements in the course of time. Having experienced many peaks and troughs over the years, the management will continue to leverage the Group's various strengths to move forward.

With regards to the company's tablet series, the management is seeking to bolster sales momentum by attracting a wider breadth of customers. To realise this goal, a number of larger sized tablets are being developed, ranging from 14-inch up to 19-inch models. Also taking into consideration the needs of customers, while mindful of the importance of profitability, Alco will continue to introduce more productivity accessories. Having already launched detachable keyboards, possible future introductions will include wireless mouse and active stylus that could enhance user experience.

Not ignoring the important role that AV products play, the management will continue to observe a strategy centered on refining the Group's AV products. Models such as the Group's home theatre systems and sound bar systems will continue to evolve in line with market and technology trends. Concurrently, Alco will strive to raise efficiency by which such products are produced, thus ensuring that margins for AV products are at satisfactory levels.

Prospects *(continued)*

Given the highly challenging business environment that the Group is exposed to, the management also recognises that brand association is no less significant in capturing the interest of consumers. While it has under licence an established brand for penetrating the US market, brand recognition in Europe, Asia and other markets requires ongoing nurturing and development. Correspondingly, Alco will continue to develop its Venturer brand, particularly in raising its profile among consumers for products such as 2-In-1 Tablets and Value-For-Money Notebook PCs.

To further tackle the difficult market conditions, the management will continue its exploration for new business opportunities. Currently, the Group owns a premium bicycle brand that has introduced electric bicycles (e-bikes) on the market in the middle of the year. Electrical Bicycles highlight Alco's aim to increase its portfolio of high-value-add products, which are more immune to the impact of labour costs and for which quality, reliability, and performance are more important characteristics than price alone. In line with Alco's strategy to develop and manufacture more high-value-add products, the Group has also started to set up resources for the development of B2B Notebook PCs that cater for the commercial and professional markets. This new business will enable Alco to diversify its product portfolio, raise its per-unit revenue, and lower its dependence on the mass market, which is where mass merchant retailers generally operate.

Despite the uncertain conditions that lay ahead, the management will use all assets at their disposal to further Alco's development over the long term, while delivering fair returns to its shareholders.

Liquidity and financial resources

Total equity and equity per share of the Group as at 30th September 2016 were HK\$1,854 million (31st March 2016: HK\$1,985 million) and HK\$3.20 (31st March 2016: HK\$3.43) respectively.

The Group maintains a healthy financial position. As at 30th September 2016, we had cash and deposits of HK\$950 million. After deducting bank loans and trust receipt loans of HK\$463 million, we had net cash of HK\$487 million.

As at 30th September 2016, our inventory was HK\$723 million (31st March 2016: HK\$316 million). After the end of the period, substantially all of the finished goods made have been shipped in October 2016. We have been taking a cautious approach to monitor the inventory level especially during this environment with uncertainty.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and financial resources *(continued)*

Trade receivables balance as at 30th September 2016 was HK\$891 million (31st March 2016: HK\$662 million). As it is our policy to deal with creditworthy customers and to adopt a prudent credit policy, credit risk is kept at minimal.

Trade payables balance as at 30th September 2016 was HK\$519 million (31st March 2016: HK\$290 million).

Capital expenditure on fixed assets during the six months ended 30th September 2016 was HK\$23 million (2015: HK\$56 million). As at 30th September 2016, we had capital commitments contracted but not provided for in respect of mould, plant and machinery and renovation amounting to HK\$1,922,000 (31st March 2016: HK\$11,878,000).

Due to the peg-rate system, we have limited exposure to trade-related foreign exchange risk as substantially all of our sales, purchases and borrowings are denominated in United States dollars and Hong Kong dollars. Adhering to the policy of not engaging in currency speculation, there was no gain or loss from speculative activities during the reporting period.

To naturally hedge against the potential cost impact caused by RMB, the Group has diversified its cash portfolio by investing in RMB denominated deposits. As at 30th September 2016, the amount totalled RMB84 million.

Employees

As at 30th September 2016, the Group had approximately 3,000 (2015: 3,100) 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 2016, the interests and short positions of each director and chief executives 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	Total	
Mr LEUNG Kai Ching, Kimen	20,150,000	225,911,400 <i>(note)</i>	246,061,400	42.47%
Mr LEUNG Wai Sing, Wilson	47,072,000	–	47,072,000	8.12%
Mr LEUNG, Jimmy	1,144,000	–	1,144,000	0.20%
Mr LI Wah Ming	260,000	–	260,000	0.04%

Note:

These shares were owned by Shunde Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen was the sole shareholder.

(b) Long positions in underlying shares of the Company

At no time during the period 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 2016, other than one ordinary share each in certain 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 2016, 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.

Name	Capacity in which shares were held	Number of shares – Long position	Percentage of the issued share capital of the Company
Shunde Investments Limited	Beneficial owner	225,911,400 <i>(note i)</i>	38.99%
Mr Webb David Michael	Beneficial owner	52,367,400 <i>(note ii)</i>	9.04%
Preferable Situation Assets Limited	Beneficial owner	35,749,000 <i>(note ii)</i>	6.17%
Mr LEUNG Wai Lap, David	Beneficial owner	34,828,190	6.01%

Notes:

- (i) These shares were owned by Shunde Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen was the sole shareholder.
- (ii) Mr Webb David Michael beneficially owned 16,618,400 shares, and in addition he held 35,749,000 shares through Preferable Situation Assets Limited, which was 100% directly owned by him.

Save as disclosed above, as at 30th September 2016, 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th September 2016 and the Company has not redeemed any of its shares during the same period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to enhance clarity and transparency of business activities. The Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules for the six months ended 30th September 2016, except with deviation from code provisions A.5.1 and E.1.2.

Following the resignation of an independent non-executive director on 17th March 2016, the nomination committee did not comprise a majority of independent non-executive directors, which deviated from code provision A.5.1. On 6th April 2016, a new independent non-executive director was appointed. The deviation was rectified accordingly.

In addition, the chairman of the board had not attended the annual general meeting of the Company on 25th August 2016, which deviated from code provision E.1.2. The chairman will endeavour to attend all future annual general meetings of the Company.

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 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry to 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 for the six months ended 30th September 2016.

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 2016.

The audit committee comprises three independent non-executive directors of the Company, namely Mr CHEUNG, Johnson, Mr LI Wah Ming and Mr LEE Tak Chi.

LIST OF DIRECTORS

As at the date of this report, the Board of Directors comprises five executive directors, namely Mr LEUNG Kai Ching, Kimen, Mr LEUNG Wai Sing, Wilson, Mr KUOK Kun Man, Mr LEUNG, Jimmy and Mr LIU Lup Man and three independent non-executive directors, namely Mr LI Wah Ming, Mr LEE Tak Chi and Mr CHEUNG, Johnson.

By order of the Board
Alco Holdings Limited
LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 25th November 2016