



ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 328)

INTERIM REPORT 2009

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 2009, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2009

		Unaudited Six months ended 30th September	
		2009	2008
	Note	HK\$'000	HK\$'000
Revenue	3	2,219,407	2,825,906
Cost of goods sold	4	(1,980,499)	(2,527,075)
Gross profit		238,908	298,831
Other income		2,609	3,714
Selling expenses	4	(107,711)	(133,222)
Administrative expenses	4	(37,784)	(38,650)
Other operating expenses	4	(4,696)	(2,312)
Exchange gain / (loss) on loans and receivables	8	11,203	(16,411)
Operating profit		102,529	111,950
Finance income		3,052	3,640
Finance costs		(807)	(14,318)
Profit before income tax		104,774	101,272
Income tax expense	5	(11,492)	(11,082)
Profit attributable to equity holders of the Company		93,282	90,190
Dividends	6	50,100	50,280
Earnings per share attributable to equity holders of the Company			
– basic	7	HK16.8 cents	HK16.1 cents
– diluted	7	HK16.8 cents	HK16.1 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2009

	Unaudited	
	Six months ended	
	30th September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	93,282	90,190
Other comprehensive income/(expenses), net of tax:		
Currency translation differences	17,321	(25,674)
Total comprehensive income attributable to equity holders of the Company	<u>110,603</u>	<u>64,516</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2009

		Unaudited 30th September 2009 HK\$'000	Audited 31st March 2009 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		315,517	332,065
Investment properties		65,970	65,970
Leasehold land and land use rights		58,420	58,648
Intangible assets		78,638	81,658
Loans and receivables	8	75,307	64,104
Available-for-sale financial assets	9	112,962	96,156
		<u>706,814</u>	<u>698,601</u>
Current assets			
Inventories		615,078	703,846
Trade and other receivables	10	754,388	608,697
Cash and cash equivalents		748,630	872,307
		<u>2,118,096</u>	<u>2,184,850</u>
Current liabilities			
Trade and other payables	11	971,920	831,317
Current income tax liabilities		42,587	38,439
Borrowings	12	74,000	74,808
		<u>1,088,507</u>	<u>944,564</u>
Net current assets		<u>1,029,589</u>	<u>1,240,286</u>
Total assets less current liabilities		<u>1,736,403</u>	<u>1,938,887</u>
Capital and reserves attributable to equity holders of the Company			
Share capital	13	55,666	55,666
Reserves		1,578,636	1,545,966
Total equity		<u>1,634,302</u>	<u>1,601,632</u>
Non-current liabilities			
Borrowings	12	74,000	307,761
Deferred income tax liabilities		28,101	29,494
		<u>102,101</u>	<u>337,255</u>
Total equity and non-current liabilities		<u>1,736,403</u>	<u>1,938,887</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2009

	Unaudited	
	Six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from operating activities	209,321	4,419
Net cash used in investing activities	(20,496)	(225,541)
Net cash (used in) / generated from financing activities	(312,502)	458,849
Net (decrease) / increase in cash and cash equivalents	(123,677)	237,727
Cash and cash equivalents at beginning of period	872,307	358,669
Cash and cash equivalents at end of period	748,630	596,396
Analysis of balances of cash and cash equivalents		
Bank balances and cash	748,630	596,396

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2009

Unaudited

	Share capital	Share redemption premium	Capital reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2008	55,867	246,311	739	(1,815)	1,275,950	1,577,052
Currency translation differences	–	–	–	(25,674)	–	(25,674)
Profit for the period	–	–	–	–	90,190	90,190
2008 final dividends	–	–	–	–	(78,213)	(78,213)
At 30th September 2008	<u>55,867</u>	<u>246,311</u>	<u>739</u>	<u>(27,489)</u>	<u>1,287,927</u>	<u>1,563,355</u>
At 1st April 2009	55,666	245,011	940	(37,606)	1,337,621	1,601,632
Currency translation differences	–	–	–	17,321	–	17,321
Profit for the period	–	–	–	–	93,282	93,282
2009 final dividends	–	–	–	–	(77,933)	(77,933)
At 30th September 2009	<u>55,666</u>	<u>245,011</u>	<u>940</u>	<u>(20,285)</u>	<u>1,352,970</u>	<u>1,634,302</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2009

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 2009.

