ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Website: http://www.alco.com.hk

(Stock Code: 328)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

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 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2010

		Unaudited Six months ended 30th September	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,707,124**	2,219,407
Cost of goods sold	*4*	**(1,501,191)**	(1,980,499)
Gross profit		**205,933**	238,908
Other income		**2,089**	2,609
Selling expenses	*4*	**(74,256)**	(107,711)
Administrative expenses	*4*	**(41,926)**	(37,784)
Other operating income/(expenses)	*4*	**34,242**	(4,696)
Exchange (loss)/gain on loans and receivables		**(359)**	11,203
Operating profit		**125,723**	102,529
Finance income		**3,637**	3,052
Finance costs		**(509)**	(807)
Profit before income tax		**128,851**	104,774
Income tax expense	*5*	**(10,116)**	(11,492)
Profit attributable to equity holders of the Company		**118,735**	93,282
Dividends	*6*	**56,584**	50,100
Earnings per share attributable to equity holders of the Company			
– basic	*7*	**HK21.2 cents**	HK16.8 cents
– diluted	*7*	**HK21.2 cents**	HK16.8 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2010

	Unaudited Six months ended 30th September **2010** ***HK$'000***	 2009 *HK$'000*
Profit attributable to equity holders of the Company	**118,735**	93,282
Other comprehensive income, net of tax:		
Fair value gain on available-for-sale financial assets	–	16,806
Currency translation differences	**434**	515
Total comprehensive income attributable to equity holders of the Company	**119,169**	110,603

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2010

	Note	**Unaudited 30th September 2010 HK$'000**	Audited 31st March 2010 HK$'000
Non-current assets			
Property, plant and equipment		**302,282**	324,943
Investment properties		**75,020**	75,020
Leasehold land and land use rights		**7,860**	11,997
Intangible assets		**72,927**	76,827
Deferred income tax assets		**12,648**	7,072
Loans and receivables	*8*	**78,142**	78,501
Available-for-sale financial assets	*9*	**136,641**	136,641
		685,520	711,001
Current assets			
Inventories		**411,823**	472,688
Trade and other receivables	*10*	**919,804**	535,383
Cash and cash equivalents		**759,439**	1,039,830
		2,091,066	2,047,901
Current liabilities			
Trade and other payables	*11*	**858,483**	819,062
Current income tax liabilities		**31,055**	57,891
Borrowings		**76,400**	76,400
		965,938	953,353
Net current assets		**1,125,128**	1,094,548
Total assets less current liabilities		**1,810,648**	1,805,549
Capital and reserves attributable to equity holders of the Company			
Share capital		**56,584**	55,666
Reserves		**1,746,264**	1,703,883
Total equity		**1,802,848**	1,759,549
Non-current liabilities			
Borrowings		**7,800**	46,000
		7,800	46,000
Total equity and non-current liabilities		**1,810,648**	1,805,549

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2010

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 2010.

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 2010, except the Group has adopted certain HKASs and Hong Kong Financial Reporting Standards ("HKFRS") which are mandatory for the financial year ending 31st March 2011.

2. Changes in accounting policies

The following revised standards and amendments to standards are relevant to the Group and are mandatory for the financial year beginning 1st April 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRSs (Amendments)	Improvements to HKFRSs 2009

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, except the following impact on the presentation.

The amendment to HKAS 17 "Leases" removes the specific guidance which previously required that land element held under a lease should be classified as an operating lease. It provides new guidance which indicates that entities should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group has made a reassessment of the existing land lease arrangements and certain "Leasehold land and land use rights" have been reclassified to "Property, plant and equipment" and the corresponding "Amortisation of leasehold land and land use rights" has been reclassified to "Depreciation of property, plant and equipment" retrospectively. Comparative information has been restated to reflect this change in accounting policy. The adoption of amendment to HKAS 17 has the following impact on the condensed consolidated interim financial information due to the reclassification as aforesaid:

2. **Changes in accounting policies** *(continued)*

	30th September 2010	31st March 2010
	HK$'000	*HK$'000*
Increase in property, plant and equipment	**46,163**	46,194
Decrease in leasehold land and land use rights	**46,163**	46,194

	Six months ended 30th September	
	2010	2009
	HK$'000	*HK$'000*
Increase in depreciation of property, plant and equipment	**31**	31
Decrease in amortisation of leasehold land and land use rights	**31**	31

There is no impact upon the reported income for the current or prior periods.

