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If you have sold or transferred all your shares in Alpha General (Holdings) Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ALPHA GENERAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 73)

PROPOSED PRIVATISATION OF ALPHA GENERAL (HOLDINGS) LIMITED BY WAY OF A SCHEME OF ARRANGEMENT AND WITHDRAWAL OF LISTING

Financial adviser to Alpha General (Holdings) Limited



**Independent financial adviser to the Independent Board Committee of
Alpha General (Holdings) Limited**



SOMERLEY LIMITED

A letter from the board of directors of Alpha General (Holdings) Limited is set out on pages 8 to 16 of this document. An explanatory statement regarding the Proposal (as defined herein) is set out on pages 44 to 55 of this document. A letter from the Independent Board Committee (as defined herein) containing their advice to the Independent Shareholders (as defined herein) in relation to the Proposal and the holders of the Options (as defined herein) in relation to the Share Option Proposal (as defined herein) is set out on page 17 of this document. A letter from Somerley Limited containing its advice to the Independent Board Committee, the Independent Shareholders and the holders of the Options in relation to the Proposal and the Share Option Proposal is set out on pages 18 to 43 of this document.

The action to be taken by the Independent Shareholders and the Scheme Shareholders (as defined herein) is set out on page 15 and pages 54 to 55 of this document.

Notices convening the Court Meeting (as defined herein) and the Special General Meeting (as defined herein) to be held at 10:00 a.m. and 10:30 a.m. respectively on Monday, 20 December 2004 are set out on pages 146 to 149 of this document. If you are not able to attend the Court Meeting and the Special General Meeting or any of them, you are strongly urged to complete and sign the enclosed white form of proxy in respect of the Court Meeting and the enclosed pink form of proxy in respect of the Special General Meeting, in accordance with the instructions printed thereon, and to lodge them with the branch share registrar of Alpha General (Holdings) Limited in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible but in any event not later than the times and dates stated in the paragraph headed "Action to be taken" on pages 54 to 55 of this document.

26 November 2004

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DEFINITIONS

In this document, the following expressions have the meanings set out below unless the context requires otherwise:

“Access Capital”	Access Capital Limited, financial adviser to the Company in connection with the Proposal and the Share Option Proposal, a licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
“Announcement”	the announcement dated 13 October 2004 issued by the Company relating to, among other matters, the Proposal and the Share Option Proposal
“Announcement Date”	13 October 2004, the date on which the Announcement was made
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Authorisations”	all the necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Charmwood”	Charmwood Development Limited, a company incorporated in Liberia. Charmwood and parties acting in concert with it, but excluding Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors and are presumed to be acting in concert with Charmwood under the Proposal), held approximately 65.1 per cent. of the issued share capital of the Company as at the Latest Practicable Date
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Alpha General (Holdings) Limited, a company incorporated in Bermuda with limited liability, whose Shares are currently listed on the Stock Exchange
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Supreme Court at which the Scheme will be voted upon

DEFINITIONS

“Directors”	directors of the Company
“Disclosure Period”	the period beginning from the six months immediately prior to the Announcement Date and ending on the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established for the purpose of advising the Independent Shareholders in relation to the Proposal and holders of the Options in relation to the Share Option Proposal
“Independent Shareholders”	Shareholders, other than Charmwood, the executive Directors and their respective associates and parties acting in concert with any of them
“Latest Practicable Date”	23 November 2004, being the latest practicable date prior to the issue of this document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Napson”	Napson Trading Limited, a company wholly-owned by the trustee of a discretionary trust in which Mr. Chu Ka Lok, Peter is included as a beneficiary
“Options”	options granted under the Share Option Scheme
“PRC”	the People’s Republic of China
“Price”	the price of HK\$0.70 per Scheme Share payable in cash by the Company to the Scheme Shareholders under the Scheme
“Proposal”	the proposal for the privatisation of the Company by way of the Scheme
“Record Date”	has the meaning given to it in the Scheme
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions

DEFINITIONS

“Sallmanns”	Sallmanns (Far East) Limited, an independent property valuer
“Scheme”	a scheme of arrangement under Section 99 of the Companies Act involving the cancellation of all the Scheme Shares as described in this document
“Scheme Share(s)”	Share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	Shareholder(s) other than Charmwood and parties acting in concert with it, but including Mr. Wat Hon Keung and Mr. Chan Kai Kwok who are presumed to be acting in concert with Charmwood under the Proposal
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.20 each in the issued share capital of the Company
“Shareholders”	registered holders of the Shares
“Share Option Proposal”	the proposal to holders of the Options for cancellation of all outstanding Options granted under the Share Option Scheme
“Share Option Scheme”	the Share Option Scheme for employees of the Company adopted on 21 July 1997 and as it may from time to time be amended or supplemented
“Somerley”	Somerley Limited, independent financial adviser to the Independent Board Committee, the Independent Shareholders and the holders of the Options in connection with the Proposal and the Share Option Proposal, a deemed licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
“Special General Meeting”	the special general meeting of the Company to be held to consider and approve, among other matters, the Scheme or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supreme Court”	the Supreme Court of Bermuda
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“sq.m.”	square metre

EXPECTED TIMETABLE

Hong Kong time 2004

Latest time for exercising the Options
so that holders of the Shares to be
issued upon the exercise of the Options
shall be able to register their names
in the register of members
of the Company and be qualified
to attend and vote at the Court
Meeting and at the Special General
Meeting (*Notes 1 and 2*) 4:00 p.m. on Wednesday, 15 December

Latest time for lodging transfers of the
Shares in order to be qualified to
attend and vote at the Court Meeting
and the Special General Meeting 4:00 p.m. on Wednesday, 15 December

Closure of register of members for
the purpose of determining the
Shareholders who are qualified
to attend and vote at the Court
Meeting and the Special General
Meeting from Thursday, 16 December to
Monday, 20 December
(both dates inclusive)

Latest time for lodging forms of proxy
in respect of (*Note 3*):
Court Meeting 10:00 a.m. on Saturday, 18 December
Special General Meeting 10:30 a.m. on Saturday, 18 December

Suspension of dealings in the
Shares on the Stock Exchange 9:30 a.m. on Monday, 20 December

Court Meeting (*Note 4*) 10:00 a.m. on Monday, 20 December

Special General Meeting (*Note 4*) 10:30 a.m. on Monday, 20 December

Announcement of the results of the Court
Meeting and the Special General Meeting
in *The Standard and Hong Kong Economic Times* Tuesday, 21 December

Resumption of trading in the
Shares on the Stock Exchange 9:30 a.m. on Tuesday, 21 December

EXPECTED TIMETABLE

2004

Last day of dealings in the
Shares on the Stock Exchange Wednesday, 29 December

2005

Latest time for exercising the Options
so that the Shares to be issued shall be
qualified as Scheme Shares under the
Proposal (*Note 5*) 4:00 p.m. on Monday, 3 January

Latest time for lodging transfers of the Shares
to qualify for payment under the Scheme 4:00 p.m. on Monday, 3 January

Closure of register of members for
the purpose of determining payment
to the Scheme Shareholders From Tuesday, 4 January to
Monday, 10 January
(both dates inclusive)

Record date Thursday, 6 January

Supreme Court hearing of the petition
to sanction the Scheme (*Note 6*) Friday, 7 January

Effective date (*Note 6*) Friday, 7 January

Lapse of the Options (*Notes 1 and 6*) Friday, 7 January

Withdrawal of the listing of the Shares
on the Stock Exchange 9:30 a.m. on Monday, 10 January

Announcement of the effective date and
withdrawal of listing of the Shares on
the Stock Exchange in The Standard and
Hong Kong Economic Times Monday, 10 January

Cheques for cash payment under the Scheme and
the Share Option Proposal to be despatched on or before Monday, 10 January

Shareholders should note that the above timetable is subject to change depending mainly on the availability of the Supreme Court to hear the proceedings in relation to the Scheme. Further announcement will be made in the event that there is any such change.

EXPECTED TIMETABLE

Notes:

1. Under the terms of the Share Option Scheme and as a result of the Proposal, all Options will lapse and will cease to be exercisable upon the Scheme becoming effective or two months after the date of the giving of the notice of the Court Meeting to consider the Scheme, whichever is the earlier. If the Scheme lapses, the Options will cease to be exercisable on or about 25 January 2005 subject to and in accordance with the terms of the Share Option Scheme.
2. Holders of the Options should note that in case they wish to exercise their subscription rights attaching to the Options in accordance with the terms of the Share Option Scheme so that holders of the Shares to be issued upon exercise of the Options shall have sufficient time to register their names in the register of members and be qualified to attend and vote at the Court Meeting and at the Special General Meeting, they must exercise their subscription rights attaching to the Options on or before 4:00 p.m. on Wednesday, 15 December 2004 and have their names registered before the close of the register of members for the purpose of determining the Shareholders who are qualified to attend and vote at the Court Meeting and at the Special General Meeting at 4:00 p.m. on Wednesday, 15 December 2004.
3. Forms of proxy should be lodged with the branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not later than the relevant times and dates stated above. Completion and return of a form of proxy for the Court Meeting or the Special General Meeting will not preclude the relevant Shareholder from attending and voting in person at the relevant meetings. In such event, the returned form of proxy will be deemed to have been revoked.
4. The Court Meeting and the Special General Meeting will both be held on 20 December 2004 at the times specified above.
5. Holders of the Options should note that in case they have not exercised their subscription rights attaching to the Options for the purpose of qualifying as a Shareholder to attend and vote at the Court Meeting and at the Special General Meeting, and wish to exercise their subscription rights attaching to the Options in accordance with the terms of the Share Option Scheme so as to enjoy their entitlement as Scheme Shareholders, they must exercise their subscription rights attaching to the Options on or before 4:00 p.m. on Monday, 3 January 2005 and have their names registered before the close of the register of members for the purpose of determining payment to the Scheme Shareholders at 4:00 p.m. on Monday, 3 January 2005.
6. The Scheme will become effective when it is sanctioned (with or without modification(s)) by the Supreme Court and an official copy of the Supreme Court order is delivered to the Registrar of Companies in Bermuda for registration. Registration is expected to take place in the morning on Friday, 7 January 2005 (Bermuda time), which is equivalent to the evening on Friday, 7 January 2005 (Hong Kong time). Independent Shareholders should note the conditions of the Proposal as set out on pages 45 to 46 of this document. It is expected that the listing of the Shares on the Stock Exchange will be withdrawn from 9:30 a.m. on Monday, 10 January 2005 (Hong Kong time).
7. Unless otherwise stated, all references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected date for the Supreme Court hearing of the petition to sanction the Scheme and the effective date (see Note 6 above) which are to the relevant dates in Bermuda. Currently, Bermuda time is twelve (12) hours behind Hong Kong time.

LETTER FROM THE BOARD



ALPHA GENERAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

CHU Ka Lok, Peter, *Chairman*

WAT Hon Keung

CHAN Kai Kwok

CHU Maria Teresa

CHAN Chi Keung, Chris*

WU Shu Chih, Alex*

KWOK Ping Ki, Albert*

* *Independent non-executive Director*

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:

Room 1503, Dominion Centre
43-59 Queen's Road East
Hong Kong

26 November 2004

To the Shareholders and the holders of the Options

Dear Sirs,

**PROPOSED PRIVATISATION OF ALPHA GENERAL (HOLDINGS) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
AND
WITHDRAWAL OF LISTING**

INTRODUCTION

The Board announced that the Company put forward the Proposal to the Scheme Shareholders regarding the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act. The Company proposed that all Scheme Shares would be cancelled in exchange for HK\$0.70 in cash for each Scheme Share. As at the Latest Practicable Date, the Scheme Shareholders were interested in 67,774,900 Shares, representing approximately 34.9 per cent. of the issued share capital of the Company.

Upon the Scheme becoming effective, the Company will become a wholly-owned subsidiary of Charmwood. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme fails to materialise.

As at the Latest Practicable Date, Charmwood and parties acting in concert with it, but excluding Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors and are presumed to be acting in concert with Charmwood under the Proposal), were

LETTER FROM THE BOARD

interested in 126,391,000 Shares, representing approximately 65.1 per cent. of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares. In addition, Charmwood and parties acting in concert with it (including Mr. Wat Hon Keung and Mr. Chan Kai Kwok, both being executive Directors) will not be entitled to vote on the resolution to approve the Scheme at the Court Meeting.

Charmwood and parties acting in concert with it have indicated that if the Scheme is approved at the Court Meeting, Charmwood and parties acting in concert with it and their respective associates will vote in favour of the special resolution to be proposed at the Special General Meeting to approve and give effect to the Scheme.

The entire issued share capital of Charmwood is held by Woodland Trust, a discretionary trust whose beneficiaries include Mr. Chu Ka Lok, Peter and Mrs. Chu Leung Wai Chung, Monica (wife of Mr. Chu Ka Lok, Peter). Charmwood and parties acting in concert with it but excluding Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors and are presumed to be acting in concert with Charmwood under the Proposal) already owned approximately 65.1 per cent. of the issued share capital of the Company as at the Latest Practicable Date. Since Ms Chu Maria Teresa is the daughter of Mr. Chu Ka Lok, Peter, both Mr. Chu Ka Lok, Peter and Ms Chu Maria Teresa are considered not to be independent under the Proposal. In addition, Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors) and their associates are beneficially interested in 1,868,500 Shares, representing approximately 1.0 per cent. of the issued share capital of the Company. Given that they are executive Directors, they are presumed to be acting in concert with Charmwood and considered not to be independent under the Proposal. As such, Mr. Chan Chi Keung, Chris, Dr. Wu Shu Chih, Alex and Mr. Kwok Ping Ki, Albert, independent non-executive Directors, have been appointed by the Board as Independent Board Committee members to advise the Independent Shareholders in respect of the Proposal and the holders of the Options in respect of the Share Option Proposal. Somerley has been appointed as the independent financial adviser to the Independent Board Committee in connection with the Proposal and the Share Option Proposal, and to advise the Independent Board Committee, the Independent Shareholders and the holders of the Options as to whether the terms of the Proposal and the Share Option Proposal are fair and reasonable so far as the Independent Shareholders and the holders of the Options are concerned and to give opinion on the Proposal and the Share Option Proposal for their consideration.

