

## INDEPENDENT REVIEW REPORT

### 德勤·關黃陳方會計師行

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**Deloitte  
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## TO THE BOARD OF DIRECTORS OF ALPHA GENERAL (HOLDINGS) LIMITED (incorporated in Bermuda with limited liability)

### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 16.

### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors of the Company.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Review of work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2003.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 15 December 2003

## Interim Results

For the six months ended 30 September 2003, turnover was approximately HK\$113,778,000, representing a decrease of approximately 48.1% from the corresponding period last year (2002: HK\$ 219,266,000). Loss attributable to shareholders was approximately HK\$8,761,000 (2002 Profit attributable to Shareholders: HK\$1,606,000). Loss per share was 4.51 HK cents (2002 Earnings per share: 0.82 HK cent).

## Business Review

During the period under review, the performance of the Group was adversely affected by the outbreak of Severe Acute Respiratory Syndrome (“SARS”). Coupled with the war between USA and Iraq, the pace of global economic recovery remained sluggish.

Since the peak season of the consumption of air conditioner coincided with the period of the outbreak of SARS, the turnover of air conditioner was seriously hampered. On the other hand, the sales of window-type air conditioner was able to increase slightly in the adverse environment.

Despite the unfavorable environment, the drop in the turnover was controlled by the established brand equity and effective cost control measures like reviewing cost structure. On the other hand, the Group also diversified its product mix, such as “Goldline” gas built-in hob, “LG” LCD television, “LG” Plasma, “GALA” refrigerator and washing machine, in order to attain a balanced product portfolio and income source.

During the period under review, Hong Kong remained as the principal market for the Group. Regarding the PRC market, the distribution of products was focused in Guangdong.

## Business in Hong Kong and Macau

The confidence of customers dropped because of the outbreak of SARS and the high unemployment rate. According to information released by the Census and Statistics Department, the Composite Consumer Price Index in the period was lower when compared to the corresponding period last year. The retail sales were also damaged during the period of SARS. For instance, the retail sales were down by 15.2% in value or 12.2% in volume in April 2003 as compared to the same month last year.

The turnover in Hong Kong and Macau amounted to HK\$103,237,000 (2002: HK\$182,142,000), representing a decrease of approximately 43.3% when compared with the corresponding period last year.

## Business in the PRC

Regarding the PRC market, pursuant to the Group's plan for strategic re-allocation of the resources, it will continue to focus on the distribution of products in Guangdong.

The competition was intense in the PRC. The domestic suppliers flooded the market with low-priced products. At the same time, the large foreign and joint venture manufacturers possessed cost advantage because of economies of scale. The Group's product was not in a good position to reduce the price as the manufacturer, Fujitsu General, insisted on high quality materials which eventually increased the manufacturing cost. Turnover decreased by approximately 71.6% as compared with the same period last year.

## Retail market

### *Air conditioner*

Alpha General captured the market by selling air conditioners that were tailored for diverse markets. The “**OGENERAL**” air conditioner, which targeted medium-to-high customers, remained one of the most popular brands in Hong Kong. The sales of window-type air conditioner attained satisfactory performance amid the economic downturn during the period.

The rising concerns on energy conservation and environmental protection stimulated the Group to develop air conditioner that is environmental friendly. The “**OGENERAL**” VRF system that was launched in 2002 secured several new projects in the period. Another new model of “**OGENERAL**” air conditioner was launched in 2003, with unique features of super wave with air flow as wide as 140-degree, catchin honeycomb filter for better air purification, grade 1 energy label, and super quiet operation of 35 db. The market well received this new product.

### *Audio-visual products*

Once soccer betting became legal, people were more interested in watching football matches. In order to attain a higher visual quality, people tended to replace their original television set by plasma or LCD television. A higher demand for plasma and LCD television was created. The sales performance of “LG” Plasma and “LG” LCD television was on the rise during the period on the back of the football frenzy. In order to capture the high-end market, the Group launched a series of new AV products – “LG” 44-inch DLP projection TV and the world's first and slimmest 40-inch projection TV. In addition, the new display center in Grand Century Place attracted more customers to try the Group's products and strengthened its market share.

### *Other electrical household appliances*

The Group has been awarded the Sole Agent of the new “Goldline” gas built-in hob in Hong Kong and Macau since January 2003. The gas built-in hob was launched in the market in the second half of 2003. The sales performance was satisfactory. In addition, the “GALA” refrigerator, washing machine, dryer, range hood, dehumidifier and air purifier maintained a stable performance during the period.