The following revised standards, amendments to standards and interpretations are mandatory for the financial year beginning 1st April 2010, but are not currently relevant to the Group:

HKAS 32 (Amendment)	Classification of Rights Issue
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendment)	Non-current Assets held for Sale and Discontinued Operations
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

The following new/revised standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1st April 2010 and have not been early adopted by the Group:

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKFRS 9	Financial Instruments
HKFRSs (Amendment)	Improvements to HKFRSs 2010
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has already commenced an assessment of the impact of the above new/revised standards, amendments to standards and interpretations, but is not yet in a position to state whether these new/revised standards, amendments to standards and interpretations would have a significant impact to its results of operations and financial position.

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 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							
	2010				2009			
	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*
Segment revenue								
External sales	**1,705,708**	**1,416**	**–**	**1,707,124**	2,215,403	4,004	–	2,219,407
Inter-segment sales	**–**	**52,764**	**(52,764)**	**–**	–	66,800	(66,800)	–
	1,705,708	**54,180**	**(52,764)**	**1,707,124**	2,215,403	70,804	(66,800)	2,219,407
Segment results	**125,885**	**(162)**		**125,723**	103,165	(636)		102,529

(b) Segment analysed by geographical areas

	Turnover Six months ended 30th September	
	2010	2009
	HK$'000	*HK$'000*
North America	**1,221,864**	1,692,885
Europe	**229,817**	259,519
Asia	**223,669**	191,208
Others	**31,774**	75,795
	1,707,124	2,219,407

The analysis of revenue by geographical areas is based on the destination to which the shipments are made.

Primarily all of its assets and capital expenditure for the six months ended 30th September 2010 and 2009 were located and utilised in the PRC and Hong Kong.

4. Expenses by nature

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

	Six months ended 30th September	
	2010	2009
	HK$'000	*HK$'000*
Amortisation of intangible assets	**3,900**	3,900
Depreciation	**31,567**	35,123
Gain on disposal of property	**33,508**	–
Employee benefit expenses	**161,124**	167,092

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**15,692**	12,885
Deferred income tax	**(5,576)**	(1,393)
	10,116	11,492

6. Dividends

	Six months ended 30th September	
	2010	2009
	HK$'000	*HK$'000*
Interim dividend, proposed, of HK10 cents (2009: HK9 cents) per ordinary share	**56,584**	50,100

At a meeting held on 25th November 2010, the directors declared an interim dividend of HK10 cents (2009: HK9 cents) per share for the six months ended 30th September 2010.

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. Since the exercise prices of the Company's outstanding share options were higher than the average closing price for the period from the grant dates of share options to 30th September 2010, there was no dilutive effect.

	Six months ended 30th September	
	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**118,735**	93,282
Weighted average number of ordinary shares in issue *(thousands)*	**559,533**	556,662
Basic and diluted earnings per share *(HK cents)*	**21.2**	16.8

8. Loans and receivables

	30th September 2010	31st March 2010
	HK$'000	*HK$'000*
Carrying amount as at period end	**78,142**	78,501

Loans and receivables represent the Group's investment in the five-year interest-bearing corporate bond (4% per annum) issued by Hydis Technologies Company Limited ("Hydis"), a company incorporated in Korea. They are denominated in Korean Won ("KRW").