The purpose of this document is to give you further information regarding the Proposal and the Share Option Proposal and to provide you with the notices of the Court Meeting and the Special General Meeting.

Your attention is also drawn to the "Letter from the Independent Board Committee", the "Letter from Somerley", the "Explanatory statement" and the appendices.

LETTER FROM THE BOARD

THE PROPOSAL

It is proposed that subject to fulfilment or waiver (as applicable) of the conditions of the Proposal as described in the "Explanatory statement" in this document, the Proposal will be implemented by way of the Scheme, which will involve the cancellation of all the Scheme Shares and the reduction of the issued share capital of the Company under Section 46 of the Companies Act. The Scheme also provides that the Scheme Shares be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Price, being HK\$0.70 in cash, from the Company for every Scheme Share held.

The Price represents:

- **a premium of approximately 6.1 per cent.** over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- **a premium of approximately 125.8 per cent.** over the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on 11 October 2004 (being the last trading day prior to the suspension of trading in the Shares pending the issue of the Announcement);
- **a premium of approximately 133.3 per cent.** over the average closing price of approximately HK\$0.30 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including 11 October 2004;
- **a premium of approximately 133.3 per cent.** over the average closing price of approximately HK\$0.30 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including 11 October 2004;
- **a premium of approximately 133.3 per cent.** over the average closing price of approximately HK\$0.30 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including 11 October 2004;
- **a premium of approximately 125.8 per cent.** over the average closing price of approximately HK\$0.31 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including 11 October 2004;
- **a premium of approximately 112.1 per cent.** over the average closing price of approximately HK\$0.33 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including 11 October 2004;
- **a discount of approximately 47.4 per cent.** to the audited consolidated net tangible asset value per Share of approximately HK\$1.33 as at 31 March 2004; and
- **a discount of approximately 45.7 per cent.** to the unaudited consolidated net tangible asset value per Share of approximately HK\$1.29 as at 30 September 2004.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were 194,165,900 Shares in issue and the Scheme Shareholders were interested in 67,774,900 Shares, representing approximately 34.9 per cent. of the issued share capital of the Company. Based on the Price, the entire issued share capital of the Company is valued at approximately HK\$135.9 million under the Proposal. Based on the number of Scheme Shares in issue and the number of Options granted as at the Latest Practicable Date, the maximum amount of cash required to effect the Proposal and the Share Option Proposal will be approximately HK\$47.5 million.

Funding to effect the Proposal and the Share Option Proposal is to be made out of cash set aside in the bank by the Company. The total amount of cash required to effect the Scheme by the cancellation of the Scheme Shares and the Options will be approximately HK\$47.5 million and as at the Latest Practicable Date, the Company has maintained with the bank a cash deposit of HK\$50 million to fund the implementation of the Scheme. Access Capital, the financial adviser to the Company in connection with the Proposal, is satisfied that sufficient financial resources are available to the Company for the implementation of the Proposal and the Share Option Proposal.

Payment of the Price will be effected by cheques and implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against any Scheme Shareholders.

The Proposal will become effective and binding on the Company and all Shareholders provided that all conditions of the Proposal are fulfilled or waived, as applicable.

Assuming that the Scheme becomes effective on 7 January 2005 (both Hong Kong time and Bermuda time), the issued share capital of the Company will be reduced by cancelling and extinguishing all the Scheme Shares. Following the Scheme becoming effective, cheques for cash payment under the Scheme are expected to be despatched to the Scheme Shareholders on or before 10 January 2005.

In accordance with Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the independent financial adviser to the Independent Board Committee, all expenses incurred by the Company in connection with the Proposal and the Share Option Proposal shall be borne by Charmwood if the Scheme is not approved.

THE SHARE OPTION PROPOSAL

As at the Latest Practicable Date, the Company has granted Options under the Share Option Scheme in favour of its employees to subscribe for 5,900,000 Shares with initial subscription prices at HK\$0.5504 per Share (with exercise period up to and including 16 April 2011) and HK\$0.7920 per Share (with exercise period up to and including 16 December 2011) respectively. Under the terms of the Share Option Scheme and as a result of the Proposal, all Options will lapse and will cease to be exercisable upon the Scheme becoming effective or two months after the date of the giving of the notice of the Court Meeting to consider the Scheme, whichever is the earlier. If the Scheme lapses, the Options will cease to be exercisable on or about 25 January 2005 subject to and in accordance with the terms of the Share Option Scheme.

LETTER FROM THE BOARD

Mr. Chu Ka Lok, Peter and Ms Chu Maria Teresa, holders of Options to subscribe for 3,000,000 Shares with an initial subscription price of HK\$0.5504 per Share (with exercise period up to and including 16 April 2011) and parties acting in concert with Charmwood, have agreed to waive their rights to accept the cancellation price for their Options under the Share Option Proposal. Ms Chu Maria Teresa, also a holder of Options to subscribe for 100,000 Shares with an initial subscription price of HK\$0.7920 per Share (with exercise period up to and including 16 December 2011), has agreed to waive her right to accept the cancellation price for her Options under the Share Option Proposal. Although the remaining Options (held by other employees of the Group) to subscribe for 2,800,000 Shares with an initial subscription price of HK\$0.7920 per Share (with exercise period up to and including 16 December 2011) are "out-of-money", the Company intends to offer, under the terms of the Share Option Proposal, and conditional upon the Scheme becoming effective, to pay a cash amount of HK\$0.01 per Share covered by such Options in consideration of the cancellation of such Options. Hence, the remaining Options to subscribe for 2,800,000 Shares are subject to the cancellation offer under the terms of the Share Option Proposal. As at the Latest Practicable Date, the maximum amount of cash required to effect the Share Option Proposal will be HK\$28,000. If however, any of the holders of these Options shall exercise their subscription rights attaching to the Options in accordance with the terms of the Share Option Scheme, the Shares which fall to be issued shall form part of the Scheme Shares.

Following the Scheme becoming effective, cheques for cash payment under the Share Option Proposal are expected to be despatched to holders of the Options on or before 10 January 2005.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the Scheme becoming effective and the withdrawal of listing of the Shares on the Stock Exchange:

Shareholders	As at the Latest Practicable Date		Immediately after the Scheme becoming effective and the withdrawal of listing of the Shares on the Stock Exchange	
	Number of Shares	%	Number of Shares	%
Charmwood and parties acting in concert with it, but excluding Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors and are presumed to be acting in concert with Charmwood under the Proposal)	126,391,000	65.1	126,391,000	100.0
Scheme Shareholders				
Mr. Wat Hon Keung	933,000	0.5	0	0.0
Mr. Chan Kai Kwok	935,500	0.5	0	0.0
Independent Shareholders	65,906,400	33.9	0	0.0
Sub-total	67,774,900	34.9	0	0.0
Total	194,165,900	100.0	126,391,000	100.0

Save for the Options, there were no other outstanding options, warrants or convertible securities of the Company in issue as at the Latest Practicable Date. Save as disclosed above, no other Director has any interest in the Shares.

Upon the Scheme becoming effective and the withdrawal of listing of the Shares on the Stock Exchange, the Company will become a wholly-owned subsidiary of Charmwood.

CONDITIONS OF THE PROPOSAL

Your attention is drawn to the section headed “Conditions of the Proposal” in the “Explanatory statement” set out on pages 45 to 46 of this document.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed "Reasons for and benefits of the Proposal" in the "Explanatory statement" set out on pages 47 to 48 of this document.

INFORMATION ON THE GROUP

Your attention is drawn to the section headed "Information on the Group" in the "Explanatory statement" set out on pages 48 to 51 of this document.

INFORMATION ON CHARMWOOD AND FUTURE INTENTIONS

Your attention is drawn to the section headed "Information on Charmwood and future intentions" in the "Explanatory statement" set out on page 51 of this document.

COURT MEETING AND SPECIAL GENERAL MEETING

A notice convening the Court Meeting is set out on pages 146 to 147 of this document. A notice convening the Special General Meeting is set out on pages 148 to 149 of this document. The Court Meeting and the Special General Meeting have been scheduled to be held on 20 December 2004 at the respective times and addresses specified in the notices.

The Supreme Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification(s)). Such resolution is required to be passed by a majority in number representing not less than three-fourths in value of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that: (i) the Scheme is approved by a majority in number representing at least 75 per cent. in value of those Shares that are voted either in person or by proxy by the Independent Shareholders at the Court Meeting (by way of poll); and (ii) the Scheme is not disapproved by the Independent Shareholders at the Court Meeting (by way of poll) holding more than 10 per cent. in value of all the Shares held by the Independent Shareholders. As at the Latest Practicable Date, Charmwood and parties acting in concert with it but excluding Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors and are presumed to be acting in concert with Charmwood under the Proposal) were beneficially interested in 126,391,000 Shares, representing approximately 65.1 per cent. of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares and accordingly, Charmwood will not be entitled to vote on the resolution to approve the Scheme at the Court Meeting. In addition, parties acting in concert with Charmwood, the associates of Charmwood and parties acting in concert with any of them shall also abstain from voting at the Court Meeting.

LETTER FROM THE BOARD

Immediately following the Court Meeting, the Special General Meeting will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Scheme. The special resolution has to be passed by a majority of at least 75 per cent. of the votes of the Shares held by the Shareholders present and voting, either in person or by proxy, at the Special General Meeting. All Shareholders will be entitled to attend and vote on such special resolution at the Special General Meeting. Charmwood and parties acting in concert with it have indicated that if the Scheme is approved at the Court Meeting, Charmwood and parties acting in concert with it and their respective associates will vote in favour of the special resolution to be proposed at the Special General Meeting to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the reduction of the issued share capital of the Company).

ACTION TO BE TAKEN

A white form of proxy for use at the Court Meeting and a pink form of proxy for use at the Special General Meeting are enclosed with this document.

If you are not able to attend the Court Meeting and/or the Special General Meeting or any of them, you are strongly urged to complete and sign the enclosed white form of proxy in respect of the Court Meeting and also the enclosed pink form of proxy in respect of the Special General Meeting, in accordance with the instructions printed thereon, and to lodge them with the branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. In order to be valid, the white form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Saturday, 18 December 2004 and the pink form of proxy for use at the Special General Meeting should be lodged not later than 10:30 a.m. on Saturday, 18 December 2004. The completion and return of a form of proxy for the Court Meeting or the Special General Meeting will not preclude you from attending and voting in person at the relevant meetings. In such event, the returned form(s) of proxy will be deemed to have been revoked.

For the purpose of determining (i) the Scheme Shareholders who are entitled to attend and vote at the Court Meeting and (ii) the Shareholders who are entitled to attend and vote at the Special General Meeting, the register of members of the Company will be closed from Thursday, 16 December 2004 to Monday, 20 December 2004 (both dates inclusive). During such period no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting or the Special General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 15 December 2004.

Further press announcements will be made giving details of the results of the Court Meeting and the Special General Meeting, the result of the hearing of the petition to sanction the Scheme by the Supreme Court, the last day for dealing in the Shares, the record date, the effective date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee have considered the terms of the Proposal and the Share Option Proposal and taken into account the opinion and advice of Somerley, in particular the factors, reasons and recommendation as set out in the “Letter from Somerley” on pages 18 to 43 of this document. **The Independent Board Committee’s recommendation is set out in the “Letter from the Independent Board Committee” on page 17 of this document.**

OVERSEAS SHAREHOLDERS

Your attention is drawn to the section headed “Overseas shareholders” in the “Explanatory statement” set out on page 53 of this document.

TAXATION

Your attention is drawn to the section headed “Taxation” in the “Explanatory statement” set out on page 53 of this document.

SHARE CERTIFICATES, DEALING, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the sections headed “Share certificates, dealing, listing, registration and payment” in the “Explanatory statement” set out on pages 51 to 53 of this document.

FURTHER INFORMATION

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation or other implications of the Scheme becoming effective or otherwise.

You are urged to read carefully the “Letter from Somerley” as set out on pages 18 to 43 of this document, the “Explanatory statement” as set out on pages 44 to 55 of this document, the appendices to this document, the Scheme as set out on pages 140 to 145 of this document, and the notices of the Court Meeting and the Special General Meeting as set out on pages 146 to 147 and pages 148 to 149 respectively of this document.

Yours faithfully,
For and on behalf of
ALPHA GENERAL (HOLDINGS) LIMITED
CHU Ka Lok, Peter
Chairman



ALPHA GENERAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

26 November 2004

To the Independent Shareholders and the holders of the Options

Dear Sirs,

**PROPOSED PRIVATISATION OF ALPHA GENERAL (HOLDINGS) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
AND
WITHDRAWAL OF LISTING**

We refer to our appointment to advise the Independent Shareholders and the holders of the Options in respect of the Proposal and the Share Option Proposal. Details of the Proposal and the Share Option Proposal are contained in the "Letter from the Board" set out on pages 8 to 16 and the "Explanatory statement" set out on pages 44 to 55 of the scheme document to the Shareholders dated 26 November 2004 (the "Scheme Document"), of which this letter forms part. Terms used in this letter shall have the same meanings given to them in the Scheme Document unless the context otherwise requires.