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 2009 except the Group has adopted certain HKASs, Hong Kong Financial Reporting Standards (“HKFRS”) and interpretations which are mandatory for accounting periods commencing on or after 1st January 2009.

2. Changes in accounting policies

The following new/revised and amendments to standards are relevant to the Group and are mandatory for the financial year beginning on or after 1st January 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Amendment)	Borrowing Costs
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

The adoption of the above amendments to existing standards did not have significant impact to the Group’s financial statements and has not led to any changes in the Group’s accounting policies.

2. Changes in accounting policies *(continued)*

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on or after 1st January 2009, but are not currently relevant for the Group:

HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement – Embedded Derivatives
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment-Vesting Conditions and Cancellations
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
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

The following new/revised, amendments to standards and interpretations have been issued, but are not yet effective and have not been early adopted by the Group:

HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Item
HKFRS 2 (Amendments)	Share-based Payments – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised) and HKAS 7 (Revised)	Business Combinations and Consolidated and Separate Financial Statements
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
Various	HKICPA's improvements to HKFRSs

3. Segment information

HKFRS 8 Operating Segments requires the disclosure of information about the Group's operating segments. The adoption of this standard did not have any effect on the Group's results of operations or financial position. The Group determines that the operating segments are the same as the business segments previously identified and disclosed in accordance with HKAS 14 Segment Reporting.

The following is an analysis of the Group's revenue and results by operating segment:

(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 of consumer electronic products and plastic products.

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							
	2009				2008			
	Consumer electronic products HK\$'000	Plastic products HK\$'000	Elimination HK\$'000	Group HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover								
External sales	2,215,403	4,004	–	2,219,407	2,821,686	4,220	–	2,825,906
Inter-segment sales	–	66,800	(66,800)	–	–	95,869	(95,869)	–
	<u>2,215,403</u>	<u>70,804</u>	<u>(66,800)</u>	<u>2,219,407</u>	<u>2,821,686</u>	<u>100,089</u>	<u>(95,869)</u>	<u>2,825,906</u>
Segment results	<u>103,165</u>	<u>(636)</u>		<u>102,529</u>	<u>112,194</u>	<u>(244)</u>		<u>111,950</u>

3. Segment information *(continued)*

(b) Segment analysed by geographical areas

	Turnover	
	Six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
North America	1,692,885	2,146,891
Europe	259,519	402,889
Asia	191,208	194,121
Others	75,795	82,005
	<u>2,219,407</u>	<u>2,825,906</u>

The analysis of turnover by geographical areas is based on the destination to which the shipments are made. No analysis of the contribution by geographical area has been presented as the ratios of profit to turnover achieved for the above geographical areas 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	
	2009	2008
	HK\$'000	HK\$'000
Amortisation of intangible assets	3,900	6,070
Depreciation	35,123	34,476
Staff costs	167,092	186,715
	<u>167,092</u>	<u>186,715</u>

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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:

	Six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	12,885	10,634
Deferred income tax	(1,393)	448
	<u>11,492</u>	<u>11,082</u>

6. Dividends

	Six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK9 cents (2008: HK9 cents) per ordinary share	<u>50,100</u>	<u>50,280</u>

At a meeting held on 9th December 2009, the directors declared an interim dividend of HK9 cents (2008: HK9 cents) per share for the six months ended 30th September 2009.

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.

	Six months ended 30th September	
	2009	2008
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>93,282</u>	<u>90,190</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>556,662</u>	<u>558,668</u>
Basic and diluted earnings per share (<i>HK cents</i>) (<i>Note</i>)	<u>16.8</u>	<u>16.1</u>

Note: There were no dilutive potential ordinary shares during the six months ended 30th September 2009 and 2008.

