

QGENERAL

Interim Report 2001



Alpha General (Holdings) Limited
第一珍寶(集團)有限公司



INDEPENDENT REVIEW REPORT

德勤·關黃陳方會計師行

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**Deloitte
Touche
Tohmatsu**

TO THE BOARD OF DIRECTORS OF ALPHA GENERAL (HOLDINGS) LIMITED

Introduction

We have been instructed by Alpha General (Holdings) Limited (the “Company”) to review the interim financial report set out on pages 6 to 18.

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 relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors of the Company.

Review of work performed

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of 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 2001.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 17 December 2001



Interim Results

For the six-month period ended 30 September 2001, turnover was approximately HK\$302,090,000, representing a decrease of about 14.7% from the corresponding period last year of HK\$354,253,000. Profit attributable to shareholders was about HK\$11,982,000, representing a decrease of approximately 5.3% when compared with last year's HK\$12,653,000. Earnings per share were 0.30 HK cent (2000: 0.33 HK cent).

Business Review

During the first half of financial year 2001/02, the performance of the Group was stable, despite the general influence of the global economic downturn and the reduced local public housing and private housing construction. The main determinants are the successful seizure of retail market for the wave of installation of air conditioners in school campus initiated by the HKSAR Government and the implementation of effective cost control. For the period under review, Hong Kong remained as the principal market for the Group while efforts were also placed to explore new markets in the PRC.

Business in Hong Kong

During the period under review, though the business in Hong Kong was affected by the weak sentiment and inactive second-hand property market, the Group's retailing business remained stable and satisfactory while project business was inevitably being affected. The Group managed to maintain turnover in Hong Kong at HK\$192,149,000 (2000: HK\$226,443,000), representing a decrease of 15%. Profit from operations decreased 20% amounting to HK\$11,437,000 (2000: HK\$14,366,000).

Retail market

Under the shadow of global economic downturn, the consumption power and sentiment remained low, which slightly affected the Group's retailing business. For the period under review, turnover for retailing business slightly decreased by 1.6%. Regarding the HKSAR Government increased the subsidies for primary



and secondary schools, orders received from education sector recorded a steady growth, which was encouraging and capable to offset the sluggish atmosphere in retailing market.

In view of continued sluggish operating environment, the Group strove to minimize operating cost in a way to offset the revenue decrease due to the keen market competition. The Group has successfully implemented cost control in the areas of procurement, administration as well as expenses on warehouse and interest.

During the period under review, the price competition of household appliances became more vigorous. The sales of “FUJI ELECTRIC” which targeted mass customers were inevitably being affected. On the other hand, the “**GENERAL**” air conditioner which targeted medium-to-high end users, remained as one of the top selling brands in Hong Kong.

With regard to accelerated digitalization, the sales performance of Fujitsu Plasma Display monitor was satisfactory during the period under review. It reflected that the premium market was unaffected by economic downturn since the market is more sensitive to the prevailing technology advancement. The sales performance of Fujitsu Plasma Display monitor does draw a promising prospect for the Group’s advanced technological product development.

Project market

For project business which supplies and installs window and split type air-conditioners in various new property development in Hong Kong, its sale performance was affected by the shrinking public housing and private housing construction and inactive second-hand property market. For the period under review, the Group has total contract sum amounted to HK\$145,000,000.

Business in the PRC

During the period under review, the competition of the electronic appliance market in the PRC market remained fierce. Competitors resorted to price war. In addition, the lowered temperature in the Southern provinces due to the heavy rainfall in June and July also adversely affected the overall performance of domestic market in the PRC.



The Group has successfully expanded the existing sales network to many major cities including Beijing during the period under review. In preparation for future expansion, the Group will consolidate the existing foothold in Guangdong province and coastal regions of the PRC and reinforce the relationship with dealers in various regions, in addition to the existing sales network in the major distribution zones in the Eastern and Southern districts including Guangzhou, Pearl River Delta areas, Shanghai, Nanjing and Wuxi.