Your attention is drawn to the "Letter from Somerley" containing its advice to the Independent Board Committee, the Independent Shareholders and the holders of the Options in relation to the Proposal and the Share Option Proposal set out on pages 18 to 43 of the Scheme Document. Having considered the advice given by Somerley and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the terms of the Proposal and the Share Option Proposal are fair and reasonable so far as the Independent Shareholders and the holders of the Options are concerned and advise the Scheme Shareholders and the holders of the Options to accept the Proposal and the Share Option Proposal. Accordingly, we advise the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the respective Court Meeting and Special General Meeting to approve the Scheme.

Yours faithfully,
For and on behalf of
Independent Board Committee
Chan Chi Keung, Chris
Wu Shu Chih, Alex
Kwok Ping Ki, Albert
Independent non-executive Directors

LETTER FROM SOMERLEY

The following is the full text of the letter from Somerley setting out its advice to the Independent Board Committee, the Independent Shareholders and the holders of the Options in relation to the Proposal and the Share Option Proposal for inclusion in this document.



Somerley Limited
Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

26 November 2004

To the Independent Board Committee,
the Independent Shareholders and
the holders of the Options

Dear Sirs,

**PROPOSED PRIVATISATION OF
ALPHA GENERAL (HOLDINGS) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
AND
WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act. Details of the Scheme are contained in the letter from the Board set out on pages 8 to 16 of the scheme document to the Shareholders and the holders of the Options dated 26 November 2004 (the "Document"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Document unless the context otherwise requires. Appendices referred to in this letter are appendices to the explanatory statement contained in the Document.

The Board comprises four executive Directors and three independent non-executive Directors. Of the executive Directors, Mr. Chu Ka Lok, Peter ("Mr. Chu") is a beneficiary in a discretionary trust, the other beneficiary of which is Mrs. Chu Leung Wai Chung, Monica (Mr. Chu's wife) and the trustee of which is interested in the entire issued share capital of Charmwood. The Proposal was initiated by Mr. Chu for the consideration of the Board. Ms. Chu Maria Teresa is the daughter of Mr. Chu. Mr. Wat Hon Keung and Mr. Chan Kai Kwok are both executive Directors and are therefore presumed to be acting in concert with Charmwood. Consequently, neither Mr. Chu, Ms. Chu Maria Teresa, Mr. Wat Hon Keung nor Mr. Chan Kai Kwok is considered independent in the context of the Proposal and the Share Option Proposal. Accordingly, the remaining Directors, Mr. Chan Chi Keung, Chris, Dr. Wu Shu Chih, Alex and Mr. Kwok Ping Ki, Albert who are independent non-executive Directors, have been appointed by the Board to comprise the Independent Board Committee to give a recommendation to the Independent Shareholders

LETTER FROM SOMERLEY

and the holders of the Options as regards the Proposal and the Share Option Proposal respectively. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee as regards the fairness and reasonableness of the terms of the Proposal and the Share Option Proposal.

Somerley is not associated or connected with Charmwood or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give an independent advice on the Proposal and the Share Option Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Charmwood or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company, which we have assumed to be true, accurate and complete. We have reviewed the published financial information of the Group, including its audited consolidated financial statements for the five years ended 31 March 2004 and the unaudited consolidated financial statements for the six months ended 30 September 2004. We have also discussed with Sallmanns the bases and assumptions for their valuation of the Group's property interests as at 30 September 2004, details of which are contained in Appendix II to the Document. We have also reviewed the trading performance of the Shares on the Stock Exchange and considered the future intention of Charmwood regarding the Company.

We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them to us in connection with the Proposal and the Share Option Proposal. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Document were true at the date of the Document and will continue to be true at the date of the Court Meeting and the Special General Meeting. We have, however, not conducted any independent investigation into the businesses and affairs of the Group.

TERMS OF THE PROPOSAL AND THE SHARE OPTION PROPOSAL

1. The Proposal

In summary, the Proposal involves the following principal steps:

- (i) all the Scheme Shares held by the Scheme Shareholders will be cancelled and in consideration thereof, the Scheme Shareholders will receive the Price of HK\$0.70 in cash for every Scheme Share held; and

LETTER FROM SOMERLEY

- (ii) the issued share capital of the Company will be reduced and the Company will become a wholly-owned subsidiary of Charmwood and the listing of the Shares on the Stock Exchange will be withdrawn.

2. The Share Option Proposal

Under the terms of the Share Option Scheme and as a result of the Proposal, all Options will lapse and will cease to be exercisable two months after the date of the giving of the notice of the meeting to consider the Scheme or upon the Scheme becoming effective, whichever is the earlier. Based on the expected timetable for the Scheme set out in the Document, if the Scheme lapses, the Options will cease to be exercisable on or about 25 January 2005 subject to and in accordance with the terms of the Share Option Scheme.

As at the Latest Practicable Date, the Company has granted Options under the Share Option Scheme in favour of its employees to subscribe for 3,000,000 Shares with an initial subscription price of HK\$0.5504 per Share (with exercise period up to and including 16 April 2011) and 2,900,000 Shares with an initial subscription price of HK\$0.7920 per Share (with exercise period up to and including 16 December 2011) respectively. Save as disclosed above, the Company did not have any warrants, options or convertible securities in issue.

As at the Latest Practicable Date, Mr. Chu held Options to subscribe for 1,500,000 Shares with an initial subscription price of HK\$0.5504 per Share. Ms. Chu Maria Teresa held Options to subscribe for 1,500,000 Shares and 100,000 Shares with initial subscription prices of HK\$0.5504 per Share and HK\$0.7920 per Share respectively. Both Mr. Chu and Ms. Chu Maria Teresa, who are parties acting in concert with Charmwood, have agreed to waive their rights to accept the cancellation price for their Options under the Share Option Proposal. Although the remaining Options (held by other employees of the Group) to subscribe for 2,800,000 Shares with an initial subscription price of HK\$0.7920 per Share are "out-of-money", the Company intends to offer, under the terms of the Share Option Proposal and conditional upon the Scheme becoming effective, to pay a cash amount of HK\$0.01 per Share covered by such Options. Hence, the remaining Options to subscribe for 2,800,000 Shares are subject to the cancellation offer under the terms of the Share Option Proposal. If, however, any of the holders of these Options shall exercise their subscription rights attaching to the Options in accordance with the terms of the Share Option Scheme, the Shares which fall to be issued shall form part of the Scheme Shares.

Based on the number of Shares in issue and the number of Options granted as at the Latest Practicable Date, the maximum amount of cash required to effect the Proposal and the Share Option Proposal will be approximately HK\$47.5 million. Funding to effect the Proposal and the Share Option Proposal is to be made out of cash set aside in a bank by the Company. As at the Latest Practicable Date, the Company has maintained with a bank a cash deposit of HK\$50 million to fund the implementation of the Scheme.

The Scheme is subject to a number of conditions, including court sanction of the Scheme and approval by at least three-fourths in value of the votes (taken by poll) cast by a majority in number of the Independent Shareholders present and voting at the Court

LETTER FROM SOMERLEY

Meeting, and dissenting votes (taken by poll) against the Scheme at the Court Meeting cast by the Independent Shareholders not exceeding 10 per cent. in value of all the Shares held by the Independent Shareholders. As at the Latest Practicable Date, the Independent Shareholders held 65,906,400 Shares and 10 per cent. of such Shares amounted to 6,590,640 Shares. Details of the conditions to which the Scheme is subject are set out in the section headed "Conditions of the Proposal" in the explanatory statement contained in the Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee with regard to the Proposal and the Share Option Proposal, we have taken into account the following principal factors and reasons:

1. Reasons for and background to the Proposal and the Share Option Proposal

The Group is principally engaged in the import, marketing and distribution of electrical household appliances and the provision of after-sales and maintenance services. The Group has been appointed by Fujitsu General Limited as its exclusive authorised distributor for "General" air-conditioners, washing machines and refrigerators in Hong Kong, Macau and the PRC. The Group is also the exclusive authorised distributor for "Gala" electrical household appliances such as refrigerators, washing machines, range hoods, dehumidifiers and air purifiers in Hong Kong and Macau. In addition, the Group also distributes "LG" plasma and liquid crystal display ("LCD") television sets and other household appliances such as "Goldline" gas built-in hobs.

Due to the weak economy of Hong Kong subsequent to the Asian financial crisis in 1997 and the deterioration of the real estate market since 1998, consumer confidence and consumption power of local customers were weakened which has in turn resulted in a sluggish consumer market until recently. This together with the competition from lower-priced white goods imported from the PRC has adversely affected the demand for the Group's electrical household appliances. As a result of the poor consumer market sentiment, the Group experienced a general decline in its turnover from approximately HK\$572.2 million for the year ended 31 March 2000 to approximately HK\$202.9 million for the year ended 31 March 2004. The profitability of the Group has also been declining since the year ended 31 March 2000, and for the last two years ended 31 March 2004, the Group recorded net losses in the amounts of approximately HK\$17.7 million and HK\$12.6 million respectively. Despite signs of gradual recovery of the overall economy in Hong Kong recently, the Directors anticipate that the Group's business will continue to face keen competition.

In terms of trading performance of the Shares, the average daily trading volume of the Shares remained thin at less than 136,534 Shares (representing approximately 0.07 per cent. of the existing share capital of the Company) and 115,672 Shares (representing approximately 0.06 per cent. of the existing share capital of the Company) over the 30 and 90 trading days respectively prior to the date of the Announcement. The Shares have been consistently traded at prices at discounts to the net asset value of the Group during the same period.

LETTER FROM SOMERLEY

Given the abovementioned financial background and uncertain business outlook, the Directors believe that the Proposal represents a good opportunity for the Scheme Shareholders to realise their investments in the Shares at a cash price substantially above the levels at which the Shares have consistently been traded in the last 24 months.

If the Scheme becomes effective, the Company will, subject to the approval of the Stock Exchange, withdraw the listing of the Shares from the Stock Exchange. The Directors believe that after the Scheme becomes effective and the listing of the Shares being withdrawn from the Stock Exchange, the Company will be able to operate more efficiently by streamlining the administrative, regulatory and compliance obligations of the Group and saving cost to maintain as a listed company. However, in the event that the Scheme is not approved or is withdrawn or lapses, the Company will maintain the listing of the Shares on the Stock Exchange.

2. Past financial results of the Group

The following is a summary of the financial results of the Group for the five years ended 31 March 2004 and the six months ended 30 September 2004:

	Six months ended 30 September		Year ended 31 March			
	2004	2004	2003	2002	2001	2000
	Unaudited HK\$'000	Audited HK\$'000	Audited HK\$'000	Audited HK\$'000	Audited HK\$'000	Audited HK\$'000
Turnover	<u>139,075</u>	<u>202,864</u>	<u>333,424</u>	<u>452,650</u>	<u>581,252</u>	<u>572,223</u>
Gross profit	30,250	47,658	71,078	109,690	135,906	133,010
Gross profit margin	21.8%	23.5%	21.3%	24.2%	23.4%	23.2%
Profit/(Loss) from operation	(6,783)	(11,595)	(17,757)	10,528	26,260	34,089
Finance costs	(869)	(740)	(1,800)	(1,738)	(1,586)	(3,125)
Loss on disposal of a subsidiary	<u>–</u>	<u>(20)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit/(Loss) before taxation	(7,652)	(12,355)	(19,557)	8,790	24,674	30,964
Taxation	<u>(19)</u>	<u>(232)</u>	<u>1,895</u>	<u>(1,015)</u>	<u>(4,359)</u>	<u>(3,772)</u>
Net profit/(loss) attributable to Shareholders	<u>(7,671)</u>	<u>(12,587)</u>	<u>(17,662)</u>	<u>7,775</u>	<u>20,315</u>	<u>27,192</u>

LETTER FROM SOMERLEY

The following table sets out the percentage change of turnover and profit of the Group for the five years ended 31 March 2004 from the previous financial year and for the six months ended 30 September 2004 from the corresponding previous six-month period:

	Six months ended 30 September 2004	Year ended 31 March			
	2004	2004	2003	2002	2001
Increase/(decrease) in turnover	22.2%	(39.2)%	(26.3)%	(22.1)%	1.6%
Increase/(decrease) in gross profit	8.2%	(32.9)%	(35.2)%	(19.3)%	2.2%
(Decrease) in profit from operation	n.a.	n.a.	n.a.	(59.9)%	(23.0)%
(Decrease) in net profit	n.a.	n.a.	n.a.	(61.7)%	(25.3)%

(i) Analysis of turnover and profitability

The Group is engaged in the import, marketing and distribution of electrical household appliances and the provision of after-sales and maintenance services. The principal markets of the Group's products are Hong Kong and Macau, and the PRC, which respectively represent approximately 93.8 per cent. and 6.2 per cent. of the Group's turnover for the year ended 31 March 2004 and approximately 94.9 per cent. and 5.1 per cent. of the Group's turnover for the six months ended 30 September 2004. The Group sells its products through distributors and electrical appliances retail chains. The Group is also engaged in the supply and installation of window and split type air-conditioners for new property development projects in Hong Kong. The following table sets out the analysis of the Group's turnover by product mix for the five years ended 31 March 2004 and the six months ended 30 September 2004:

	Six months ended 30 September 2004		Year ended 31 March			
	2004 HK\$'m	2004 HK\$'m	2003 HK\$'m	2002 HK\$'m	2001 HK\$'m	2000 HK\$'m
Air-conditioners (retail sales)	83.2	131.8	211.5	363.6	441.0	468.4
Air-conditioners (project sales)	12.8	19.9	83.2	59.9	112.3	74.3
Sub-total	96.0	151.7	294.7	423.5	553.3	542.7
Other white goods and audio-visual products	43.1	51.2	38.7	29.2	28.0	29.5
Total	<u>139.1</u>	<u>202.9</u>	<u>333.4</u>	<u>452.7</u>	<u>581.3</u>	<u>572.2</u>

LETTER FROM SOMERLEY

As illustrated in the summary above, the Group experienced an overall decline in its turnover during the five years ended 31 March 2004. Despite the turnover remained stable for both 2000 and 2001, the decrease in turnover became significant during each of the three years ended 31 March 2004, being approximately 22.1 per cent., 26.3 per cent. and 39.2 per cent. respectively on a year-on-year basis. The reduction in the Group's turnover was principally due to the economic downturn in Hong Kong since 1998 as a result of the aftermath of the Asian financial turmoil. During the periods since the Asian financial turmoil, Hong Kong suffered from economic recession and high unemployment rate which together adversely affected consumer sentiment and consumer spending. In addition, the Group's products faced severe competition from the lower-priced products imported from the PRC which has adversely affected the turnover of the Group particularly at the time of sluggish consumer climate when consumers are generally more conscious about prices of products.

