

## INDEPENDENT REVIEW REPORT

### 德勤·關黃陳方會計師行

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**Deloitte  
Touche  
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## TO THE BOARD OF DIRECTORS OF ALPHA GENERAL (HOLDINGS) LIMITED

第一珍寶(集團)有限公司

*(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 14.

### 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 the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 Work Performed

We conducted our review in accordance with the Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong

Institute of Certified Public 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, 2004.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 19 November, 2004

## Interim Results

For the six months ended 30 September 2004, turnover was approximately HK\$139,075,000, representing an increase of approximately 22.2% from the corresponding period last year (2003: HK\$113,778,000). Loss attributable to shareholders was approximately HK\$7,671,000 (2003: loss attributable to shareholders: HK\$8,761,000). Loss per share was 3.95 HK cents (2003: loss per share: 4.51 HK cents).

## Business Review

Electrical household appliances are seasonal and durable products. During the hard time of Hong Kong which is the principal market of the Group, the Group lowered the price to remain competitive. Even worst, competition was fiercer for the period under review as the competitors imported lower-priced products from the PRC.

## Business in Hong Kong and Macau

The turnover in Hong Kong and Macau amounted to HK\$131,960,000 (2003: HK\$103,237,000), representing an increase of approximately 27.8% when compared with the corresponding period last year.

## Retail Market

The Group's principal product, the "GENERAL" air conditioner, which targeted medium-to-high customers, remained major contributor of the Group, accounting for 76.7% of total turnover.

The Group's AV products – "LG" Plasma, LCD and DLP projection TV rightly respond to the consumers' demand for the quality TV. The Group's sales of "LG" AV products recorded steady growth compared with that of last year.

Appointed as the Sole Agent of the "Goldline" gas built-in hob in Hong Kong and Macau since January 2003, the sales performance of gas built-in hob during the period was encouraging.

## Project Market

During the period under review, the Group's turnover from projects business recorded a slight rebound when compared with the corresponding period last year. The recent recovery in the property market sentiment did not change the business environment due to the property developers continue to implement a stringent cost control on their procurements.

The Group obtained contracts from property developments for providing large residential development projects with the "OGENERAL" air-conditioners. As at 30 September 2004, the Group had on hand total contract sum amounted to approximately HK\$55,000,000.

## Prospects

Looking forward, the "OGENERAL" air conditioner will still be the major contributor of the Group and "LG" Plasma, LCD and DLP projection TV will broaden the income source of the Group but still the income base is far too small.

By an announcement dated 13 October 2004, the Company announced that it intended to privatize the Company by way of a Scheme of Arrangement and proposed that all Scheme Shares will be cancelled in exchange for HK\$0.70 in cash for each Scheme Share. Upon the Scheme becoming effective, the listing of the Shares on the Stock Exchange will be withdrawn.

## Employment and Remuneration Policy

As at 30 September 2004, the Group employed approximately 120 employees, of which about 116 in Hong Kong and 4 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, 2004

	NOTES	Six months ended	
		30.9.2004 HK\$'000 (unaudited)	30.9.2003 HK\$'000 (unaudited)
Turnover	3	139,075	113,778
Cost of sales		<u>(108,825)</u>	<u>(85,827)</u>
Gross profit		30,250	27,951
Other operating income		1,586	1,299
Interest income		272	1,020
Gain on disposal of investments in securities		324	–
Unrealised holding gain on investments in securities		705	–
Written back on allowance for inventories		819	–
Distribution costs		(7,856)	(8,064)
Allowance for doubtful debts		(3,836)	(9,263)
Allowance for inventories		(1,320)	–
Administrative expenses		<u>(27,727)</u>	<u>(21,178)</u>
Loss from operations	4	<u>(6,783)</u>	<u>(8,235)</u>
Finance costs		<u>(869)</u>	<u>(411)</u>
Loss before taxation		(7,652)	(8,646)
Taxation	5	<u>(19)</u>	<u>(115)</u>
Net loss for the period		<u><u>(7,671)</u></u>	<u><u>(8,761)</u></u>
Dividends	6	<u>–</u>	<u>–</u>
Loss per share	7		
– Basic		<u><u>(3.95) cents</u></u>	<u><u>(4.51) cents</u></u>
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