China's recent accession to the World Trade Organization ("WTO") and its successful bid of 2008 Olympic Games hosting country do turn a new page for domestic electrical appliance market in the PRC. With improvement in the domestic living standards and adjustment in electrical policies in rural areas, it is expected that the domestic electrical appliance market will grow in the coming years, and offer numerous business opportunities to the Group.

Prospects

Confronting with the current global economic contraction and the anticipated keen competition in the industry, the Group is determined to make every endeavor to cope with this situation. The strategic approach is effective cost control and product diversification. Moreover, the Group's retail business will remain stable and it will keep on participating in upcoming projects to maintain the brand image of "OGENERAL" air-conditioner in Hong Kong.

The Group believes that the PRC's accession to the WTO and the winning of the hosting country of 2008 Olympic Games will open up numerous business opportunities for the Group. The Group will certainly grasp the golden opportunity of significant growth of the electrical appliance market in the PRC. It will strive to capture this business potential by applying the inherent professional knowledge and management experience in order to further explore its sales network in the mainland. The Group will continue to boost the brand name "OGENERAL" in the electrical appliance market and establish partnership with regional dealers. The latter will be done by providing comprehensive sales and after-sales support to dealers in response to the keen competition in air-conditioning industry. The Group will strive to expand the market coverage and improve the profit margin in the PRC.



The Group's website at www.alpha-general.com which provides a more comprehensive after-sale service to its customers, has been launched. It operates positively since the operating cost is reduced by no-paper communication and automatic reply or confirmation on appointment, in addition to the increased number of maintenance contracts preceded through online booking, which enlarges income stream in return.

Looking forward, the Group plans to diversify product range to other similar products such as high technology consumer electronics and computer peripherals to explore high potential business. In addition, the Group will continue to identify new investments related to information technology to capitalize on additional business opportunities.

Employment and Remuneration Policy

As at 30 September 2001, the Group employed approximately 170 employees, of which about 126 in Hong Kong and 44 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 labour laws of its operating entities.

**Condensed Consolidated Income Statement***For the six months ended 30 September 2001*

		Six months ended	
		30.9.2001	30.9.2000
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	302,090	354,253
Cost of sales		<u>(218,946)</u>	<u>(262,973)</u>
Gross profit		83,144	91,280
Other revenue		643	78
Distribution costs		(34,234)	(37,536)
Administrative expenses		<u>(34,438)</u>	<u>(37,096)</u>
Profit from operations	3 & 4	15,115	16,726
Finance costs		(938)	(993)
Interest income		<u>378</u>	<u>261</u>
Profit before taxation		14,555	15,994
Taxation	5	<u>(2,573)</u>	<u>(3,341)</u>
Net profit for the period		<u><u>11,982</u></u>	<u><u>12,653</u></u>
Dividends	6	<u><u>(3,916)</u></u>	<u><u>(3,866)</u></u>
Earnings per share	7		
– Basic		<u><u>0.30 cent</u></u>	<u><u>0.33 cent</u></u>
– Diluted		<u><u>0.30 cent</u></u>	<u><u>N/A</u></u>



Condensed Consolidated Balance Sheet

At 30 September 2001

		30.9.2001	31.3.2001
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(As restated) (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	61,182	29,894
Investments in securities		<u>1,153</u>	<u>753</u>
		<u>62,335</u>	<u>30,647</u>
Current assets			
Inventories		176,330	188,904
Trade and other receivables	9	140,026	194,781
Bank balances and cash		<u>52,079</u>	<u>16,211</u>
		<u>368,435</u>	<u>399,896</u>
Current liabilities			
Trade and other payables	10	70,577	66,539
Amount due to a related company	11	6,000	–
Bank borrowings			
– due within one year	12	21,375	66,939
Taxation		1,977	536
Dividend payable		<u>3,439</u>	<u>–</u>
		<u>103,368</u>	<u>134,014</u>
Net current assets		<u>265,067</u>	<u>265,882</u>
Total assets less current liabilities		<u>327,402</u>	<u>296,529</u>