The slump of the property market in Hong Kong since 1998 was also a factor for the decrease of the Group's turnover during the past five financial years. As the number of property transactions as well as property prices in Hong Kong have dropped significantly and property developers have slowed down the pace of or even put on hold their development projects as the then prospects of the property market was uncertain, the Group's turnover from sales of air-conditioners has been adversely affected. Turnover from retail sales of air-conditioners dropped from approximately HK\$468.4 million in 2000 to approximately HK\$131.8 million in 2004, representing a drop of approximately 27.2 per cent. per annum on a compound basis. Project sales of air-conditioners have also experienced a substantial drop from approximately HK\$112.3 million in 2001 to HK\$19.9 million in 2004, albeit improved sales were recorded for 2003. Despite the Group's effort in diversifying its product portfolio to audio-visual products such as LCD, plasma and digital light processing ("DLP") projection television sets, the increase in sales of these electrical appliances have not been able to compensate for the substantial drop in sales of air-conditioners.

To cope with the keen competition, the Group implemented measures to control the costs of procurement, staff costs and other overheads such as warehouse rental and delivery charges to maintain the profit margin for its products. Gross profit of the Group decreased from approximately HK\$135.9 million in 2001 to approximately HK\$47.7 million in 2004, with gross profit margin maintained within the range of approximately 21.3 per cent. to 24.2 per cent. during the five years ended 31 March 2004.

For the six months ended 30 September, 2004, the Group recorded turnover of approximately HK\$139.1 million, representing an increase of approximately 22.2 per cent. from the corresponding period in 2003. However, the growth in turnover for the half year cannot be taken as representative of the year as a whole as the results of the comparable period were affected by the outbreak of SARS. Despite the growth in turnover, the gross profit margin for the six months ended 30 September 2004 has narrowed to 21.8 per cent. versus 24.0 per cent. for the same period in 2003 and 23.5 per cent. for the year ended 31 March 2004. This was attributable to the lowering of

selling price for air-conditioners in order to boost sales and to maintain competitiveness among other products especially those imported from PRC manufacturers.

(ii) Operating results and net profit/(loss) attributable to Shareholders

The Group recorded a profit from operating activities of approximately HK\$34.1 million in 2000, which declined to approximately HK\$10.5 million in 2002 and further deteriorated to operating losses of approximately HK\$17.8 million and HK\$11.6 million respectively in 2003 and 2004. Despite effective cost control measures such as streamlining and reorganisation of operating structure and salary reduction were put in place during the past years, the Directors considered that a minimum level of operating cost was inevitable in order to maintain the Group's business operation. These operating costs include sales and marketing expenses, accounting and administrative expenses and the cost of maintaining a competent after-sales services team. However, the decrease in the Group's turnover for the reasons described above was too substantial which has eventually resulted in the Group recording operating losses.

In line with the deterioration in its operating results, the net profit attributable to Shareholders has declined from approximately HK\$27.2 million in 2000 to HK\$7.8 million in 2002. The Group recorded net losses of approximately HK\$17.7 million and HK\$12.6 million in 2003 and 2004 respectively.

For the six months ended 30 September 2004, the Group incurred loss from operation of approximately HK\$6.8 million (2003: HK\$8.2 million) and net loss attributable to Shareholders of approximately HK\$7.7 million (2003: HK\$8.8 million). The extent of reduction in losses was less than the growth in turnover when compared to the corresponding period in 2003, which was principally due to an increase in advertising expenses spent on the 30th anniversary celebration of the Group and promotion of the audio-visual products during the period.

3. Prospects of the Group

The Group's principal business of sales and distribution of electrical household appliances is vulnerable to changes in economic climates. Consumptions on durable goods such as the Group's products tend to be put off during a business cycle recession. In order to maintain its competitiveness, the Group has in previous years reduced the prices of its retail products. The Directors expect that the Group may only make upward adjustments to the prices of its retail products gradually during the early stage of economic recovery and it may take time for the Group's products to restore the price to the previous level. Moreover, the lower-priced products from the PRC manufacturers have become major competitors for the Group's products and the Directors expect that these will continue to exert a downward pressure on the prices of the Group's retail products. In addition, unlike other portable electronic or electrical consumer goods such as digital cameras, MP3 or mobile phone handsets, the Group's products have not experienced a substantial growth in sales from the increase in tourists in Hong Kong after the relaxation of restriction of

LETTER FROM SOMERLEY

individual travelers from the PRC. On the other hand, due to the soaring oil price, the cost of raw materials for white goods such as copper and aluminum has increased substantially since the second quarter of 2003. The Directors advised us that the suppliers of the Group have indicated the possibility of raising the prices of their products supplied to the Group which will increase the cost of sales and may lower the profit margin of the Group if the Group fails to shift such increase in costs to its customers.

The Group's turnover from project business has shrunk from approximately HK\$74.3 million in 2000 to HK\$19.9 million in 2004, which was mainly due to the slump in the property market in Hong Kong since 1998. The recent recovery in the property market sentiment represents a good sign for the Group's project business. However, the Directors believe that property developers will continue to implement a stringent cost control on their procurements. As such, the Directors expect that the Group may not be able to successfully bid for a considerable number of projects without squeezing the profit margin for its products. The squeezed profit margin may not be sufficient to generate a reasonable return for the Group.

As regards business in the PRC, the Directors considered that the business will remain difficult due to the severe price war for consumer electrical products and the competition from other well-recognised PRC brands such as Haier, Midea, Kelon and Hualing. In addition, the manufacturer of "General" air-conditioners insisted to use quality raw materials and components for its production in Shanghai, the PRC, which has resulted in the high procurement cost borne by the Group and the weakening of the competitiveness of the Group's products in the PRC market.

In addition to "General" air-conditioners, the Group also distributes other electrical household appliances products such as "LG" plasma and LCD television sets, "Gala" refrigerators, washing machines and "Goldline" gas stoves. As stated in the annual report of the Company for the year ended 31 March 2004, it is expected that sales of "LG" plasma and LCD television sets will continue to grow in the forthcoming years. Nevertheless, given the relatively small turnover base for these products, it is expected that the major source of the Group's turnover will still be generated from the sale of air-conditioners.

It is the intention of Charmwood to maintain the existing businesses of the Group upon the successful privatisation of the Company. Although "General" air-conditioners remain one of the well recognised brands in Hong Kong, the Directors are of the view that the lack of product mix of the Group has contributed to its decline in turnover during the past few financial years and the disability to benefit quickly from the economic recovery in Hong Kong. The Directors confirmed that the Group has considered diversification of product portfolio to include consumer electrical appliances other than white goods such as air purifiers and massagers with a view to generating an additional income source to guard against fluctuations in market demand. However, having considered that substantial costs in marketing and promotion would have to be incurred in building up brand awareness and distribution network of new products, the Directors are of the view that it is prudent to assume that any diversification of product mix would not generate any significant immediate contributions to the Group.

LETTER FROM SOMERLEY

Having considered the above factors, we concur with the Directors' view that although the property market, employment condition and consumer sentiment in Hong Kong have shown signs of recovery recently, the Group's business will remain subject to difficult operating environments and may not be able to fully benefit from the recent recovery quickly.

4. Dividends paid to Shareholders

According to its annual reports, during the three years ended 31 March 2002, the Company declared and paid dividends to the Shareholders in the amounts of approximately HK\$14.1 million (HK0.37 cent per Share), HK\$9.7 million (HK0.25 cent per Share) and HK\$7.0 million (HK0.18 cent per Share) respectively. Since the Group recorded net losses attributable to Shareholders, it has not declared or paid any dividend to the Shareholders for the two years ended 31 March 2004 and the six months ended 30 September 2004. As set out in the statement of indebtedness contained in Appendix I, the Group had approximately HK\$41 million of bank borrowings as at 30 September 2004. The cash position of the Group had reduced from approximately HK\$95.1 million as at 31 March 2003 to approximately HK\$49.4 million as at 31 March 2004. Such drop in cash balances was mainly attributable to the decrease in net cash generated from the Group's operating activities as a result of the increase in inventories arising from the earlier than expected arrival of shipment of certain inventory items before the year-end and the net loss recorded during the year. The cash balance was approximately HK\$21.5 million as at 30 September 2004. Given the Group's level of bank borrowings, which comprised bills payable and trust receipt loans and revolving loans arising from the Group's operation and are repayable within one year, and the net losses for the two years ended 31 March 2004 and the six months ended 30 September 2004, we do not consider that dividend payment is likely in respect of the current year ending 31 March 2005.

Based on statistics released by HSI Services Limited, the weighted average dividend yield of the constituent stocks of the Hang Seng Hong Kong Small Cap Index as at 11 October 2004, being the last trading day prior to the suspension of trading in the Shares pending the issue of the Announcement (the "Last Trading Day"), was approximately 4.5 per cent. The average dividend yield for the one-year period up to the Last Trading Day for the Hang Seng Hong Kong Small Cap Index was approximately 3.0 per cent. Based on the above, the Scheme Shareholders could, if they wish, reinvest the proceeds from accepting the Proposal in other small-cap companies in Hong Kong and achieve a better dividend yield than the Shares.

LETTER FROM SOMERLEY

5. Assets, cash position and reassessed net tangible asset value of the Group

(i) Assets

The audited consolidated balance sheet of the Group as at 31 March 2004 and the unaudited consolidated balance sheet as at 30 September 2004 are set out in Appendix I. Total assets and net assets of the Group as at those dates are analysed as follows:

	30 September 2004		31 March 2004	
	Unaudited		Audited	
	<i>HK\$m</i>	%	<i>HK\$m</i>	%
Fixed assets	59.2	18.0	58.8	16.2
Investments in securities	17.1	5.2	15.8	4.3
Club debenture	0.7	0.2	0.7	0.2
	77.0	23.4	75.3	20.7
Properties held for sale	56.8	17.3	36.2	10.0
Inventories	111.3	33.8	150.2	41.3
Trade and other receivables	62.3	19.0	52.1	14.3
Cash and cash equivalents	21.5	6.5	49.4	13.6
Others	–	–	0.4	0.1
	251.9	76.6	288.3	79.3
Total assets	328.9	<u>100.0</u>	363.6	<u>100.0</u>
<i>Less:</i>				
Bank borrowings due				
within one year	(38.1)		(48.5)	
Trade and other payables	(25.9)		(39.6)	
Amount due to a related company	(12.0)		(15.0)	
Deferred taxation	(2.3)		(2.3)	
	250.6		258.2	
Net assets	<u>250.6</u>		<u>258.2</u>	
Total assets per Share	<u>HK\$1.69</u>		<u>HK\$1.87</u>	
Net assets per Share	<u>HK\$1.29</u>		<u>HK\$1.33</u>	

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Fixed assets and properties held for sale

Fixed assets of the Group include leasehold land and buildings which are mainly used as warehouses and car-parks of the Group. The Group's properties held for sale comprise commercial properties located in Guangzhou and Shanghai, the PRC and residential properties in Hong Kong. The aggregate net book value of the Group's property interests as at 30 September 2004 amounted to approximately HK\$108.0 million. Details of the Group's property interests are set out in the valuation report prepared by Sallmanns in Appendix II. There was disposal of one investment property completed on 9 November 2004, the consideration of which is HK\$13,040,000. This disposed property has not been included in the valuation report prepared by Sallmanns. Based on the valuation prepared by Sallmanns, the Group's property interests are valued at approximately HK\$100.4 million as at 30 September 2004. Such valuation together with the consideration for the disposed property represents a surplus of approximately HK\$5.4 million over the net book value of the Group's property interests.

Investments in securities

Investments in securities of the Group comprise principally investments in shares in blue-chip companies listed in Hong Kong, the book value of which as at 30 September 2004 was approximately HK\$17.1 million. There had been disposals of certain investments after 30 September 2004 for an aggregate consideration of approximately HK\$15.4 million. The aggregate sale proceeds of the securities together with the market value of the remaining listed securities based on their closing prices as at the Latest Practicable Date exceed their aggregate book value as at 30 September 2004 by approximately HK\$0.3 million.