The carrying amount of the loans and receivables approximates to their 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 2010	31st March 2010
	HK$'000	*HK$'000*
Fair value of unlisted equity securities outside Hong Kong, at period end	**136,641**	136,641

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

10. Trade and other receivables

	30th September 2010 *HK$'000*	31st March 2010 *HK$'000*
Trade receivables	**863,017**	521,120
Prepayments, deposits and other receivables	**56,787**	14,263
	919,804	535,383

At 30th September 2010, the ageing analysis of trade receivables based on invoice date is as follows:

	30th September 2010 *HK$'000*	31st March 2010 *HK$'000*
0-30 days	**556,252**	210,335
31-60 days	**182,410**	190,031
61-90 days	**79,884**	83,526
Over 90 days	**44,471**	37,228
	863,017	521,120

11. Trade and other payables

	30th September 2010 *HK$'000*	31st March 2010 *HK$'000*
Trade payables	**778,851**	729,168
Other payables and accruals	**79,632**	89,894
	858,483	819,062

At 30th September 2010, the ageing analysis of trade payables based on invoice date is as follows:

	30th September 2010 *HK$'000*	31st March 2010 *HK$'000*
0-30 days	**721,892**	670,269
31-60 days	**52,533**	33,872
61-90 days	**1,168**	21,475
Over 90 days	**3,258**	3,552
	778,851	729,168

DIVIDEND

The directors have resolved to declare an interim dividend of HK10 cents (2009: HK9 cents) per share for the six months ended 30th September 2010 to the shareholders whose names are on the register of members of the Company on 16th December 2010. The dividend warrants are expected to be despatched on 30th December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 15th December 2010 to Thursday, 16th December 2010, 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 Tuesday, 14th December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

For the six months ended 30th September 2010, the Group reported profit attributable to shareholders of HK$118.7 million (2009: HK$93.3 million) though turnover declined to HK$1.71 billion (2009: HK$2.22 billion). Earnings per share were HK21.2 cents (2009: HK16.8 cents).

Consistent with the Group's stable dividend policy, the Board has resolved to declare an interim dividend of HK10 cents (2009: HK9 cents) per share for the six months ended 30th September 2010.

Business review

In the midst of a still weak economy, the Group was well aware that maintaining a strong financial position is of the utmost importance. The adverse economic conditions in the past two years in North America and Europe has resulted in the collapse of a number of our industry peers and the Group has been very cautious in receiving orders by selecting financially sound customers, enabling it to minimize exposure to credit risk. As a result, turnover has declined compared to the same period last year.

Moreover, the Group aimed at maintaining reasonable profit margin rather than maximizing turnover when selecting orders. This explained why the Group achieved to maintain the gross profit margin at 12.1% (2009: 10.8%) under the difficult market condition. Through product optimization, the Group was also able to streamline the production process thus reducing the labour cost required for assembling products, lower material costs and improve productivity without affecting product performance and quality. Moreover, the ongoing standardisation of parts and components sharing among different models helped promote efficient production, capitalise on economies of scale in terms of procurement, and reduce risk associated with obsolescence while upholding high quality standards. In order to enhance profitability, the Group continued to reinforce workflow management. All these efforts have enabled the Group to keep the workforce at an optimum size and have greater control of overtime expenditure, while maintaining high quality level.

While employing the aforesaid practices to maximize margin, the Group remains fully committed to delivering products that satisfy the needs of consumers by keeping up with the market trends. During the review period, the Group demonstrated these abilities, enjoying increased demand for its portable DVD players and products with value-added features, such as internet connectivity and iPod and iPhone docking capabilities. Meanwhile, the sales of LCD TV products with LED backlight remained stable and popular particularly with the European customers. Besides, with the launch of Blu-ray disk players, the Group has sought to establish an early presence in this product segment in view of the general public's growing acceptance and fondness of this technology. The Group's Blu-ray disk products lineup at this time includes basic players, portable players and home theatre system, with built-in internet connectivity and video streaming capabilities.

In view of the current uncertain economic environment, the Group considers maintaining a strong cash position as critical. Accordingly, the Group has and will continue to cautiously manage its cash position, both by adopting strict credit control policies and minimizing bank borrowings.

Prospects

Looking forward to the second half of the year, though there are signs of recovery in the US and Europe and their governments are doing their best to stimulate economic activities, there remains uncertainty that can affect consumer confidence. Nevertheless, the management remains cautiously optimistic about the development of consumer electronics market and will utilise its competitive advantages to capitalise on market consolidation.