### **Project market**

Project business includes providing quality products and services for property developer, contractor, government organization, hospital and school. The “**OGENERAL**” air conditioner is the preferred choice of corporate clients. The reduced public housing construction and the not yet recovered property market affected the performance. As at 30 September 2003, the Group had on hand total contract sum amounted to approximately HK\$44,700,000.

### **Prospects**

With SARS and war at Iraq coming to an end, Hong Kong is running out of the shadow. Favorable factors like the relaxation of the restriction for the visitors from the PRC and the lowering unemployment rate simulated retail sales in Hong Kong. The property market also showed revival.

Looking forward, the Group planned to diversify its product mix in order to attain a balanced product portfolio and income source. The new model of “**OGENERAL**” air conditioner and “LG” Plasma, DLP and LCD projection TV were expected to generate new sources of income. The new energy saving series of “**OGENERAL**” inverter ceiling wall split type air conditioner, will be launched in March 2004. Several features are distinctive, including self-cleaning filter, UV sterilization lamp and negative ion generator.

In addition, the Group will keep on identifying new investments related to new technology to capitalize on additional business opportunities. The Group also expected that the gradual stabilizing of the property market and the second-hand property market would increase the contribution of the project market.

In view of the Group’s operation in the PRC, the Group will exercise prudent management measures and focus its operation in Guangdong, the PRC. The Group endeavors to generate promising return to its shareholders and the Group as a whole.

## Employment and Remuneration Policy

As at 30 September 2003, the Group employed approximately 115 employees, of which about 110 in Hong Kong and 5 in the PRC. The remuneration policy and package of the Group's employees are based on industry's practices. In addition, discretionary bonus and other merit payments are linked to the profit performance of the Group and individual performance as recognition and reward for value creation. Its staff benefits, welfare and statutory contributions if any, are made in accordance with prevailing labor laws of its operating entities.

## Condensed Consolidated Income Statement

For the six months ended 30 September 2003

|                                  | NOTES | Six months ended                     |  |
|----------------------------------|-------|--------------------------------------|--|
|                                  |       | 30.9.2003<br>HK\$'000<br>(unaudited) | 30.9.2002<br>HK\$'000<br>(unaudited)<br>(restated) |
| Turnover                         | 3     | 113,778                              | 219,266  |
| Cost of sales                    |       | (85,827)                             | (167,461)  |
| Gross profit                     |       | 27,951                               | 51,805   |
| Other operating income           |       | 1,299                                | 632  |
| Interest income                  |       | 1,020                                | 4  |
| Distribution costs               |       | (8,064)                              | (14,972)   |
| Allowance for doubtful debts     |       | (9,263)                              | (547)  |
| Administrative expenses          |       | (21,178)                             | (33,108)   |
| (Loss) profit from operations    | 4     | (8,235)                              | 3,814  |
| Finance costs                    |       | (411)                                | (858)  |
| (Loss) profit before taxation    |       | (8,646)                              | 2,956  |
| Taxation                         | 5     | (115)                                | (1,350)  |
| Net (loss) profit for the period |       | (8,761)                              | 1,606  |
| Dividends                        | 6     | –                                    | –  |
| (Loss) earnings per share        | 7     |                                      |  |
| – Basic                          |       | (4.51) cents                         | 0.82 cent  |
| – Diluted                        |       | N/A                                  | 0.82 cent  |