Inventories

Inventories of the Group represent approximately 41.3 per cent. of the Group's total assets as at 31 March 2004. The Directors have confirmed that such balance mainly consisted of "General" air-conditioners (representing approximately 64.6 per cent. of the inventories) and other items such as "LG" plasma and LCD television sets (representing approximately 23.4 per cent. of the inventories). The Directors have further advised us that the substantial balance of inventory as at 31 March 2004 was mainly due to the earlier than expected arrival of shipment of certain inventory items before the year-end.

The inventory balance as at 30 September 2004 has been reduced to HK\$111.3 million which is comparable to that of HK\$127.1 million as at 30 September 2003 and HK\$120.4 million as at 31 March, 2003.

Trade and other receivables

Trade and other receivables of the Group represent approximately 14.3 per cent. of the Group's total assets as at 31 March 2004. The Group

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generally allows a credit period of 60 days to its customers in the retail sector and an average credit period of 30 days after issuance of architect certificate to the main contractors of properties developers. As at 31 March 2004, the Group had trade and other receivables of approximately HK\$33.9 million aged less than 60 days and approximately HK\$11.7 million aged over 60 days, which respectively represents approximately 65.0 per cent. and 22.4 per cent. of the total balance. The remaining 12.6 per cent. were other receivables of the Group which mainly consisted of utility and other deposits, prepayments and other sundry receivables.

As at 30 September 2004, trade and other receivables amounted to HK\$62.3 million, representing approximately 18.9% of the Group's total assets as at that date.

(ii) Cash position

The Group's cash position has dropped from approximately HK\$95.1 million as at 31 March 2003 to approximately HK\$49.4 million as at 31 March 2004. The cash and cash equivalents as at 31 March 2004 comprised cash and bank balances of approximately HK\$24.6 million and securities-linked deposits of approximately HK\$24.8 million. The reduction in cash reserves of the Group was mainly attributable to the decrease in net cash generated from the Group's operating activities as a result of the increase in inventories and the net loss recorded during the year. Based on the cash position of the Group of HK\$49.4 million as at 31 March 2004 and the 194,165,900 Shares in issue as at the Latest Practicable Date, the cash per Share is approximately HK\$0.25.

The Group's cash balances was further reduced to approximately HK\$21.5 million as at 30 September 2004, as the securities-linked deposits of approximately HK\$24.8 million as at 31 March 2004 matured during the period and were re-invested into properties held for sale in Hong Kong.

(iii) Net tangible asset value

Based on the audited net tangible asset value as shown in the annual report of the Company for the year ended 31 March 2004 and taking into account the net loss for the six months ended 30 September 2004 as disclosed in the Company's 2004 interim report, the unaudited net tangible asset value (the "Unaudited NTAV") of the Group as at 30 September 2004 was HK\$250.6 million.

In the context of our advice regarding the Proposal, we have reassessed the Unaudited NTAV as follows by taking into account the valuation of the property interests of the Group conducted by Sallmanns and the latest market value of the

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Group's securities investments. We consider that the reassessed Unaudited NTAV would better reflect the underlying strength of the asset backing of the Shares.

	<i>HK\$m</i>
Audited net tangible asset value of the Group as at 31 March 2004	258.2
<i>Less:</i>	
Net loss for the six months ended 30 September 2004	(7.6)
Unaudited NTAV as at 30 September 2004	250.6
<i>Add:</i>	
Surplus on property valuation	5.4
Excess of market value over book value of securities investments	0.3
Reassessed net tangible asset value of the Group ("Reassessed NTAV")	<u>256.3</u>
Unaudited NTAV per Share (based on 194,165,900 Shares in issue as at the Latest Practicable Date)	<u>HK\$1.29</u>
Reassessed NTAV per Share (based on 194,165,900 Shares in issue as at the Latest Practicable Date)	<u>HK\$1.32</u>

The surplus on property valuation of approximately HK\$5.4 million is calculated as the difference between the net book value of the Group's property interests and the valuation as at 30 September 2004 prepared by Sallmanns and the consideration for the property disposed after 30 September 2004. Such calculation is only for the purposes of our evaluation of the latest asset value of the Group in the context of the Proposal and the surplus has not been or will not be recorded in the financial statements of the Group in accordance with the accounting policies of the Group.

The excess of the market value of the securities investments of the Group represents realised profit and loss for investments disposed of after 30 September 2004 and net unrealised profit on the remaining securities investments by marking the carrying value of such securities as at 30 September 2004 to their respective market prices as at the Latest Practicable Date.

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The Unaudited NTAV and the Reassessed NTAV per Share compares with the Price as follows:

Price per Scheme Share	HK\$0.70
Unaudited NTAV per Share	HK\$1.29
Reassessed NTAV per Share	HK\$1.32
Discount of the Price to	
– Unaudited NTAV	45.7%
– Reassessed NTAV	47.0%

6. Comparisons of discounts

In considering the terms of the Proposal, we have compared the discount of the Price to the Reassessed NTAV per Share of approximately 47.0 per cent. to:

- (i) the discounts of the market prices at which the Shares have been traded since the release of the annual report of the Company for the year ended 31 March 2002 on 26 July 2002 to the Last Trading Day to the consolidated net tangible asset values per Share;
 - (ii) the discounts of the market prices of shares at which other Hong Kong listed companies engaging in business similar to that of the Group (the “Comparable Companies”) have been traded to their underlying consolidated net tangible asset values per share; and
 - (iii) the discounts of the offer prices to net tangible asset values per share at which recently completed privatisation proposals for Hong Kong listed companies have been made since beginning of 2003.
- (i) **Historical discounts of market prices to net tangible asset values of the Group**

We have compared the closing prices of the Shares against the then latest published consolidated net tangible asset values per Share, which we have assumed were generally available to the market from the date of publication of the Company’s annual or interim results.

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Period	Consolidated net tangible asset value per Share [#] HK\$	Closing price per Share		Discount of closing price to consolidated net tangible asset value per Share	
		Highest	Lowest	Lowest	Highest
		HK\$	HK\$		
26 July 2002* – 16 December 2002	0.0749	0.0290	0.0170	61.3%	77.3%
17 December 2002* – 23 July 2003	0.0747	0.0200	0.0085 [^]	73.2%	88.6%
24 July 2003* – 14 December 2003	1.3948	0.3150	0.2300	77.4%	83.5%
15 December 2003* – 22 July 2004	1.3560	0.4200	0.2650	69.0%	80.5%
23 July 2004* – Last Trading Day	1.3300	0.3250	0.2800	75.6%	78.9%

Notes:

* Dates on which the Company released its annual or interim results.

Consolidated net tangible asset values are extracted from the Company's annual or interim reports.

[^] Adjusted for the effect of the 20-for-1 share consolidation of the Company (the "Share Consolidation") which became effective on 28 January 2003, as such price was recorded on 25 April 2003.

Based on the analysis set out above, the Shares have been traded at substantial discounts to their underlying consolidated net tangible asset values per Share during the period from 26 July 2002 to the Last Trading Day. The discounts during the period under review ranged from approximately 61.3 per cent. to 88.6 per cent.. In the absence of the Proposal, in our opinion, it is unlikely that such discount will narrow to the approximately 47.0 per cent. discount to the Reassessed NTAV per Share represented by the Price.

(ii) Discounts of market prices to consolidated net tangible asset values of Comparable Companies

For the purpose of our assessment of the Price, we have identified all the companies listed in Hong Kong which are principally engaged in the trading of consumer electrical appliances and have market capitalisation below HK\$100 million as at the Latest Practicable Date. We consider the three Comparable Companies identified form a useful comparison with the Group in terms of business profile and size.

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The table below illustrates the level of discounts of share prices to the consolidated net tangible asset values of the Comparable Companies and the Company:

	Closing price per share as at the Latest Practicable Date <i>(Note a)</i> <i>HK\$</i>	Market capitalisation as at the Latest Practicable Date <i>(Note a)</i> <i>HK\$m</i>	Latest published consolidated net tangible asset value <i>(Note b)</i> <i>HK\$m</i>	Latest published consolidated net tangible asset value per share <i>(Note b)</i> <i>HK\$</i>	Discount of closing price to consolidated net tangible asset value per share
Wo Kee Hong Holdings Limited (stock code: 720)	0.04	88.7	259.5	0.117	65.8%
BEP International Holdings Limited (stock code: 2326)	0.26	62.4	79.0	0.329	21.0%
Anex International Holdings Limited (stock code: 723)	0.10	45.8	140.2	0.306	67.3%
Average					51.4%
The Company	0.70 <i>(Note c)</i>	60.2 <i>(Note d)</i>	256.3 <i>(Note e)</i>	1.32 <i>(Note e)</i>	47.0%

Notes:

- (a) The closing share prices and market capitalisations of the Comparable Companies as at the Latest Practicable Date are sourced from Bloomberg.
- (b) The consolidated net tangible asset values of the Comparable Companies are based on the information contained in their latest published annual/interim reports whilst the consolidated net tangible asset values per share are calculated based on the number of shares in issue shown in the above reports. No adjustments have been made to these net tangible asset values unless adjustments were announced publicly by the relevant Comparable Companies subsequent to the release of their annual/interim reports.
- (c) The Price of HK\$0.70 per Scheme Share.
- (d) We have taken the price of the Shares as at the Last Trading Day for the purpose of determining the market capitalisation of the Company. We have not referred to the price of the Shares as at the Latest Practicable Date because, in our opinion, it is unlikely that the recent significantly higher price level of the Shares will be sustained if the Proposal is withdrawn or lapses.
- (e) Reassessed NTAV and the corresponding per Share value.

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The Comparable Companies traded at discounts to consolidated net tangible asset values per share in the range of approximately 21.0 per cent. to 67.3 per cent.. The average discount of the Comparable Companies is approximately 51.4 per cent.. The discount of approximately 47.0 per cent. represented by the Price to the Reassessed NTAV per Share is lower than the average discount of approximately 51.4 per cent. for the Comparable Companies.

In the absence of the Proposal and based on the fundamentals of the Company and the level of discounts of share prices to the consolidated net tangible asset values of the Comparable Companies, it is likely in our opinion that the Share price will drop back to the previous level prior to the release of the Announcement at approximately HK\$0.31 per Share, which is equivalent to approximately 76.5 per cent. discount to the Reassessed NTAV per Share.

(iii) Privatisation precedents

We have reviewed all the privatisation proposals for companies previously listed on the Stock Exchange which were announced and successfully completed since 1 January 2003, details of which are summarised in the following table:

Date of announcement	Company	Principal activities	Offer price HK\$	Premium of offer price over closing price/average closing share price prior to the privatisation announcement				Premium/(discount) of offer price over/(to) adjusted net tangible asset value per share
				Last trading day	30 trading days	90 trading days	180 trading days	
2003								
3 May	Top Glory International Holdings Limited (Stock code: 268)	Property investment, property development and hotel operations	0.74	72.1%	76.2%	72.1%	89.7%	(44.8)%
21 May	Oxford Properties & Finance Limited (Stock code: 220)	Investment holding and property investment	15.0	59.6%	70.8%	90.4%	45.5%	30.5%
21 May	SIIC Medical Science and Technology (Group) Limited (Stock code: 8018)	Manufacturing, distribution and sale of Chinese medicine and health supplement products	2.15	15.0%	24.3%	35.2%	43.3%	76.2%
26 May	Pacific Concord Holding Limited (Stock code: 438)	Property development and investment	0.65	51.2%	62.5%	47.7%	51.2%	(64.5)%
20 August	iLink Holdings Limited (Stock code: 8107)	Operation of data centres	0.035	75.0%	66.7%	52.2%	45.8%	(7.9)%

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Date of announcement	Company	Principal activities	Offer price HK\$	Premium of offer price over closing price/average closing share price prior to the privatisation announcement			Premium/(discount) of offer price over/(to) adjusted net tangible asset value per share	
				Last trading day	30 trading days	90 trading days		180 trading days
2003								
31 October	Chevalier Construction Holdings Limited (Stock code: 579)	Building construction, building maintenance and civil engineering	0.25	16.3%	25.0%	56.3%	108.3%	(21.1)%
Average				48.2%	54.3%	59.0%	64.0%	
2004								
13 October	The Company	Sale and distribution of electrical household appliance products	0.70	125.8%	133.3%	125.8%	112.1%	(47.0)%

Sources: published announcements and circulars relating to the above privatisation proposals.

It should be noted that none of the companies in the above privatisation precedents are engaged in principal activities similar to the Group. Nevertheless, we still consider it relevant to review the comparison between the offer prices and the historical closing prices of the shares of the companies listed above. As it can be observed from the summary above, the Price offers premiums exceeding 100 per cent. over the average closing prices of the Shares during the 30-day, 90-day and 180-day periods. Such premiums offered by the Price are substantially higher than those of the other privatisation precedents.

Except for the privatisation proposal for SIIC Medical Science and Technology (Group) Limited (“SIIC”) and Oxford Properties & Finance Limited (“Oxford Properties”), all other privatisation precedents offered prices at discounts to the adjusted net tangible asset values per share in the range of approximately 7.9 per cent. to 64.5 per cent.. The discount to the Reassessed NTAV per Share represented by the Price lies within such range.