		30.9.2001	31.3.2001
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(As restated)
			(Audited)
Non-current liabilities			
Amount due to a related company	11	23,500	–
Deferred taxation		<u>2,608</u>	<u>2,608</u>
		<u>26,108</u>	<u>2,608</u>
		<u>301,294</u>	<u>293,921</u>

CAPITAL AND RESERVES

Share capital	13	39,159	38,660
Reserves	14	<u>262,135</u>	<u>255,261</u>
		<u>301,294</u>	<u>293,921</u>

The financial statements on pages 6 to 18 were approved and authorised for issue by the Board of Directors on 17 December 2001 and are signed on its behalf by:

Chu Ka Lok, Peter
Director

Chan Kai Kwok
Director

**Condensed Consolidated Statement of Recognised Gains and Losses***For the six months ended 30 September 2001*

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net profit and total recognised gains for the period	<u>11,982</u>	<u>12,653</u>
Prior period adjustment for the effect of a change in accounting policy (<i>see Note 2</i>) – increase in dividend reserve at 1 April 2000		<u>9,665</u>

**Condensed Consolidated Cash Flow Statement***For the six months ended 30 September 2001*

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow (outflow) from operating activities	86,676	(5,954)
Net cash outflow from returns on investments and servicing of finance	(2,923)	(732)
Net taxation paid	(1,140)	(991)
Net cash outflow from investing activities	<u>(2,371)</u>	<u>(1,871)</u>
Net cash inflow (outflow) before financing	80,242	(9,548)
Net cash outflow from financing	<u>(41,781)</u>	<u>(7,798)</u>
Increase (decrease) in cash and cash equivalents	38,461	(17,346)
Cash and cash equivalents at beginning of the period	<u>10,495</u>	<u>44,629</u>
Cash and cash equivalents at end of the period	<u><u>48,956</u></u>	<u><u>27,283</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	52,079	32,192
Bank overdrafts	<u>(3,123)</u>	<u>(4,909)</u>
	<u><u>48,956</u></u>	<u><u>27,283</u></u>



Notes to the Condensed Financial Statements

For the six months ended 30 September 2001

1. Basis of Preparation

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

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 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs, which has resulted in the adoption of the following new/revised accounting policies.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

**Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the condensed financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the dividend reserve as at 1 April 2000 by HK\$9,665,000 and as at 1 April 2001 by HK\$5,799,000 respectively.

Goodwill

In the current period, the Group has adopted SSAP 30 “Business Combinations”. Any goodwill arising on acquisitions of subsidiaries or associates after 1 April 2001 is capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1 January 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. At 31 March 2000, there was no goodwill or negative goodwill held in reserves and, consequently, no prior period adjustment is required.

Apart from SSAP 9 (Revised) and SSAP 30, the other new and revised SSAPs adopted during the period have not had any impact on the Group.

3. Turnover and Segment Information

An analysis of the Group’s turnover and contribution to profit from operations by geographical segment is as follows:

	Turnover		Contribution to profit from operations	
	Six months ended		Six months ended	
	30.9.2001	30.9.2000	30.9.2001	30.9.2000
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of air-conditioners				
Hong Kong and Macau				
Special Administrative Regions	192,149	226,443	11,437	14,366
People’s Republic of China (“PRC”)	109,941	127,810	3,678	2,360
Total	<u>302,090</u>	<u>354,253</u>	<u>15,115</u>	<u>16,726</u>



4. Profit from operations

Profit from operations has been arrived at after charging depreciation and amortisation of HK\$1,311,000 (2000: HK\$1,249,000) in respect of the Group's property, plant and equipment.

5. Taxation

Six months ended	
30.9.2001	30.9.2000
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

The charge comprises:

Hong Kong Profits Tax	2,010	2,378
Taxation in other jurisdictions	<u>563</u>	<u>963</u>
	<u>2,573</u>	<u>3,341</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

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

6. Dividends

On 23 August 2001, a final dividend of 0.15 HK cent per share (2000: 0.25 HK cent) was approved by the shareholders for the year ended 31 March 2001.