## Condensed Consolidated Balance Sheet

At 30 September 2003

|                                       | NOTES | 30.9.2003<br>HK\$'000<br>(unaudited) | 31.3.2003<br>HK\$'000<br>(audited)<br>(restated) |
|---------------------------------------|-------|--------------------------------------|--|
| <b>ASSETS AND LIABILITIES</b>         |       |                                      |  |
| Non-current assets                    |       |                                      |  |
| Property, plant and equipment         | 8     | 59,979                               | 61,401   |
| Investments in securities             |       | 400                                  | 400  |
| Club debenture                        |       | 753                                  | 753  |
|                                       |       | <u>61,132</u>                        | <u>62,554</u>                                    |
| Current assets                        |       |                                      |  |
| Inventories                           |       | 127,079                              | 120,386  |
| Trade and other receivables           | 9     | 53,707                               | 70,027   |
| Taxation recoverable                  |       | 1,695                                | 1,695  |
| Bank balances and cash                |       | 69,654                               | 95,149   |
|                                       |       | <u>252,135</u>                       | <u>287,257</u>                                   |
| Current liabilities                   |       |                                      |  |
| Trade and other payables              | 10    | 23,753                               | 17,615   |
| Bank borrowings – due within one year | 11    | 7,228                                | 38,264   |
| Amount due to a related company       | 12    | 6,000                                | 6,000  |
| Dividend payable                      |       | 27                                   | 27   |
|                                       |       | <u>37,008</u>                        | <u>61,906</u>                                    |
| Net current assets                    |       | <u>215,127</u>                       | <u>225,351</u>                                   |
| Total assets less current liabilities |       | <u>276,259</u>                       | <u>287,905</u>                                   |
| Non-current liabilities               |       |                                      |  |
| Amount due to a related company       | 12    | 12,000                               | 15,000   |
| Deferred taxation                     | 13    | 969                                  | 854  |
|                                       |       | <u>12,969</u>                        | <u>15,854</u>                                    |
|                                       |       | <u>263,290</u>                       | <u>272,051</u>                                   |
| <b>CAPITAL AND RESERVES</b>           |       |                                      |  |
| Share capital                         |       | 38,834                               | 38,834   |
| Reserves                              |       | 224,456                              | 233,217  |
|                                       |       | <u>263,290</u>                       | <u>272,051</u>                                   |

The financial statements on pages 5 to 16 were approved and authorised for issue by the Board of Directors on 15 December 2003 and are signed on its behalf by:

**Chu Ka Lok, Peter**  
Director

**Chan Kai Kwok**  
Director

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2003

|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Dividend<br>reserve<br>HK\$'000 | Special<br>reserve<br>HK\$'000 | PRC<br>statutory<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Accumulated<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|------------------------------|---------------------------------|--------------------------------|---|--|------------------------------------|-------------------|
| At 1 April 2002                                     |                              |                              |                                 |                                |   |  |                                    |                   |
| – as previously reported                            | 39,159                       | 54,559                       | 3,133                           | 3,382                          | 1,309                                   | 401  | 191,228                            | 293,171           |
| – adjustment on adoption<br>of SSAP 12<br>(Revised) | –                            | –                            | –                               | –                              | –                                       | –  | 400                                | 400               |
| – as restated                                       | 39,159                       | 54,559                       | 3,133                           | 3,382                          | 1,309                                   | 401  | 191,628                            | 293,571           |
| 2002 final dividend paid                            | –                            | –                            | (3,133)                         | –                              | –                                       | –  | –                                  | (3,133)           |
| Repurchase of shares                                | (116)                        | (110)                        | –                               | –                              | –                                       | –  | –                                  | (226)             |
| Transfer upon repurchase<br>of shares               | –                            | –                            | –                               | –                              | –                                       | 116  | (116)                              | –                 |
| Net profit for the period                           | –                            | –                            | –                               | –                              | –                                       | –  | 1,606                              | 1,606             |
| At 30 September 2002                                | 39,043                       | 54,449                       | –                               | 3,382                          | 1,309                                   | 517  | 193,118                            | 291,818           |
| Repurchase of shares                                | (209)                        | (186)                        | –                               | –                              | –                                       | –  | –                                  | (395)             |
| Share repurchase expenses                           | –                            | (74)                         | –                               | –                              | –                                       | –  | –                                  | (74)              |
| Transfer upon repurchase<br>of shares               | –                            | –                            | –                               | –                              | –                                       | 209  | (209)                              | –                 |
| Net loss for the period                             | –                            | –                            | –                               | –                              | –                                       | –  | (19,298)                           | (19,298)          |
| At 31 March 2003                                    | 38,834                       | 54,189                       | –                               | 3,382                          | 1,309                                   | 726  | 173,611                            | 272,051           |
| Net loss for the period                             | –                            | –                            | –                               | –                              | –                                       | –  | (8,761)                            | (8,761)           |
| At 30 September 2003                                | <u>38,834</u>                | <u>54,189</u>                | <u>–</u>                        | <u>3,382</u>                   | <u>1,309</u>                            | <u>726</u>                                   | <u>164,850</u>                     | <u>263,290</u>    |