We consider that the premium over the adjusted net tangible asset value per share represented by the offer price under the Oxford Properties proposal may probably be a result of particular circumstances in respect of the shareholding base and public float issue of Oxford Properties and, as such, it may not be an appropriate reference for the purpose of the Proposal. As regards the SIIC proposal, we noted that the closing price of the shares of SIIC on the last trading day prior to the suspension of trading pending the issue of the relevant privatisation announcement was at a premium of approximately 42.7 per cent. over its audited net asset value per share. Moreover, the then prevailing share prices of three out of four comparable companies for the SIIC proposal were at premiums ranging from 69.0 per cent. to 341.7 per cent. over their respective book value per share. In view of the above

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factors, we believe that the SIIC proposal was obliged to offer a considerable premium over its adjusted net tangible asset value per share under the circumstances in order to provide sufficient incentive for the SIIC shareholders to accept the proposal. Therefore, we also consider that the SIIC proposal may not be an appropriate reference for the purpose of the Proposal.

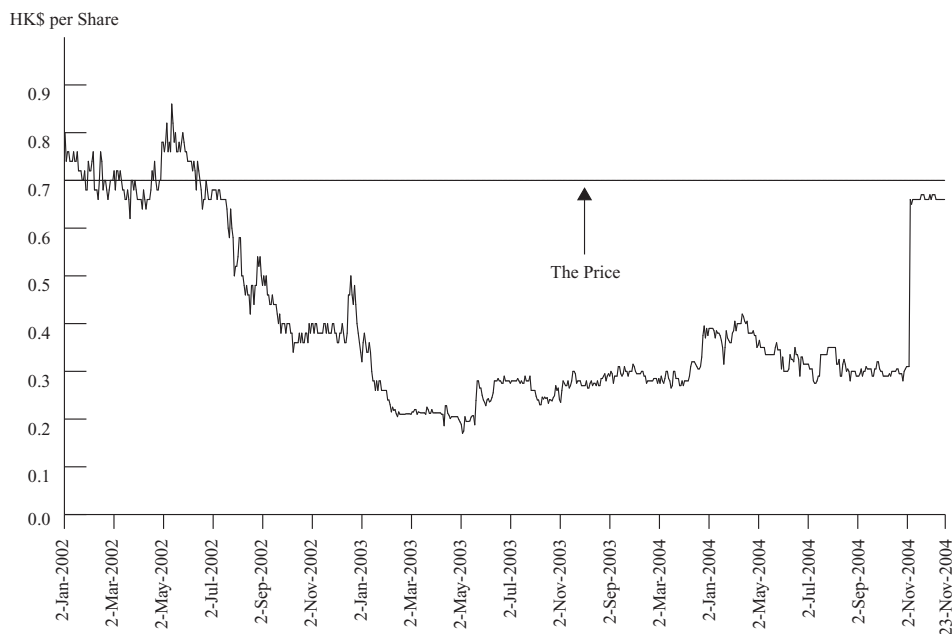
Based on the above analysis, we consider that the Price is fair and reasonable when compared with the other recently completed privatisation proposals.

7. Share price and trading volume of the Shares

(i) Share price

Chart 1 below illustrates the daily closing prices per Share (adjusted to reflect the effect of the Share Consolidation) as quoted on the Stock Exchange from 2 January 2002 up to and including the Latest Practicable Date (the "Period"). Chart 2 below shows the relative performance of the Shares as compared to those of the Hang Seng Index and Heng Seng Hong Kong Small Cap Index during the same period.

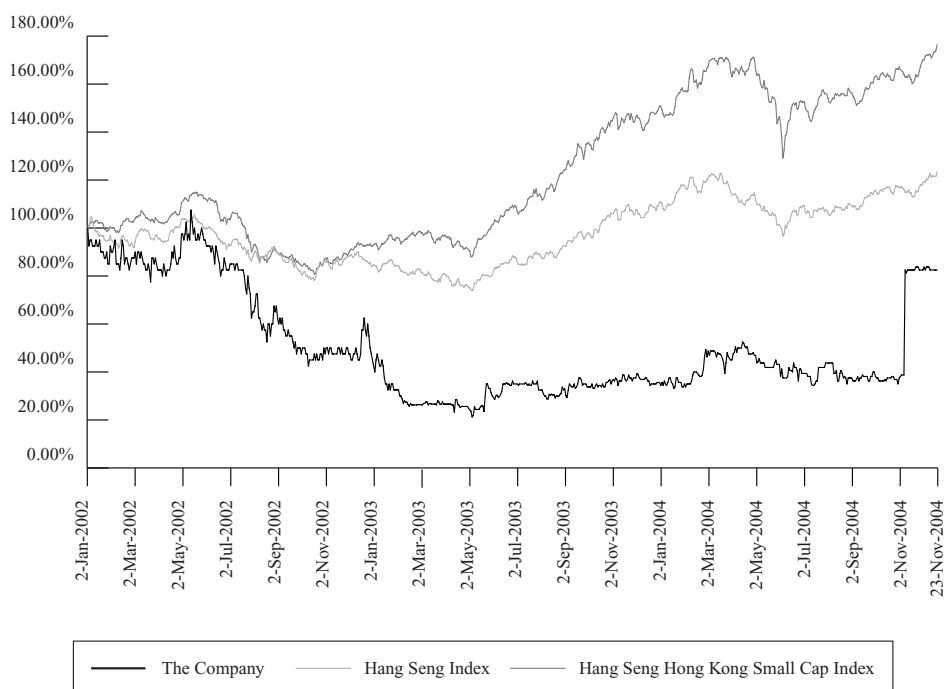
Chart 1



Source: Bloomberg

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Chart 2



Source: Bloomberg

As illustrated in Chart 1, the closing prices of the Shares were below the Price during most of the Period and at all times subsequent to mid-2002.

During 2002, the Share prices were generally on a downward trend after the share price peaked at HK\$0.86 per Share (adjusted for the effect of the Share Consolidation) on 14 May 2002. The poor performance of the Share prices was probably due to the release of a significant deterioration in the financial results of the Group for the year ended 31 March 2002 where the Group made a net profit of approximately HK\$7.8 million, representing a decrease of approximately 61.7 per cent. from the year ended 31 March 2001. The adjusted Share price dropped by more than 21 per cent. from HK\$0.64 per Share on 23 July 2002 to HK\$0.50 per Share on 26 July 2002 (the date on which the Group announced its final results for the year ended 31 March 2002). Thereafter, except for occasional spikes in August and December 2002, the Share price continued to drop to HK\$0.30 per Share on 7 January 2003 after the Company announced the proposal for the Share Consolidation on 6 January 2003, and the Shares were traded within a narrow range between HK\$0.17 per Share on 25 April 2003 and HK\$0.42 per Share on 25 March 2004. The Shares closed at HK\$0.31 per Share on the Last Trading Day and surged to HK\$0.66 on 14 October 2004 after the release of the Announcement.

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As illustrated in Chart 2, the Shares have under-performed two market indices, the Hang Seng Index and the Hang Seng Hong Kong Small Cap Index, during most of the Period. In particular, the Share performance has not matched up with the rise in both indices between April 2003 and April 2004. This, in our view, probably reflects the inability of the Group's business to benefit quickly from the recovery in the general economic climate.

The Price represents:

- a premium of approximately 6.1 per cent. over the closing price of HK\$0.66 per Share as at the Latest Practicable Date;
- a premium of approximately 125.8 per cent. over the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 133.3 per cent. over the average closing price of approximately HK\$0.30 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 125.8 per cent. over the average closing price of approximately HK\$0.31 per Share based on the daily closing prices as quoted on the Stock Exchange over the 90 trading days up to and including the Last Trading Day; and
- a premium of approximately 112.1 per cent. over the average closing price of approximately HK\$0.33 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Day.

In our opinion, the recent rise in Share price after the release of the Announcement reflects the terms of the Proposal and it is not likely that the market price of the Shares will remain at the current level if the Proposal is withdrawn or lapses.

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(ii) Trading volume of the Shares

The following table sets out the total monthly trading volume of the Shares, the percentage of the total monthly trading volume of the Shares to the average number of issued Shares and the percentage of the total monthly trading volume of the Shares to the Shares held by the public respectively during the Period:

	Total monthly trading volume of the Shares <i>(Note a)</i>	% of total monthly trading volume of the Shares to average number of issued Shares <i>(Note b)</i>	% of total monthly trading volume of the Shares to public float <i>(Note c)</i>
2002			
January	91,838,000	2.3%	6.7%
February	41,718,000	1.1%	3.1%
March	37,812,000	1.0%	2.8%
April	45,246,000	1.2%	3.3%
May	312,848,000	8.0%	22.9%
June	77,168,000	2.0%	5.6%
July	160,198,000	4.1%	11.7%
August	149,616,000	3.8%	11.0%
September	126,058,000	3.2%	9.3%
October	113,806,000	2.9%	8.5%
November	42,172,000	1.1%	3.2%
December	277,540,000	7.1%	21.0%
2003			
January	231,173,300	5.1%	15.1%
February	1,592,900	0.8%	2.4%
March	1,181,400	0.6%	1.8%
April	3,147,000	1.6%	4.8%
May	5,911,400	3.0%	9.0%
June	3,967,500	2.0%	6.0%
July	5,716,000	2.9%	8.7%
August	10,048,500	5.2%	15.2%
September	9,449,800	4.9%	14.3%
October	9,213,801	4.7%	14.0%
November	4,626,300	2.4%	7.0%
December	3,952,190	2.0%	6.0%

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	Total monthly trading volume of the Shares <i>(Note a)</i>	% of total monthly trading volume of the Shares to average number of issued Shares <i>(Note b)</i>	% of total monthly trading volume of the Shares to public float <i>(Note c)</i>
2004			
January	5,890,376	3.0%	8.9%
February	14,396,276	7.4%	21.8%
March	9,722,399	5.0%	14.8%
April	1,586,000	0.8%	2.4%
May	1,807,000	0.9%	2.7%
June	1,728,400	0.9%	2.6%
July	1,145,500	0.6%	1.7%
August	3,809,500	2.0%	5.8%
September	2,968,000	1.5%	4.5%
October	18,011,200	9.3%	27.3%
November (up to and including the Latest Practicable Date)	4,292,100	2.2%	6.5%

Notes:

- (a) Source: Bloomberg
- (b) Based on the average number of Shares in issue as at the beginning and end of the month.
- (c) Based on the average number of Shares held by public at the beginning and end of the month.

The trading volumes were below 10 per cent. of the Shares in public hands for most of the months during the Period. Except for the first quarter of 2004 when the stock market in general and the Share trading were more active which was probably due to the improved sentiment prompted by the full implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement on 1 January 2004, the trading volume of the Shares remained at a rather low level. The sudden surge in the trading volume in October 2004 was mainly due to the announcement of the Proposal.

Given the trading volume of the Shares in the past, in our view, Scheme Shareholders who wish to sell a significant number of their Shares in the market at this level of liquidity may cause certain downward pressure on the market price of the Shares. The Proposal therefore represents an opportunity for the Scheme Shareholders to dispose of their entire holdings at the Price if they so wish.

DISCUSSION AND CONCLUSION

1. The Proposal

We have principally considered the Proposal in light of three principal factors taken together – the discount of the Price to the Reassessed NTAV per Share, the premium of the Price over market price and the prospects of the business of the Group.

In this case, the discount of the Price to the Reassessed NTAV per Share is 47.0 per cent., which compares favourably to the discounts of the closing prices of the Shares to the consolidated net tangible asset values per Share in the range of approximately 61.3 per cent. to 88.6 per cent. over the past two years. The shares of the small-cap Hong Kong listed companies with which we consider the Company is comparable are trading in the market at discounts in the range of approximately 21.0 per cent. to 67.3 per cent. to their underlying consolidated net tangible asset values per share. The discount to the Reassessed NTAV per Share of 47.0 per cent. represented by the Price falls within the range of the discounts to adjusted net tangible asset values per share of approximately 7.9 per cent. to 64.5 per cent. for successfully completed privatisation proposals since 1 January 2003, albeit such discount is higher than the average discount for these precedents of approximately 34.6 per cent..

The Price of HK\$0.70 per Scheme Share is substantially above the HK\$0.265 to HK\$0.420 range within which the Shares have been traded in the 12 months prior to the Announcement. In particular, the premium offered by the Price exceeds 100 per cent. for the 30-days, 90-days and 180-days average closing prices and is the highest among those offered in other successfully completed privatisation proposals since 1 January 2003.

Moreover, the Group's turnover and operating results have continued to deteriorate since the year ended 31 March 2001 despite the efforts of the Group in diversifying its product mix and implementing cost control measures. Notwithstanding the recent signs of recovery in the overall economy and property market in Hong Kong, the Directors are of the view that the prospects of the Group's business remain uncertain given the severe price competition of electrical household appliances in the retail sector and the anticipated shrinkage in turnover and profitability of the Group's project business.

The Company has not raised any new capital from issue of new shares or securities in the past five years. The Directors do not consider that there is any immediate need for fund raising activities from the capital market. As such, the expenses of maintaining a public listing outweigh any possible benefits that such status may bring to the Group.

In view of the above factors, we concur with the Directors' view that the Proposal, through which the Scheme Shareholders will be able to dispose of their entire holding of Shares at a substantial premium over recent market prices, represents an attractive opportunity for the Scheme Shareholders to realise their investment and, in our opinion, adequately compensates them for a discount to the Reassessed NTAV per Share that is within the range of discounts in other successfully completed privatisation since 1 January 2003.

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2. The Share Option Proposal

The exercise price of all the Options held by employees other than Mr. Chu and Ms. Chu Maria Teresa are above the Share price prior to the Announcement. The exercise price is also higher than the Price. Accordingly, the Options are considered to be “out-of-money” and have no intrinsic value to the holders thereof. Based on the terms of the Proposal which we consider to be fair and reasonable, despite the cancellation price for the Options is nominal, we consider the terms of the Share Option Proposal to be fair and reasonable.