**Condensed Consolidated Balance Sheet***At 30 September, 2004*

	NOTES	30.9.2004 HK\$'000 (unaudited)	31.3.2004 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	8	59,191	58,783
Investments in securities		17,142	15,795
Club debenture		753	753
		<b>77,086</b>	<b>75,331</b>
Current assets			
Properties held for sale	9	56,818	36,209
Deposits paid for acquisition of properties		–	408
Inventories		111,280	150,178
Trade and other receivables	10	62,250	52,147
Securities linked deposits		–	24,786
Bank balances and cash		21,478	24,556
		<b>251,826</b>	<b>288,284</b>
Current liabilities			
Trade and other payables	11	25,885	39,518
Bank borrowings	12	38,102	48,520
Amount due to a related company	13	6,000	6,000
Dividend payable		27	27
		<b>70,014</b>	<b>94,065</b>
Net current assets		<b>181,812</b>	<b>194,219</b>
Total assets less current liabilities		<b>258,898</b>	<b>269,550</b>
Non-current liabilities			
Amount due to a related company	13	6,000	9,000
Deferred taxation	14	2,330	2,311
		<b>8,330</b>	<b>11,311</b>
		<b>250,568</b>	<b>258,239</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		38,834	38,834
Reserves		211,734	219,405
		<b>250,568</b>	<b>258,239</b>

The financial statements on pages 5 to 14 were approved and authorised for issue by the Board of Directors on 19 November, 2004 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, 2004

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	The People's Republic of China statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April, 2003	38,834	54,189	3,382	1,309	726	172,386	270,826
Net loss for the period	—	—	—	—	—	(8,761)	(8,761)
At 30 September, 2003	38,834	54,189	3,382	1,309	726	163,625	262,065
Net loss for the period	—	—	—	—	—	(3,826)	(3,826)
At 31 March, 2004	38,834	54,189	3,382	1,309	726	159,799	258,239
Net loss for the period	—	—	—	—	—	(7,671)	(7,671)
At 30 September, 2004	<u>38,834</u>	<u>54,189</u>	<u>3,382</u>	<u>1,309</u>	<u>726</u>	<u>152,128</u>	<u>250,568</u>

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 September, 2004

	Six months ended	
	30.9.2004 HK\$'000 (unaudited)	30.9.2003 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	8,431	8,117
NET CASH FROM INVESTING ACTIVITIES	2,778	835
NET CASH USED IN FINANCING ACTIVITIES	<u>(14,287)</u>	<u>(34,711)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,078)	(25,759)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>24,556</u>	<u>94,043</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>21,478</u></u>	<u><u>68,284</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	21,478	69,654
Bank overdrafts	<u>-</u>	<u>(1,370)</u>
	<u><u>21,478</u></u>	<u><u>68,284</u></u>



## **Notes to the Condensed Financial Statements**

*For the six months ended 30 September, 2004*

### **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 the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public 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, 2004.

### 3. Turnover and Segment Information

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") other than Hong Kong and Macau. 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 30.9.2004			Six months ended 30.9.2003		
	Hong Kong and Macau HK\$'000	The PRC HK\$'000	Total HK\$'000	Hong Kong and Macau HK\$'000	The PRC HK\$'000	Total HK\$'000
Turnover	<u>131,960</u>	<u>7,115</u>	<u>139,075</u>	<u>103,237</u>	<u>10,541</u>	<u>113,778</u>
Results	<u>(6,955)</u>	<u>(100)</u>	<u>(7,055)</u>	<u>(9,332)</u>	<u>77</u>	<u>(9,255)</u>
Interest income	272	-	272	1,020	-	1,020
Finance costs			<u>(869)</u>			<u>(411)</u>
Loss before taxation			<u>(7,652)</u>			<u>(8,646)</u>
Taxation			<u>(19)</u>			<u>(115)</u>
Net loss for the period			<u><u>(7,671)</u></u>			<u><u>(8,761)</u></u>

### 4. Loss from Operations

Loss from operations has been arrived at after charging:

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
Depreciation	1,300	1,438
Loss on disposal of property, plant and equipment	<u>53</u>	<u>169</u>

## 5. Taxation

	<b>Six months ended</b>	
	<b>30.9.2004</b>	<b>30.9.2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Deferred taxation		
– Current period	<b>19</b>	35
– Attributable to the change in tax rate	<b>–</b>	80
	<u><b>19</b></u>	<u>115</u>

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

## 6. Dividends

The directors do not recommend the payment of any interim dividend (2003: Nil).

## 7. Loss per Share

The calculation of the basic loss per share for the period is based on the following data:

	<b>Six months ended</b>	
	<b>30.9.2004</b>	<b>30.9.2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the purposes of basic and diluted loss per share (net loss for the period)	<u><b>(7,671)</b></u>	<u>(8,761)</u>
Number of ordinary shares for the purpose of basic earnings per share	<u><b>194,165,900</b></u>	<u>194,165,900</u>

No diluted loss per share has been presented as the exercise of the share option 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\$1,761,000 (1.4.2003 to 31.3.2004: HK\$201,000).