The directors have determined that an interim dividend of 0.10 HK cent (2000: 0.10 HK cent) per share should be paid to the shareholders of the Company whose names appear in the Register of Members at the close of business on Thursday, 10 January 2002.



7. Earnings per Share

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

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share		
Net profit for the period	<u>11,982</u>	<u>12,653</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,939,422,142	3,866,024,000
Effect of dilutive potential ordinary shares:		
– Share options	<u>24,128,901</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>3,963,551,043</u>	<u>N/A</u>

No diluted earnings per share was calculated for the period ended 30 September 2000 as there were no share options or warrants outstanding during the period.

8. Property, Plant and Equipment

During the period, property, plant and equipment with an aggregate net book value of approximately HK\$31,112,000 were acquired as a result of the acquisition of a subsidiary.

The Group also spent approximately HK\$1,515,000 on additions of property, plant and equipment for group expansion.



9. Trade and Other Receivables

The Group allows an average credit period of 30 days to its trade customers. An aged analysis of trade receivables is as follows:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	32,503	96,696
31 – 60 days	27,390	13,061
> 60 days	<u>72,133</u>	<u>66,589</u>
	132,026	176,346
Other receivables	<u>8,000</u>	<u>18,435</u>
	<u><u>140,026</u></u>	<u><u>194,781</u></u>

10. Trade and Other Payables

An aged analysis of trade payables is as follows:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	20,310	51,077
31 – 60 days	5,872	–
> 60 days	<u>24,036</u>	<u>7,386</u>
	50,218	58,463
Other payables	<u>20,359</u>	<u>8,076</u>
	<u><u>70,577</u></u>	<u><u>66,539</u></u>

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

The amount represents balance due to Napson Trading Limited (“Napson”). The amount is unsecured, interest-free and has fixed repayment terms. Details of the transaction giving rise to the balance are set out in note 15.

12. Bank Borrowings – Due within one year

	30.9.2001 HK\$'000 (Unaudited)	31.3.2001 HK\$'000 (Audited)
Trust receipt loans	4,233	35,053
Bank loans and overdrafts	<u>17,142</u>	<u>31,886</u>
	<u><u>21,375</u></u>	<u><u>66,939</u></u>

13. Share Capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each:		
– balance at 1 April 2001 and 30 September 2001	<u><u>6,000,000,000</u></u>	<u><u>60,000</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each:		
– balance at 1 April 2001	3,866,024,000	38,660
– issue of shares upon exercise of share options	90,000,000	900
– repurchase of shares during the period	<u>(40,180,000)</u>	<u>(401)</u>
– balance at 30 September 2001	<u><u>3,915,844,000</u></u>	<u><u>39,159</u></u>

During the period, an aggregate of 150,000,000 share options were granted to the Company’s employees under the Share Option Scheme and 90,000,000 share options were exercised at a subscription price of HK\$0.02752 per share during the period.



14. Reserves

	Share premium	Dividend reserve	Special reserve	PRC statutory reserve	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2000							
– as originally stated	53,868	–	3,382	–	–	181,562	238,812
– prior period adjustment	–	9,665	–	–	–	–	9,665
	<u>53,868</u>	<u>9,665</u>	<u>3,382</u>	<u>–</u>	<u>–</u>	<u>181,562</u>	<u>248,477</u>
– as restated	53,868	9,665	3,382	–	–	181,562	248,477
Final dividend for year ended 31 March 2000 approved	–	(9,665)	–	–	–	–	(9,665)
Interim dividend for period ended 30 September 2000 proposed	–	3,866	–	–	–	(3,866)	–
Interim dividend for the period ended 30 September 2000 approved	–	(3,866)	–	–	–	–	(3,866)
Final dividend for year ended 31 March 2001 proposed	–	5,799	–	–	–	(5,799)	–
Transfer from retained profits	–	–	–	1,259	–	(1,259)	–
Profit for the year	–	–	–	–	–	20,315	20,315
	<u>53,868</u>	<u>5,799</u>	<u>3,382</u>	<u>1,259</u>	<u>–</u>	<u>190,953</u>	<u>255,261</u>
At 31 March 2001	53,868	5,799	3,382	1,259	–	190,953	255,261
Premium on exercise of share options	1,576	–	–	–	–	–	1,576
Premium on repurchase of shares	(885)	–	–	–	–	–	(885)
Final dividend for the year ended 31 March 2001 approved	–	(5,799)	–	–	–	–	(5,799)
Transfer from retained profits	–	–	–	50	–	(50)	–
Transfer upon repurchase of shares	–	–	–	–	401	(401)	–
Profit for the period	–	–	–	–	–	11,982	11,982
	<u>54,559</u>	<u>–</u>	<u>3,382</u>	<u>1,309</u>	<u>401</u>	<u>202,484</u>	<u>262,135</u>
At 30 September 2001	54,559	–	3,382	1,309	401	202,484	262,135