Holders of the Options should note that the Share Option Proposal is conditional on the Proposal becoming effective. Under the terms of the Share Option Scheme and as a result of the Proposal, all Options will lapse and will cease to be exercisable two months after the date of the giving of the notice of the meeting to consider the Scheme or upon the Scheme becoming effective, whichever is the earlier. If the Scheme lapses, the Options will cease to be exercisable on or about 25 January 2005. Those holders of the Options who wish to exercise the Options and accept the Proposal or to dispose of the Shares so issued in the market to realise a higher value for their Options should note the proposed timetable for the Proposal as set out in the Document and take appropriate action accordingly.

RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Proposal and the Share Option Proposal are fair and reasonable so far as the Independent Shareholders and holders of the Options are respectively concerned. Accordingly, we recommend that the Independent Board Committee advises the Independent Shareholders to vote in favour of the relevant resolutions to approve and to implement the Scheme to be proposed at the Court Meeting and the Special General Meeting respectively.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Beatrice Lung
Director – Corporate Finance

EXPLANATORY STATEMENT

This explanatory statement constitutes the statement required under Section 100 of the Companies Act.

SCHEME OF ARRANGEMENT TO CANCEL ALL THE SHARES OWNED BY THE SCHEME SHAREHOLDERS

INTRODUCTION

The Board announced on 13 October 2004 that the Company put forward the Proposal to the Scheme Shareholders. The Company proposed that all Scheme Shares would be cancelled in exchange for HK\$0.70 in cash for each Scheme Share.

The purpose of the “Explanatory statement” is to explain the Proposal and its effects, and to give Shareholders other relevant information.

The attention of Shareholders is particularly drawn to the following sections of this document: (a) the “Letter from the Board” set out on pages 8 to 16 of this document; (b) the “Letter from the Independent Board Committee” set out on page 17 of this document; (c) the “Letter from Somerley” set out on pages 18 to 43 of this document; and (d) the “Scheme of Arrangement” set out on pages 140 to 145 of this document.

THE PROPOSAL

It is proposed that subject to fulfilment or waiver (as applicable) of the conditions of the Proposal as described in the section headed “Conditions of the Proposal” below, the Proposal will be implemented by way of the Scheme, which will involve the cancellation of all the Scheme Shares and the reduction of the issued share capital of the Company under Section 46 of the Companies Act. In consideration of the cancellation of the Scheme Shares, each Scheme Shareholder will be entitled to receive the Price, being HK\$0.70 in cash, from the Company for every Scheme Share held.

As at the Latest Practicable Date, there were 194,165,900 Shares in issue and the Scheme Shareholders were interested in 67,774,900 Shares, representing approximately 34.9 per cent. of the issued share capital of the Company. Based on the Price, the entire issued share capital of the Company is valued at approximately HK\$135.9 million under the Proposal. Based on the number of Scheme Shares in issue and the number of Options granted as at the Latest Practicable Date, the maximum amount of cash required to effect the Proposal will be approximately HK\$47.5 million. Funding is to be made out of cash set aside in the bank by the Company. The total amount of cash required to effect the Scheme by the cancellation of the Scheme Shares and the Options will be approximately HK\$47.5 million and as at the Latest Practicable Date, the Company had maintained with the bank a cash deposit of HK\$50 million to fund the implementation of the Scheme. Access Capital, the financial adviser to the Company in connection with the Proposal, is satisfied that the Company has sufficient financial resources for the implementation of the Proposal and the Share Option Proposal.

EXPLANATORY STATEMENT

THE SHARE OPTION PROPOSAL

As at the Latest Practicable Date, the Company had granted Options under the Share Option Scheme in favour of its employees to subscribe for 5,900,000 Shares with initial subscription prices at HK\$0.5504 per Share (with exercise period up to and including 16 April 2011) and HK\$0.7920 per Share (with exercise period up to and including 16 December 2011) respectively. Under the terms of the Share Option Scheme and as a result of the Proposal, all Options will lapse and will cease to be exercisable upon the Scheme becoming effective or two months after the date of the giving of the notice of the Court Meeting to consider the Scheme, whichever is the earlier. If the Scheme lapses, the Options will cease to be exercisable on or about 25 January 2005 subject to and in accordance with the terms of the Share Option Scheme.

Mr. Chu Ka Lok, Peter (Chairman and President) and Ms Chu Maria Teresa (executive Director), holders of Options to subscribe for 3,000,000 Shares with an initial subscription price of HK\$0.5504 per Share (with exercise period up to and including 16 April 2011) and parties acting in concert with Charmwood, have agreed to waive their rights to accept the cancellation price for their Options under the Share Option Proposal. Ms Chu Maria Teresa, also a holder of Options to subscribe for 100,000 Shares with an initial subscription price of HK\$0.7920 per Share (with exercise period up to and including 16 December 2011), has agreed to waive her right to accept the cancellation price for her Options under the Share Option Proposal. Although the remaining Options (held by other employees of the Group) to subscribe for 2,800,000 Shares with an initial subscription price of HK\$0.7920 per Share (with exercise period up to and including 16 December 2011) are "out-of-money", the Company intends to offer, under the terms of the Share Option Proposal and conditional upon the Scheme becoming effective, to pay a cash amount of HK\$0.01 per Share covered by such Options in consideration of the cancellation of such Options. Hence, the remaining Options to subscribe for 2,800,000 Shares are subject to the cancellation offer under the terms of the Share Option Proposal. As at the Latest Practicable Date, the maximum amount of cash required to effect the Share Option Proposal will be HK\$28,000. If however, any of the holders of these Options shall exercise their subscription rights attaching to the Options in accordance with the terms of the Share Option Scheme, the Shares which fall to be issued shall form part of the Scheme Shares.

Other than the Shares and the Options, the Company did not have any other securities, warrants, options or convertible securities in issue as at the Last Practicable Date.

CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on the Company and all Shareholders subject to fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme by a majority in number representing not less than three-fourths in value of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
 - (i) the Scheme is approved by the Independent Shareholders holding at least 75 per cent. in value of those Shares that are voted either in person or by proxy at the Court Meeting (by way of poll); and

EXPLANATORY STATEMENT

- (ii) the Scheme is not disapproved by the Independent Shareholders at the Court Meeting (by way of poll) holding more than 10 per cent. in value of all the Shares held by the Independent Shareholders;
- (b) the passing by the Shareholders of a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the reduction of the issued share capital of the Company) at the Special General Meeting;
- (c) the sanction of the Scheme (with or without modification(s)) by the Supreme Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Supreme Court for registration;
- (d) compliance with the necessary procedural requirements of Section 46 of the Companies Act in relation to the reduction of the issued share capital of the Company;
- (e) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities, in Bermuda and/or Hong Kong and/or any other relevant jurisdictions;
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and
- (g) all necessary consents which may be required under any existing contractual obligations of the Company being obtained.

The Company reserves the right to waive condition (g) either in whole or in part in respect of any particular matter. Conditions (a) to (f) cannot be waived as they are imposed either by law or by the Takeovers Code.

Assuming that the above conditions are fulfilled or waived (as applicable), it is expected that the Scheme will become effective on the effective date, which is scheduled to be 7 January 2005. Further press announcements giving details of the results of the Court Meeting and the Special General Meeting, the last day for dealing in the Shares, the record date, the effective date and the date of withdrawal of the listing of the Shares on the Stock Exchange will be made by the Company.

EXPLANATORY STATEMENT

REASONS FOR AND BENEFITS OF THE PROPOSAL

From 1998 to until very recently, the economy of Hong Kong has suffered from deterioration of the real estate market, which in turn, weakened the consumption power of local consumers. Weakness in consumer confidence has also adversely affected the demand for electrical household appliances, including white goods such as air conditioners, refrigerators and washing machines. In addition, the influx of low-priced imports of white goods from the PRC has significantly increased market competition for the foreign made white goods marketed by the Group in Hong Kong. Despite signs of gradual recovery of the overall economy in Hong Kong recently, the Directors anticipate the Group's business will continue to face keen competition.

Putting this in the context of the Group's financial performance, the Group has experienced a period of general decline in turnover which fell from approximately HK\$682 million (audited) in the year ended 31 March 1999 to approximately HK\$572 million (audited) and HK\$581 million (audited) for the financial years ended 31 March 2000 and 31 March 2001 respectively. This was followed by consistent decline in the ensuing years to approximately HK\$203 million (audited) in the year ended 31 March 2004. In terms of profitability, the Group has registered a decline in profitability since the financial year ended 31 March 1998 and in the last two years ended 31 March 2003 and 2004, the Group sustained net losses in the amount of approximately HK\$17.7 million (audited) and HK\$12.6 million (audited) respectively. The Group has not paid any dividend for the financial years ended 31 March 2003 and 31 March 2004 respectively.

In terms of trading in the Shares, the average trading volume of the Shares has remained low. The average daily trading volume of the Shares in the past 30 and 90 trading days (up to and including 11 October 2004, the last trading day prior to suspension of trading in the Shares pending for the issue of the Announcement) have been less than 136,534 Shares (approximately 0.07 per cent. of the existing issued share capital of the Company) and 115,672 Shares (approximately 0.06 per cent. of the existing issued share capital of the Company) respectively. During the same period, the Shares have been consistently traded at prices at discounts to the net asset value of the Company.

Given the abovementioned background and the uncertain business outlook, Mr. Chu Ka Lok, Peter, the Chairman, initiated the Proposal for the Board to consider. Taking into account the abovementioned reasons, the Directors believe that the Proposal represents a good opportunity for the Shareholders to realise their investment at a cash price substantially above the levels at which the Shares have consistently been traded for the past 24 months. The Directors also believe that the Price is also significantly in excess of any price they might obtain from open market sale under the current market conditions. The Directors also believe that after the Scheme becomes effective, the Company will be able to operate more efficiently by streamlining the administrative, regulatory and compliance obligations of the Group and saving the cost of maintaining as a listed company.

The entire issued share capital of Charmwood is held by Woodland Trust, a discretionary trust whose beneficiaries include Mr. Chu Ka Lok, Peter and Mrs. Chu Leung Wai Chung, Monica (wife of Mr. Chu Ka Lok, Peter). Since Charmwood and parties

EXPLANATORY STATEMENT

acting in concert with it already owned approximately 65.1 per cent. of the issued share capital of the Company as at the Last Practicable Date, the Directors believe that it is unlikely that the minority Shareholders will receive any other offer to acquire the Shares from a third party without the consent of Charmwood. In addition, Shareholders should note that no discussions have taken place (or are taking place) with any third party regarding the disposal of any of the Shares held by Charmwood and parties acting in concert with it.

INFORMATION ON THE GROUP

(a) Principal business activity

The Company is an investment holding company incorporated in Bermuda with limited liability and the Shares are listed on the Stock Exchange. Its subsidiaries are principally engaged in the import, marketing and distribution of consumer electrical appliances such as air conditioners, refrigerators, and washing machines. The Company also provides after-sales and maintenance services.

(b) Shareholding structure

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the Scheme becoming effective and the withdrawal of listing of the Shares on the Stock Exchange:

Shareholders	As at the Latest Practicable Date		Immediately after the Scheme becoming effective and the withdrawal of listing of the Shares on the Stock Exchange	
	Number of Shares	%	Number of Shares	%
<i>Shares</i>				
Charmwood and parties acting in concert with it, but excluding Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors and are presumed to be acting in concert with Charmwood under the Proposal)	126,391,000	65.1	126,391,000	100.0
Scheme Shareholders				
Mr. Wat Hon Keung	933,000	0.5	0	0.0
Mr. Chan Kai Kwok	935,500	0.5	0	0.0
Independent Shareholders	65,906,400	33.9	0	0.0
	67,774,900	34.9	0	0.0
Sub-total				
	194,165,900	100.0	126,391,000	100.0
Total	194,165,900	100.0	126,391,000	100.0

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Other than the Shares and the Options, there were no other outstanding options, warrants or convertible securities of the Company in issue as at the Latest Practicable Date.

Following the effective date and the withdrawal of listing of the Shares on the Stock Exchange, the Company will become a wholly-owned subsidiary of Charmwood.

(c) Share value

The Price represents:

- **a premium of approximately 6.1 per cent.** over the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- **a premium of approximately 125.8 per cent.** over the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on 11 October 2004 (being the last trading day prior to the suspension of trading in the Shares pending the issue of the Announcement);
- **a premium of approximately 133.3 per cent.** over the average closing price of approximately HK\$0.30 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including 11 October 2004;
- **a premium of approximately 133.3 per cent.** over the average closing price of approximately HK\$0.30 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including 11 October 2004;
- **a premium of approximately 133.3 per cent.** over the average closing price of approximately HK\$0.30 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including 11 October 2004;
- **a premium of approximately 125.8 per cent.** over the average closing price of approximately HK\$0.31 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including 11 October 2004;
- **a premium of approximately 112.1 per cent.** over the average closing price of approximately HK\$0.33 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including 11 October 2004;
- **a discount of approximately 47.4 per cent.** to the audited consolidated net tangible asset value per Share of approximately HK\$1.33 as at 31 March 2004; and

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- **a discount of approximately 45.7 per cent.** to the unaudited consolidated net tangible asset value per Share of approximately HK\$1.29 as at 30 September 2004.