## 9. Properties Held for Sale

The properties held for sale are stated at cost and held under medium-term leases in Hong Kong.

## 10. Trade and Other Receivables

The Group generally allows a credit period of 60 days to its retail customers. For sales to main constructors of properties developers, an average credit period of 30 days after the issuance of architect certificate. The following is an aged analysis of trade receivables at the balance sheet date:

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
0 – 30 days	15,657	20,778
31 – 60 days	13,613	13,083
> 60 days	12,114	11,668
	<hr/>	<hr/>
Other receivables	41,384	45,529
	20,866	6,618
	<hr/>	<hr/>
	<b>62,250</b>	<b>52,147</b>
	<hr/> <hr/>	<hr/> <hr/>

## 11. Trade and Other Payables

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

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 HK\$'000
0 – 30 days	<b>3,634</b>	22,325
31 – 60 days	<b>417</b>	865
> 60 days	<b>7,915</b>	7,617
	<hr/>	<hr/>
Other payables	<b>11,966</b>	30,807
	<b>13,919</b>	8,711
	<hr/>	<hr/>
	<b>25,885</b>	39,518
	<hr/> <hr/>	<hr/> <hr/>

## 12. Bank Borrowings

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 HK\$'000
Bank borrowings are repayable within one year or upon demand, comprise the following:		
Bank loans and overdrafts	<b>26,378</b>	25,298
Trust receipt loans	<b>11,724</b>	23,222
	<hr/>	<hr/>
	<b>38,102</b>	48,520
	<hr/> <hr/>	<hr/> <hr/>
Secured	<b>26,378</b>	18,101
Unsecured	<b>11,724</b>	30,419
	<hr/>	<hr/>
	<b>38,102</b>	48,520
	<hr/> <hr/>	<hr/> <hr/>

## 13. Amount Due to a Related Company

The amount represents the 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.

## 14. 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 30.9.2004				Six months ended 30.9.2003				
	Fair value adjustment on Accelerated tax acquired from properties a subsidiary		Taxes loss	Total	Fair value adjustment on Accelerated tax acquired from properties a subsidiary		Prepayments	Taxes loss	Total
	depreciation HK\$'000	HK\$'000	HK\$'000	HK\$'000	depreciation HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	2,760	433	(882)	2,311	1,279	396	139	(960)	854
Charge (credit) to income for the period	124	-	(105)	19	(5)	-	32	8	35
Effect of change in tax rate	-	-	-	-	120	37	13	(90)	80
At 30 September	<u>2,884</u>	<u>433</u>	<u>(987)</u>	<u>2,330</u>	<u>1,394</u>	<u>433</u>	<u>184</u>	<u>(1,042)</u>	<u>969</u>

At 30 September, 2004, the Group had unused tax losses of HK\$34,040,000 (31.3.2004: HK\$27,032,000). A deferred tax has been recognised in respect of HK\$5,640,000 (31.3.2004: HK\$5,039,000) of such losses. No deferred tax asset has been recognised in respect of the remaining of HK\$28,400,000 (31.3.2004: HK\$21,993,000) due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$7,560,000 (31.3.2004: HK\$7,368,000) that will expire in five years, other losses may be carried forward indefinitely.

## 15. Post balance Sheet Events

- Subsequent to 30 September, 2004, the Group entered into an agreement to sell certain properties held for sale with an aggregate carrying amount of HK\$11,331,000 at a consideration of HK\$13,000,000.
- The Board of Directors announced on 13 October, 2004 that the Company intended to put forward a proposal to the shareholders other than the majority shareholder and parties acting in concert with it, but including Mr. Wat Hon Keung and Mr. Chan Kai Kwok, both being executive directors of the Company, who are presumed to be acting in concert with the majority shareholder (the "Scheme Shareholders") regarding the privatisation of the Company by way of a scheme of arrangement. The Company proposed that all shares held by the Scheme Shareholders (the "Scheme Share(s)") will be cancelled in exchange for HK\$0.70 in cash for each Scheme Share.

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

At 30 September 2004, 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 HK\$0.20 each	
	Personal interests	Other interests
Mr. Chu Ka Lok, Peter	3,367,000	118,260,000 (Note 1) 764,000 (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 Listing Rules.

*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 Listing Rules.

**(b) Options**

At 30 September 2004, 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 17 April 2001	Granted on 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 2004, 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 (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 Listing Rules.



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 2004, the Group generated a net cash inflow from operating activities of approximately HK\$8,000,000 as compared to a net cash inflow of HK\$8,000,000 in the corresponding period last year. As at 30 September 2004, the current ratio of the Group was 3.6.

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 2004, 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 2004.

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

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-laws.

### **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 2004.

### **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 2004.

### **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, 19 November 2004