15. Acquisition of a subsidiary

During the period, the Group acquired the entire issued share capital of Grant Return Investments Limited from Napson for a cash consideration of HK\$31,096,000 payable as to HK\$1,096,000 by one lump sum on completion and as to the balance of HK\$30,000,000 by 60 consecutive equal monthly installments of HK\$500,000 each, interest-free.

Napson is a company wholly-owned by Charmwood Development Limited which is in turn controlled by the trustee of a discretionary trust, in which Mr. Chu Ka Lok, Peter, the chairman and executive director of the Company, is one of the beneficiaries.

This transaction has been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	31,112
Net current liabilities acquired	<u>(16)</u>
	<u>31,096</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	1,096
Amount due to a related company	<u>30,000</u>
	31,096
Bank balances and cash acquired	<u>(628)</u>
	<u>30,468</u>

Grant Return Investments Limited did not make any significant contribution to the results of the Group during the interim period.



ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Interim Dividend

The directors have determined that an interim dividend of 0.10 HK cent (2000: 0.10 HK cent) per share should be paid to the shareholders of the Company whose names appear in the Register of Members at the close of business on Thursday, 10 January 2002.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 4 January 2002 to Thursday, 10 January 2002, both days inclusive, during which period no transfers 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 branch share registrar and transfer office in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 p.m. on Thursday, 3 January 2002.

DIRECTORS' INTEREST IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2001, 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 pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company were as follows:

(I) The Company

(a) Shares

Name of director	Number of Shares of HK\$0.01 each	
	Personal interests	Other interests
Mr. Chu Ka Lok, Peter	67,340,000	2,365,200,000 (Note)
Mr. Wat Hon Keung	18,660,000	—
Mr. Chan Kai Kwok	18,710,000	—
Ms. Chu Maria Teresa	80,000,000	—



Note: 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 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 of Hong Kong Limited.

(II) Shares in subsidiaries

At 30 September 2001, 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 <i>(Note)</i>

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 SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance.



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 2001, the Group generated a net cash inflow from operating activities of approximately HK\$87 million as compared to a net cash outflow of HK\$6 million in corresponding period last year. The Group repaid trust receipt loans and bank loans of about HK\$30.8 million and HK\$14.7 million respectively during the period. As at 30 September 2001, the current ratio of the Group was 3.56.

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 2001, according to the register kept under Section 16(1) of the SDI Ordinance, the only shareholder who had an interest in 10% or more of the issued share capital of the Company was Charmwood Development Limited which held 2,365,200,000 shares. This interest has also been disclosed as an interest of Mr. Chu Ka Lok, Peter in the disclosure of directors' interest 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 16(1) of the SDI Ordinance as at 30 September, 2001.

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 2001.

Purchase, Sale or Redemption of Listed Securities

During the period under review, the Company repurchased a total of 40,180,000 shares of HK\$0.01 each of the Company on the Stock Exchange of Hong Kong Limited, all of which were cancelled. The repurchases of the Company's shares during the period under review were effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Company. Details of the repurchased shares are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
August 2001	14,180,000	0.037	0.030	491,300
September 2001	26,000,000	0.030	0.024	711,500

Save as disclosed above, the Company did not redeem any of its listed securities during the period under review. 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 2001.

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, 17 December 2001