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2003

|  | Six months ended                     |                                      |
|--|--------------------------------------|--------------------------------------|
|  | 30.9.2003<br>HK\$'000<br>(unaudited) | 30.9.2002<br>HK\$'000<br>(unaudited) |
| NET CASH FROM OPERATING ACTIVITIES                       | 8,117                                | 19,236                               |
| NET CASH FROM (USED IN) INVESTING<br>ACTIVITIES          | 835                                  | (833)                                |
| NET CASH USED IN FINANCING ACTIVITIES                    | <u>(34,711)</u>                      | <u>(20,231)</u>                      |
| NET DECREASE IN CASH AND CASH<br>EQUIVALENTS             | (25,759)                             | (1,828)                              |
| CASH AND CASH EQUIVALENTS AT<br>BEGINNING OF THE PERIOD  | <u>94,043</u>                        | <u>61,405</u>                        |
| CASH AND CASH EQUIVALENTS<br>AT END OF THE PERIOD        | <u><u>68,284</u></u>                 | <u><u>59,577</u></u>                 |
| ANALYSIS OF THE BALANCES OF CASH<br>AND CASH EQUIVALENTS |                                      |                                      |
| Bank balances and cash                                   | 69,654                               | 62,716                               |
| Bank overdrafts  | <u>(1,370)</u>                       | <u>(3,139)</u>                       |
|  | <u><u>68,284</u></u>                 | <u><u>59,577</u></u>                 |



## Notes to the Condensed Financial Statements

For the six months ended 30 September 2003

### 1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

### 2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2003, except as described below.

In the current interim period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly. As a result of this change in policy, the opening balance on accumulated profits at 1 April 2003 has been increased by HK\$517,000 (1 April 2002: HK\$400,000). The loss for the six months ended 30 September 2003 have been increased by HK\$115,000 (six months ended 30 September 2002: net profit decreased by HK\$121,000).

The Group's accounting policy for taxation following the adoption of SSAP 12 (Revised) is stated below.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### 3. Turnover and segment information

Substantially all of the Group's turnover and contribution to results were derived solely from the trading of consumer electrical appliances during the period.

For management purposes, the Group is currently organised into two geographical segments – Hong Kong and Macau, and the People's Republic of China (the "PRC"). These geographical segments are the basis on which the Group reports its primary segment information.

Segment information about these geographical segments is presented below:

|                                     | Six months ended<br>30.9.2003      |                     |                   | Six months ended<br>30.9.2002      |                     |                                 |
|-------------------------------------|------------------------------------|---------------------|-------------------|------------------------------------|---------------------|---------------------------------|
|                                     | Hong Kong<br>and Macau<br>HK\$'000 | The PRC<br>HK\$'000 | Total<br>HK\$'000 | Hong Kong<br>and Macau<br>HK\$'000 | The PRC<br>HK\$'000 | Total<br>HK\$'000<br>(restated) |
| Turnover                            | <u>103,237</u>                     | <u>10,541</u>       | <u>113,778</u>    | 182,142                            | 37,124              | 219,266                         |
| Results                             | <u>(8,312)</u>                     | <u>77</u>           | <u>(8,235)</u>    | <u>5,281</u>                       | <u>(1,467)</u>      | 3,814                           |
| Finance costs                       |                                    |                     | <u>(411)</u>      |                                    |                     | <u>(858)</u>                    |
| (Loss) profit before<br>taxation    |                                    |                     | <u>(8,646)</u>    |                                    |                     | 2,956                           |
| Taxation                            |                                    |                     | <u>(115)</u>      |                                    |                     | <u>(1,350)</u>                  |
| Net (loss) profit for<br>the period |                                    |                     | <u>(8,761)</u>    |                                    |                     | <u>1,606</u>                    |

#### 4. (Loss) Profit from operations

(Loss) profit from operations has been arrived at after charging (crediting):

|   | <b>Six months ended</b> |                     |
|---|-------------------------|---------------------|
|   | <b>30.9.2003</b>        | 30.9.2002           |
|   | <b>HK\$'000</b>         | HK\$'000            |
| Depreciation  | <b>1,438</b>            | 1,650               |
| Loss (gain) on disposal of property,<br>plant and equipment | <b>169</b>              | (8)                 |
|   | <u><u>1,607</u></u>     | <u><u>1,642</u></u> |