8. Loans and receivables

	30th September 2009 <i>HK\$'000</i>	31st March 2009 <i>HK\$'000</i>
Opening net book amount of corporate bond	64,104	90,061
Exchange gain / (loss) for the period	<u>11,203</u>	<u>(25,957)</u>
	<u>75,307</u>	<u>64,104</u>

The loans and receivables represent the Group's investment in corporate bonds issued by Hydys Technologies Company Limited ("Hydis"), a company incorporated in Korea. The corporate bonds, which are interest-bearing at 4% per annum and will be redeemed in May 2013, are denominated in KRW.

The carrying amount of the loans and receivables approximates to its fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and receivables.

9. Available-for-sale financial assets

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Opening net book amount of unlisted equity securities outside Hong Kong	96,156	135,091
Exchange gain / (loss) for the period	16,806	(38,935)
	<u>112,962</u>	<u>96,156</u>

The available-for-sale financial assets represent the Group's long-term investment in the shares of Hydix. They are denominated in KRW.

10. Trade and other receivables

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Trade receivables	722,803	583,632
Prepayments, deposits and other receivable	31,585	25,065
	<u>754,388</u>	<u>608,697</u>

At 30th September 2009, the ageing analysis of trade receivables based on invoice date is as follows:

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
0 - 30 days	475,593	299,693
31 - 60 days	154,642	241,968
61 - 90 days	63,988	40,448
Over 90 days	28,580	1,523
	<u>722,803</u>	<u>583,632</u>

11. Trade and other payables

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Trade payables	772,043	722,717
Other payables and accruals	199,877	108,600
	<u>971,920</u>	<u>831,317</u>

At 30th September 2009, the ageing analysis of trade payables based on invoice date is as follows:

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
0 – 30 days	496,817	628,489
31 – 60 days	153,121	73,116
61 – 90 days	116,642	17,882
Over 90 days	5,463	3,230
	<u>772,043</u>	<u>722,717</u>

12. Borrowings

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Non-current		
Bank borrowing, secured (Note a)	–	1,761
Bank borrowings, unsecured (Note b)	–	195,000
Bank borrowings, unsecured (Note c)	74,000	111,000
	<u>74,000</u>	<u>307,761</u>
Current		
Bank borrowing, secured (Note a)	–	808
Bank borrowings, unsecured (Note c)	74,000	74,000
	<u>74,000</u>	<u>74,808</u>
Total borrowings	<u>148,000</u>	<u>382,569</u>

12. Borrowings (continued)

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 RMB. Interest is charged at Renminbi Benchmark Lending Rates determined by the People's Bank of China.
- (b) The bank borrowings are revolving loans which are unsecured and are supported by corporate guarantees given by the Company. The borrowings are denominated in HKD and interest bearing at margin over HIBOR.
- (c) The bank borrowings are term loans which are unsecured and are supported by corporate guarantees given by the Company. The borrowings are denominated in HKD and interest bearing at margin over HIBOR.

The maturity of the bank borrowings is as follows:

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Within 1 year	74,000	74,808
In the second year	74,000	74,855
In the third to fifth year	<u>—</u>	<u>232,906</u>
	<u>148,000</u>	<u>382,569</u>

13. Share capital

	Company Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April 2009 and 30th September 2009	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2008 and 30th September 2008	<u>558,667,720</u>	<u>55,867</u>
At 1st April 2009 and 30th September 2009	<u>556,661,720</u>	<u>55,666</u>

14. Contingent liabilities

	Group		Company	
	30th September 2009 HK\$'000	31st March 2009 HK\$'000	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Corporate guarantees given to banks in respect of utilised banking facilities	<u>–</u>	<u>–</u>	<u>148,000</u>	<u>382,569</u>

15. Commitments

(a) Capital commitments

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Moulds, plant and machinery contracted but not provided for	<u>2,182</u>	<u>1,413</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 2009 HK\$'000	31st March 2009 HK\$'000
Not later than one year	31,021	27,895
Later than one year and not later than five years	17,166	22,927
Later than five years	<u>–</u>	<u>7,451</u>
	<u>48,187</u>	<u>58,273</u>

15. Commitments (continued)

(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:

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Not later than one year	3,900	3,440
Later than one year and not later than five years	49	752
	<u>3,949</u>	<u>4,192</u>

DIVIDEND

The directors have resolved to declare an interim dividend of HK9 cents (2008: HK9 cents) per share for the six months ended 30th September 2009 to the shareholders whose names are on the register of members of the Company on 29th December 2009. The dividend warrants are expected to be despatched on 12th January 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28th December 2009 to Tuesday, 29th December 2009, 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, Hong Kong not later than 4:30 p.m. on Thursday, 24th December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

For the six months ended 30th September 2009, the Group recorded turnover of HK\$2.22 billion, down by 21% against turnover of HK\$2.83 billion in the corresponding period last year. Profit attributable to shareholders was HK\$93.3 million (2008: HK\$90.2 million). Earnings per share amounted to HK16.8 cents (2008: HK16.1 cents).