To strengthen the Group's competitiveness, it will continue to enhance its product portfolio by integrating the latest features, as demonstrated by its iPod and iPhone docking audio and video products. New models with iPad docking feature are also being developed and initial feedback from customers is very encouraging. iPad dock products are expected to contribute to the Group's results early next year. Having now introduced internet access feature into its Blu-ray disk products, the Group is also actively exploring the opportunities in connection with 3D capable Blu-ray disk playback products. In addition, WiFi connectivity is fast becoming almost a necessity in many consumer electronics products and the Group will integrate this feature into our products next year.

Even though the excitement of eBook Reader has been dampened somehow due to the introduction of Apple's iPad and other Tablet Computing products, all of which allow consumers to enjoy eBook contents in ways almost similar to eBook Readers, the Group is still exploring new eBook Reader products as well as eBook related business model, such as the potential establishment of "dedicated eBook website" for eBook contents delivery.

The Group's new manufacturing facility in Dongguan with environmentally friendly features is now under construction and expected to commence production in early 2012. Having established a solid foundation on which to build, the management will continue to prudently examine opportunities that arise, with the goal of realising long-term gains for the Group.

Liquidity and financial resources

Total equity and equity per share of the Group as at 30th September 2010 were HK$1,803 million (31st March 2010: HK$1,760 million) and HK$3.19 (31st March 2010: HK$3.16) respectively.

The Group maintains a strong financial position. As at 30th September 2010, we had cash and deposits of HK$759 million. After deducting bank loans of HK$84 million, we had net cash of HK$675 million. The Group has adequate liquidity for future working capital requirements.

As considerable shipments were made during the end of the reporting period to meet Christmas orders, as at 30th September 2010, our inventory was HK$412 million (31st March 2010: HK$473 million). We take a cautious approach to monitor the inventory level as more overseas customers tend to place rush orders during the period.

As at 30th September 2010, our trade receivables balance was HK$863 million (31st March 2010: HK$521 million). As it is our policy to deal with creditworthy customers and to adopt a prudent credit policy, credit risk is kept at minimal.

We had banking facilities of HK$1,716 million, of which HK$84 million term loans were utilized. Among the used facilities, HK$76 million shall be payable in the first year and HK$8 million shall be payable in the second to fourth years.

Capital expenditure on fixed assets spent was HK$16 million (2009: HK$20 million). As at 30th September 2010, we had capital commitments contracted but not provided for in respect of mould, plant and machinery and property amounting to HK$122,110,000 (31st March 2010: HK$914,000) of which HK$121,000,000 was contracted for the acquisition of an industrial property in Fanling, the New Territories. The property will be used for investment purposes for the time being. In longer term, this provides a flexibility to the Group to consolidate its operations there.

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

Following the signing of the revised Settlement Agreement on the Clearing of Renminbi business in July 2010, corporations are now able to conduct Renminbi business through the banks in Hong Kong. Taking this opportunity, we have adjusted our bank portfolio by investing in RMB deposit. This aims to provide a natural hedge against the cost impact caused by the potential appreciation of RMB and also to enhance our interest income.

Employees

As at 30th September 2010, the Group had approximately 7,000 (30th Septemer 2009: 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.

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.

On 11th May 2010 and 27th August 2010, totally 40,810,000 share options were granted to eligible persons. Details of the movements of the share options granted under the share option scheme during the six months period ended 30th September 2010 are as follows:

			Number of share options				
Date of grant	Exercise period	Exercise price per share *HK$*	Outstanding as at 1st April 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30th September 2010
11th May 2010	11th May 2010 to 20th August 2013	2.90	-	40,540,000	9,174,000	-	31,366,000
27th August 2010	27th August 2010 to 20th August 2013	3.08	-	270,000	-	-	270,000

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30th September 2010, 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 deviation 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 to 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 2010.

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 2010.

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website at www.irasia.com/listco/hk/alco/index.htm. The 2010 interim report will be despatched to the shareholders of the Company and available on the same websites in due course.

LIST OF DIRECTORS

As at the date of this announcement, 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, 25th November 2010