#### 5. Taxation

|  | <b>Six months ended</b> |                     |
|--|-------------------------|---------------------|
|  | <b>30.9.2003</b>        | 30.9.2002           |
|  | <b>HK\$'000</b>         | HK\$'000            |
|  |                         | (restated)          |
| The charge comprises:  |                         |                     |
| Hong Kong Profits Tax for current period                           | –                       | 897                 |
| Underprovision of tax in other jurisdictions<br>in the prior years | –                       | 332                 |
| Deferred taxation  |                         |                     |
| – Current period   | <b>35</b>               | 121                 |
| – Attributable to the change in tax rate                           | <b>80</b>               | –                   |
|  | <u><u>115</u></u>       | <u><u>1,350</u></u> |

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the period.

The charge comprises Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period ended 30 September 2002.

In March 2003, the Hong Kong government proposed that the rate for Hong Kong Profits Tax be increased to 17.5% with effect from the year of assessment 2003/2004, which was passed by the Legislative Council on 25 June 2003. This increase is taken into account in the preparation of the Group's 2003 interim financial report.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In addition to the amount charged to the income statement, deferred taxation relating to the revaluation of the Group's properties on acquisition has been charged directly to reserves.

## 6. Dividends

The directors do not recommend the payment of any interim dividend (2002: Nil).

## 7. (Loss) Earnings per share

The calculation of the basic and diluted (loss) earnings per share for the period is based on the following data:

|  | <b>Six months ended</b> |                           |
|--|-------------------------|---------------------------|
|  | <b>30.9.2003</b>        | 30.9.2002                 |
|  | <b>HK\$'000</b>         | HK\$'000                  |
|  |                         | (restated)                |
| (Loss) earnings for the purposes of basic and diluted (loss) earnings per share                  |                         |                           |
| Net (loss) profit for the period   | <u><u>(8,761)</u></u>   | <u><u>1,606</u></u>       |
| Weighted average number of ordinary shares for the purpose of basic earnings per share           | <b>194,165,900</b>      | 195,761,097               |
| Effect of dilutive potential ordinary shares:  |                         |                           |
| Share options  | <u>N/A</u>              | <u>312,000</u>            |
| Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share | <u><u>N/A</u></u>       | <u><u>196,073,097</u></u> |

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the period ended 30 September 2002 has been adjusted for the share consolidation on 28 January 2003.

The computation of diluted loss per share for the six months ended 30 September 2003 does not assume the exercise of the shares options since their exercise would result in a reduction in loss per share.

## 8. Additions to property, plant and equipment

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$201,000 (1 April 2002 to 31 March 2003: HK\$1,440,000).

## 9. Trade and other receivables

The Group allows a credit period of 30 days to its retail customers and average credit period of 30 days after the issuance of architect certificate for project customers. The following is an aged analysis of trade receivables at the balance sheet date:

|                   | <b>30.9.2003</b> | 31.3.2003   |
|-------------------|------------------|-------------|
|                   | <b>HK\$'000</b>  | HK\$'000    |
| 0 – 30 days       | <b>16,676</b>    | 22,847      |
| 31 – 60 days      | <b>13,361</b>    | 7,370       |
| > 60 days         | <b>19,071</b>    | 33,268      |
|                   | <hr/>            | <hr/>       |
| Other receivables | <b>49,108</b>    | 63,485      |
|                   | <b>4,599</b>     | 6,542       |
|                   | <hr/>            | <hr/>       |
|                   | <b>53,707</b>    | 70,027      |
|                   | <hr/> <hr/>      | <hr/> <hr/> |

## 10. Trade and other payables

The following is an aged analysis of trade payables at the balance sheet date:

|                | <b>30.9.2003</b> | 31.3.2003   |
|----------------|------------------|-------------|
|                | <b>HK\$'000</b>  | HK\$'000    |
| 0 – 30 days    | <b>682</b>       | 1,254       |
| 31 – 60 days   | <b>560</b>       | 1,074       |
| > 60 days      | <b>17,725</b>    | 9,717       |
|                | <hr/>            | <hr/>       |
| Other payables | <b>18,967</b>    | 12,045      |
|                | <b>4,786</b>     | 5,570       |
|                | <hr/>            | <hr/>       |
|                | <b>23,753</b>    | 17,615      |
|                | <hr/> <hr/>      | <hr/> <hr/> |