In line with the Group's dividend policy, the Board has resolved to declare an interim dividend payment of HK9 cents (2008: HK9 cents) for the six months ended 30th September 2009.

Business review

The Group's major markets of North America and Europe were hard hit by the global financial crisis that swept the world last year. This market downturn has persisted throughout most of the period under review, although there have been signs of a small rebound in consumer spending. The market is predicting a slow pace of recovery, and the Group expects the difficult global conditions may continue for some time.

As a result, much of the Group's focus in the review period has been on maintaining and fine-tuning its strategies for riding out the storm, and maximizing its competitive advantages in an industry undergoing major consolidation. These strategies included: exercising strict control over cash flow; adapting quickly to new demands and buying habits of customers; guaranteeing a steady flow of new and added-value products; and keeping a tight lid on labour and materials costs.

The Group has worked hard to avoid the cash flow problems that have crippled some industry players. With few bank loans and a prudent spending policy, the Group has always been in a relatively strong cash position in the face of the economic downturn. Moreover, with the credit crunch hitting the macro-economy, the Group has been particularly careful in reviewing credit terms with clients to maintain a high level of liquidity and an adequate supply of capital for day-to-day operations.

As buyer habits and expectations change over time, the Group has kept abreast of market trend to maintain its leading position. In recent years, North American buyers have increasingly requested for domestic delivery from suppliers, and in response the Group has developed effective mechanisms for satisfying this demand. Furthermore, many buyers have responded to the credit crunch by placing smaller but more frequent orders with suppliers. Both trends have had the effect of shifting more responsibility for inventory control and financing onto suppliers themselves. The Group has leveraged its sound financial base to cater to these new trends, retaining longstanding existing customers and attracting new ones in the process.

Another important strategy for the Group in tough times has been to introduce a greater range of product to grasp market opportunities. Last financial year, the Group did well in sales of digital set-top box in the US, which it supplied in advance of the mandatory shift from analogue to digital broadcasting in 2009. In the review period, the Group focused on promoting products that have value-added features or those that combine several functions in a single unit. The Group was amongst the first manufacturers to launch LCD TVs featuring LED backlights, an innovation that has been very well received. These models bring several advantages for consumers: they use less energy, have superior contrast levels, and are thinner looking than conventional LCD TVs due to the elimination of bulky CCFL (Cold Cathode Fluorescent Lamps) backlights. The sleek and stylish look of LCD TVs with LED backlights will likely make them a 'must-have' prestige item for many homes in the future.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business review *(continued)*

Besides, the Group's existing wide range of stylish and desirable electronic audio and visual products, including 19-inch and 22-inch LCD TVs, remained as the main source of revenue during the period. AV products incorporating iPod docking feature also sold well, benefiting from their multi-functionality. Other products for the mass market, such as home theatre units and portable DVD players, also performed satisfactorily.

Prospects

Although there are signs that slight improvement in consumer spending in its key markets in recent months, there are widely differing views on the time period required for any rebound. In the light of this, the Group will continue to adopt a very cautious approach in business development, and remain focused on keeping its financial base well anchored.

With the flexibility and readiness to adapt to the changing market, the Group will look to add to its range of products with new features. Furthermore, products that are with strong growth prospects, such as Blu-ray Disk Players, are being intently studied by the Group's research and development teams.

These growth initiatives will be backed up with effective strategies for controlling costs and boosting efficiency. One proven strategy for making the assembly process more efficient is standardisation. The Group will further increase the number of parts and components that can be used interchangeably in different products. This will enable the Group to increase efficiency, improve economies of scale, lower production costs and bolster its levels of quality assurance.