**11. Bank borrowings – Due within one year**

|   | <b>30.9.2003</b>    | 31.3.2003     |
|---|---------------------|---------------|
|   | <b>HK\$'000</b>     | HK\$'000      |
| Bank borrowings comprise the following: |                     |               |
| Trust receipt loans                     | <b>1,185</b>        | 16,597        |
| Bank loans                              | <b>4,673</b>        | 18,528        |
| Bank overdrafts                         | <b>1,370</b>        | 3,139         |
|   | <u><b>7,228</b></u> | <u>38,264</u> |

**12. Amount due to a related company**

The amount represents balance due to Napson Trading Limited (“Napson”), a company in which Mr. Chu Ka Lok, Peter, one of the Company’s directors, has a beneficial interest. The amount is unsecured, interest-free and repayable by 60 consecutive monthly instalments of HK\$500,000 each from October 2001. The amount repayable within one year is classified as a current liability.

### 13. Deferred taxation

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the period.

#### Deferred tax liabilities

|   | Six months ended 30.9.2003         |                                 |             |                |            | Six months ended 30.9.2002         |                                 |             |          |              |
|---|------------------------------------|---------------------------------|-------------|----------------|------------|------------------------------------|---------------------------------|-------------|----------|--------------|
|   | Accelerated<br>tax<br>depreciation | Revaluation<br>of<br>properties | Prepayments | Tax loss       | Total      | Accelerated<br>tax<br>depreciation | Revaluation<br>of<br>properties | Prepayments | Tax loss | Total        |
|   | HK\$'000                           | HK\$'000                        | HK\$'000    | HK\$'000       | HK\$'000   | HK\$'000                           | HK\$'000                        | HK\$'000    | HK\$'000 | HK\$'000     |
| At 1 April  |                                    |                                 |             |                |            |                                    |                                 |             |          |              |
| – as previously reported                            | 2,658                              | –                               | 139         | (1,426)        | 1,371      | 2,090                              | –                               | 133         | –        | 2,223        |
| – adjustment on<br>adoption of<br>SSAP 12 (Revised) | (1,379)                            | 396                             | –           | 466            | (517)      | (789)                              | 396                             | (7)         | –        | (400)        |
| – as restated                                       | 1,279                              | 396                             | 139         | (960)          | 854        | 1,301                              | 396                             | 126         | –        | 1,823        |
| Charge (credit) to income<br>for the period         | (5)                                | –                               | 32          | 8              | 35         | 55                                 | –                               | 66          | –        | 121          |
| Effect of change in<br>tax rate                     |                                    |                                 |             |                |            |                                    |                                 |             |          |              |
| – charge to income<br>for the period                | 120                                | 37                              | 13          | (90)           | 80         | –                                  | –                               | –           | –        | –            |
| At 30 September                                     | <u>1,394</u>                       | <u>433</u>                      | <u>184</u>  | <u>(1,042)</u> | <u>969</u> | <u>1,356</u>                       | <u>396</u>                      | <u>192</u>  | <u>–</u> | <u>1,944</u> |

At 30 September 2003, other than the tax effect on the temporary difference of tax loss amounting to HK\$5,956,000 recognised as deferred tax assets, the Group had remaining unused tax losses amounting to HK\$4,700,000 (31 March 2003: HK\$5,604,000) available to offset against future profits. No deferred tax asset has been recognised for the remaining unused tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.



## Directors' Interest in Shares of the Company and its Associated Corporations

At 30 September 2003, the interests of the directors and their associates in the share capital of the Company and its associated corporations recorded in the register kept by the Company under Section 352 of the Securities and Futures Ordinance (Cap. 571) ("SFO") were as follows:

### (I) The Company

#### (a) Shares

| Name of director      | Number of Shares of<br>HK\$0.20 each |  |
|-----------------------|--------------------------------------|--|
|                       | Personal<br>interests                | Other<br>interests                             |
| Mr. Chu Ka Lok, Peter | 3,367,000                            | 118,260,000<br>(Note 1)<br>764,000<br>(Note 2) |
| Mr. Wat Hon Keung     | 933,000                              | —  |
| Mr. Chan Kai Kwok     | 935,500                              | —  |
| Ms. Chu Maria Teresa  | 4,000,000                            | —  |

*Note 1:* These shares were held by Charmwood Development Limited. The entire issued share capital of Charmwood Development Limited is held by the trustee of a discretionary trust set up in June 1996 in which Mr. Chu Ka Lok, Peter is included as a beneficiary. He therefore has "Other Interests" in such number of shares as described in Practice Note 5 to the Rules Governing the Listing of Securities on the Stock Exchange.

*Note 2:* These shares were held by Napson, a company incorporated in Hong Kong, which is wholly and beneficially owned by Charmwood Development Limited. The entire issued share capital of Charmwood Development Limited is held by the trustee of a discretionary trust in which Mr. Chu Ka Lok, Peter is included as a beneficiary. He therefore has "Other Interests" in such number of shares as described in Practice Note 5 to the Rules Governing the Listing of Securities on the Stock Exchange.

(b) *Options*

At 30 September 2003, the directors had personal interests in share options to subscribe for shares in the Company at an exercise price of HK\$0.5504 and HK\$0.792 per share granted on 17 April 2001 and 17 December 2001 respectively, exercisable within a ten year period from the date of the grant, as follows:

| Name of director      | Number of Shares in options |                                |             |
|-----------------------|-----------------------------|--------------------------------|-------------|
|                       | Granted on<br>17 April 2001 | Granted on<br>17 December 2001 | Outstanding |
| Mr. Chu Ka Lok, Peter | 4,500,000                   | –                              | 1,500,000   |
| Ms. Chu Maria Teresa  | 3,000,000                   |                                | 1,500,000   |
|                       |                             | 100,000                        | 100,000     |
| Mr. Chan Kai Kwok     | –                           | 500,000                        | 500,000     |
| Mr. Wat Hon Keung     | –                           | 500,000                        | 500,000     |

*Note:* Number of shares in options has been adjusted for the effect of the consolidation of shares made by the Company on 28 January 2003.

No share options were granted nor exercised during the period.

**(II) Shares in subsidiaries**

At 30 September 2003, the following director held “Other Interests” in the non-voting deferred shares in Alpha Appliances Limited, a 100% owned subsidiary of the Company, as follows:

| Name of director      | Number of non-voting deferred shares |
|-----------------------|--------------------------------------|
| Mr. Chu Ka Lok, Peter | 50,000<br>(Note)                     |

*Note:* 49,999 shares were held by Charmwood Development Limited and 1 share was held by Reredos Corporation which share was in turn held in trust for Charmwood Development Limited. The entire issued share capital of Charmwood Development Limited is held by the trustee of a discretionary trust in which, Mr. Chu Ka Lok, Peter is included as a beneficiary. He therefore has “Other Interests” in such number of non-voting deferred shares as described in Practice Note 5 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In addition, a number of directors held non-beneficial interest in shares in certain subsidiaries as nominees.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or its associated corporations (as defined in the SFO) as recorded in the register required to be kept under Section 352 of the SFO.

### **Directors' Right to Acquire Shares**

At no time during the period under review was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Company's directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **Liquidity and capital resources**

The Group generally finances its operations with internally generated cash flow and facilities provided by bankers in Hong Kong.

During the six months ended 30 September 2003, the Group generated a net cash inflow from operating activities of approximately HK\$8 million as compared to a net cash inflow of HK\$19 million in the corresponding period last year. As at 30 September 2003, the current ratio of the Group was 6.8.

Taking into consideration the anticipated internally generated funds and the available unutilized banking facilities, the directors believe that the Group has sufficient resources to meet its foreseeable capital expenditure and working capital requirements.

### **Substantial shareholders**

As at 30 September 2003, according to the register kept under Section 336 of the SFO, the only shareholder who had an interest in 5% or more of the issued share capital of the Company was Charmwood Development Limited, which held 118,260,000 shares. This interest has also been disclosed as an interest of Mr. Chu Ka Lok, Peter in the disclosure of directors' interests in shares of the Company above.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 336 of the SFO as at 30 September 2003.

## **Compliance with Code of Best Practice**

The Company has complied throughout the period under review with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited, with which it is required to report compliance.

## **Audit committee**

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Company for the six months ended 30 September 2003.

## **Purchase, sale or redemption of listed securities**

During the period under review, the Company has not redeemed any of its securities. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September 2003.

## **Appreciation**

Last but not the least, I would like to express my sincere gratitude to our teams for their hard work and dedicated efforts, and to our customers for their continual support for our products and services, and our shareholders for their trust and support.

By Order of the Board  
**Chu Ka Lok, Peter**  
*Chairman*

HKSAR, 15 December 2003