The Group's new manufacturing facility in Dongguan is planned to be completed by early 2011. The plant will represent a further step towards improved efficiency and cost effectiveness, thanks to its state-of-the-art technology and high level of automation. Utilising the latest in energy-efficient and environmentally friendly designs, the plant will also help the Group cut its energy costs and meet its social obligations.

Firmly anchored on a base of solid fundamentals and proven and effective management, the Group is confident to continue its sustainable growth, further consolidate its market position and capture the business opportunities in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and financial resources

The Group's total equity and equity per share as at 30th September 2009 were HK\$1,634 million (31st March 2009: HK\$1,602 million) and HK\$2.94 (31st March 2009: HK\$2.88) respectively.

The Group maintains a strong financial position. As at 30th September 2009, we had cash and deposits of HK\$749 million. After deducting interest-bearing debts of HK\$148 million, we had net cash of HK\$601 million. The Group's stringent inventory control and steady profit stream contributed to this strong cash position. Our inventory as at 30th September 2009 was HK\$615 million, compared with HK\$704 million as at 31st March 2009.

Our trade receivables balance as at 30th September 2009 was HK\$723 million (31st March 2009: HK\$584 million). We have been adopting a prudent credit policy with credit terms granted generally based on the financial strengths of individual customer.

We finance our operations using internal funds and banking facilities. As at 30th September 2009, we had banking facilities of HK\$1,855 million, of which HK\$148 million were utilized. Among the used facilities, HK\$74 million are repayable within one year and the balance of HK\$74 million are repayable in year after.

Our capital expenditure on fixed assets during the reporting period was HK\$20 million (2008: HK\$37 million). As at 30th September 2009, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounting to HK\$2,182,000 (31st March 2009: HK\$1,413,000).

We have limited exposure to trade-related foreign exchange risk as our sales, purchases and borrowings are substantially denominated in United States dollar and Hong Kong dollar. Moreover, adhering to the policy of not engaging in speculative financial derivatives, we did not make any gain or loss for such activities during the reporting period.

Employees

As at 30th September 2009, the Group had approximately 9,100 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 2009, 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	43.85%
Mr LEUNG Wai Sing, Wilson	44,640,000	–	187,019,800 (note ii)	231,659,800	41.62%
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 Shundeian 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 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 2009, 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 2009, 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
Shundean Investments Limited	Beneficial owner	225,911,400 <i>(note i)</i>	40.58%
HSBC International Trustee Limited	Trustee	187,835,800 <i>(note ii)</i>	33.74%
Kimien Leung UT Limited	Trustee	187,019,800 <i>(notes i & ii)</i>	33.60%
Leung Wai Lap, David	Beneficial owner	34,078,190	6.12%
Commonwealth Bank of Australia	Interest of controlled corporation	32,992,000 <i>(note iii)</i>	5.93%
DJE Investment S.A.	Investment manager	28,148,073 <i>(note iv)</i>	5.06%
DJE Kapital AG	Investment manager	28,148,073 <i>(note iv)</i>	5.06%
Dr. Jens Alfred Karl Ehrhardt	Investment manager	28,148,073 <i>(note iv)</i>	5.06%
Webb David Michael	Beneficial owner	27,971,400	5.02%

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

Notes:

- (i) Among the referenced shares, 38,891,600 ordinary shares were held 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; and 187,019,800 ordinary shares were held 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.
- (ii) Among the referenced shares, 187,019,800 ordinary shares were held for Kimen Leung UT Limited, which were related to the same block of shares held by Kimen 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.
- (iv) These shares are held by DJE Investment S.A. which is controlled by DJE Kapital AG, which in turn is controlled by Dr. Jens Alfred Karl Ehrhardt.

Save as disclosed above, as at 30th September 2009, 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 2009.

Up to 30th September 2009, no share option was granted under the above scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30th September 2009, 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 the directors. 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 for the six months ended 30th September 2009.

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 2009.

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, S.B.S., 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, S.B.S., J.P. and Mr LAU Wang Yip, Derrick.

On behalf of the Board
LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 9th December 2009