(d) Financial information

A summary of the audited consolidated results of the Company for each of the two years ended 31 March 2004 and the unaudited consolidated results of the Company for the six months ended 30 September 2003 and 30 September 2004 are set out below:

	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	For the year ended	For the year ended	For the	For the
	31 March 2003	31 March 2004	six months ended	six months ended
	<i>in HK\$ million</i>	<i>in HK\$ million</i>	<i>in HK\$ million</i>	<i>in HK\$ million</i>
Turnover	333.4	202.9	113.8	139.1
(Loss) from ordinary activities				
before taxation	(19.6)	(12.4)	(8.6)	(7.6)
(Loss) after taxation (<i>Note</i>)	(17.7)	(12.6)	(8.8)	(7.7)
(Loss) attributable to Shareholders	(17.7)	(12.6)	(8.8)	(7.7)

Note: No extraordinary items has been recorded by the Group for the abovementioned financial years/period.

The audited consolidated net tangible assets of the Group were approximately HK\$270.8 million as at 31 March 2003 and approximately HK\$258.2 million as at 31 March 2004 respectively.

Based on the Company's interim report for the six months ended 30 September 2003, the Company recorded an unaudited consolidated net loss of approximately HK\$8.8 million and an unaudited consolidated net tangible assets of approximately HK\$263.3 million as at 30 September 2003.

Based on the Company's interim report for the six months ended 30 September 2004, the Company recorded an unaudited consolidated net loss of approximately HK\$7.7 million and an unaudited consolidated net tangible assets of approximately HK\$250.6 million as at 30 September 2004. During the period under review, the Group sustained net losses as the influx of low-priced imports of white goods from the PRC continued to exert pressure and increase market competition for the foreign made white goods marketed by the Group in Hong Kong. In addition, albeit there were signs of recovery in the property market, it did not change the difficult business environment faced by the Group as the property developers continue to implement a stringent cost control over their procurement.

The background to and reasons for the business performance of the Group for the past two financial years are described in the section headed "Reasons for and benefits of the Proposal" above. In addition, your attention is drawn to Appendix I to this document which sets out the financial information in respect of the Group.

EXPLANATORY STATEMENT

(e) Dividends

No dividends have been declared by the Company in the past two years. The Board has confirmed that it has no intention to declare any dividend in respect of the Shares prior to the effective date of the Scheme.

INFORMATION ON CHARMWOOD AND FUTURE INTENTIONS

Charmwood is a company incorporated in Liberia whose assets include shares of the Company, Napson and Sigo Engineering Ltd. Sigo Engineering Limited is a company which is engaged in property investment in Hong Kong and its business is not related to the Company. Charmwood and parties acting in concert with it, but excluding Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors and are presumed to be acting in concert with Charmwood under the Proposal), together held approximately 65.1 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

Charmwood, as a company engaged in private investment, does not prepare audited financial statements. Hence, no financial statements of Charmwood are available.

The entire issued share capital of Charmwood is held by Woodland Trust, a discretionary trust whose beneficiaries include Mr. Chu Ka Lok, Peter and Mrs. Chu Leung Wai Chung, Monica (wife of Mr. Chu Ka Lok, Peter).

The board of directors of Charmwood consists of RTB Presidents Ltd., RTB Treasurers Ltd. and RTB Secretaries Ltd. None of the directors of Charmwood has any interest in the Company.

It is the intention of Charmwood to maintain the existing businesses of the Group upon successful privatisation of the Company. Charmwood does not intend to introduce any major changes to the existing operating and management structure of the Group, or to redeploy fixed assets of the Group, or to discontinue the employment of any employees of the Group, as a result of the implementation of the Proposal. The funding of public investors in the Group will cease as a result of the successful implementation of the Proposal. Charmwood will, therefore, be solely responsible as the shareholder of the Company for the funding or to procure funding for the on-going requirements of the Group's business after the successful implementation of the Proposal. The Directors also expect that there will be no material change to the existing business (such as business strategy and operating mode) of the Group as a result of the implementation of the Proposal. Charmwood has no intention to seek a listing of the Shares on any stock exchange in the foreseeable future after the successful implementation of the Proposal.

SHARE CERTIFICATES, DEALING, LISTING, REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished, and all the certificates representing the Scheme Shares will accordingly cease to have effect as documents or evidence of title.

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Upon the approval of the Scheme by the Independent Shareholders at the Court Meeting, the passing of the special resolution by the Shareholders to approve and give effect to the Proposal at the Special General Meeting and the sanction of the Scheme by the Supreme Court becoming effective, the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange. Dealing in the Shares on the Stock Exchange are expected to cease after 4:00 p.m. on 29 December 2004, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:30 a.m. on 10 January 2005.

Shareholders will be notified of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective by way of press announcement(s).

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme fails to materialise.

Upon the Scheme becoming effective, cheques for cash payment under the Scheme will be sent to the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date (as defined in the Scheme). Settlement of the cash payment to which any Scheme Shareholder who is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against such Scheme Shareholder.

It is proposed that the register of members of the Company will be closed after 4:00 p.m. on 3 January 2005 (or such other date as may be notified to the Shareholders by way of press announcement(s)) in order to establish entitlements under the Scheme. Scheme Shareholders should ensure that their Shares are lodged for registration in their names or in the names of their nominees before the register of members of the Company is closed. The branch share registrar of the Company in Hong Kong is Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

Assuming that the Scheme becomes effective on 7 January 2005, cheques for cash payment under the Scheme are expected to be despatched on or before 10 January 2005. On the day being six calendar months after the posting of such cheques, the Company shall have the right to cancel payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies until the expiry of six years from the effective date and shall prior to such date make payments thereout of the sums payable pursuant to clause 3(d) of the Scheme as set out on page 144 to persons who are entitled thereto.

On the expiry of the six years from the effective date, the Company shall be released from any further obligation to make any payments under the Scheme and the Company shall retain and be entitled to the benefit of the balance (if any) of the sums then standing to the credit of the deposit account as referred to in clause 3(d) of the Scheme as set out on

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page 144, including accrued interest, if applicable, subject to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject to the deduction of any related expenses.

In the absence of any specific instructions to the contrary received in writing by the branch share registrar of the Company in Hong Kong, Secretaries Limited, cheques will be sent to the persons entitled thereto at their respective addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in such register in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and the Company will not be liable for any loss or delay in transmission.

OVERSEAS SHAREHOLDERS

The making of the Proposal to Shareholders not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such Shareholders should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any Shareholders not resident in Hong Kong who wish to accept their entitlements under the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation or other implications of the Scheme becoming effective or otherwise. It is emphasised that none of the Company or Access Capital or any of their respective directors or associates or any other person involved in the Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

COURT MEETING AND SPECIAL GENERAL MEETING

A notice convening the Court Meeting is set out on pages 146 to 147 of this document. A notice convening the Special General Meeting is set out on pages 148 to 149 of this document. The Court Meeting and the Special General Meeting have been scheduled to be held on 20 December 2004 at the respective times and addresses specified in the notices.

The Supreme Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification(s)). Such resolution will be passed by a majority in number representing not less than three-fourths in value of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that: (i) the Scheme is approved by a majority in number representing at least 75 per cent. in value of those Shares that are voted either in person or by proxy by the Independent Shareholders at the Court Meeting

EXPLANATORY STATEMENT

(by way of poll); and (ii) the Scheme is not disapproved by the Independent Shareholders at the Court Meeting holding more than 10 per cent. in value of all the Shares held by the Independent Shareholders (by way of poll).

As at the Latest Practicable Date, Charmwood and parties acting in concert with it but excluding Mr. Wat Hon Keung and Mr. Chan Kai Kwok (both being executive Directors and are presumed to be acting in concert with Charmwood under the Proposal) were beneficially interested in 126,391,000 Shares, representing approximately 65.1 per cent. of the issued share capital of the Company. Charmwood is considered to have interest in the Proposal as the Company will become a wholly-owned subsidiary of Charmwood upon the Scheme becoming effective. Accordingly, those Shares held by Charmwood will not form part of the Scheme Shares and Charmwood will not be entitled to vote on the resolution to approve the Scheme at the Court Meeting. In addition, parties acting in concert with Charmwood, the associates of Charmwood and parties acting in concert with any of them shall also abstain from voting at the Court Meeting.

Immediately following the Court Meeting, the Special General Meeting will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Scheme. The special resolution has to be passed by a majority of at least 75 per cent. of the votes of the Shares held by the Shareholders present and voting, either in person or by proxy, at the Special General Meeting. All Shareholders will be entitled to attend and vote on such special resolution at the Special General Meeting. Charmwood has indicated that if the Scheme is approved at the Court Meeting, Charmwood and parties acting in concert with it and their respective associates will vote in favour of the special resolution to be proposed at the Special General Meeting to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the reduction of the issued share capital of the Company).

ACTION TO BE TAKEN

A white form of proxy for use at the Court Meeting and a pink form of proxy for use at the Special General Meeting are enclosed with this document.

If you are not able to attend the Court Meeting and/or the Special General Meeting or any of them, you are strongly urged to complete and sign the enclosed white form of proxy in respect of the Court Meeting and also the enclosed pink form of proxy in respect of the Special General Meeting, in accordance with the instructions printed thereon, and to lodge them with the branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. In order to be valid, the white form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. on Saturday, 18 December 2004 and the pink form of proxy for use at the Special General Meeting should be lodged not later than 10:30 a.m. on Saturday, 18 December 2004. The completion and return of a form of proxy for the Court Meeting or the Special General Meeting will not preclude you from attending and voting in person at the relevant meetings. In such event, the returned form(s) of proxy will be deemed to have been revoked.

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Further press announcements will be made giving details of the results of the Court Meeting and the Special General Meeting, the result of the hearing of the petition to sanction the Scheme by the Supreme Court, the last day for dealing in the Shares, the Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

RECOMMENDATION

The Independent Board Committee have considered the terms of the Proposal and the Share Option Proposal and taken into account the opinion and advice of Somerley, in particular the factors, reasons and recommendation as set out in the “Letter from Somerley” on pages 18 to 43 of this document. **The Independent Board Committee’s recommendation is set out in the “Letter from the Independent Board Committee” on page 17 of this document.**

FURTHER INFORMATION

Further information is set out in the appendices to, and elsewhere in, this document, all of which form part of this explanatory statement.

A. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

HK\$'000

Authorised:

<u>300,000,000</u>	Shares	<u>60,000</u>
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Issued and fully paid:

<u>194,165,900</u>	Shares	<u>38,834</u>
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All Shares currently in issue as at the Latest Practicable Date rank pari passu in all respects with each other within the same class of shares, including, in particular, as to dividends, voting rights and capital. Other than the Shares, no part of the share capital of the Company is listed or dealt in the Stock Exchange. Save as aforesaid, no part of the share capital of the Company is listed or dealt in any other stock exchange and no application has been made or currently proposed or sought for the Shares to be listed or dealt in any other stock exchange. No new Shares had been issued since 31 March 2004 (the date to which the latest audited financial statements of Group were made up) and up to the Latest Practicable Date.

As at the Latest Practicable Date, other than the Shares and the Options, there were no other securities, options, warrants or convertible securities of the Company in issue.

B. THREE-YEAR FINANCIAL SUMMARY

The following information is based on the audited consolidated financial statements of the Group for the three years ended 31 March 2002, 31 March 2003 and 31 March 2004:

Consolidated Income Statement

	For the year ended 31 March		
	2004 HK\$'000	2003 HK\$'000 (As restated)	2002 HK\$'000
Turnover	202,864	333,424	452,650
Cost of sales	(155,206)	(262,346)	(342,960)
	<hr/>	<hr/>	<hr/>
Gross profit	47,658	71,078	109,690
Other operating income	5,910	1,483	953
Interest Income	–	–	897
Allowances for doubtful debts	(9,268)	(17,794)	–
Allowances for inventories	(1,108)	(1,159)	–
Unrealised holding loss on investment in securities	(1,755)	–	–
Distribution costs	(11,245)	(17,423)	(41,301)
Administrative expenses	(41,787)	(53,942)	(59,711)
	<hr/>	<hr/>	<hr/>
Profit (loss) from operations	(11,595)	(17,757)	10,528
Finance costs	(740)	(1,800)	(1,738)
Loss on disposal of a subsidiary	(20)	–	–
	<hr/>	<hr/>	<hr/>
Profit (loss) before taxation	(12,355)	(19,557)	8,790
Taxation (charge) credit	(232)	1,895	(1,015)
	<hr/>	<hr/>	<hr/>
Net profit (loss) for the year	(12,587)	(17,662)	7,775
	<hr/>	<hr/>	<hr/>
Dividends	–	–	7,049
	<hr/>	<hr/>	<hr/>
Dividends per share	–	–	HK3.59 cents
	<hr/>	<hr/>	<hr/>
Profit (loss) per share			
– Basic	HK(6.48) cents	HK(9.06) cents	HK0.20 cent
	<hr/>	<hr/>	<hr/>

Notes:

- No extraordinary or exceptional item was recorded during the three years ended 31 March 2004.
- No minority interests were recorded during the three years ended 31 March 2004.

C. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2004

The following information is extracted from the annual report of the Company for the year ended 31 March 2004:

Consolidated Income Statement

	<i>Notes</i>	For the year ended 31 March	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
			(As restated)
Turnover	4	202,864	333,424
Cost of sales		<u>(155,206)</u>	<u>(262,346)</u>
Gross profit		47,658	71,078
Other operating income	5	5,910	1,483
Allowances for doubtful debts		(9,268)	(17,794)
Allowances for inventories		(1,108)	(1,159)
Unrealised holding loss on investment in securities		(1,755)	–
Distribution costs		(11,245)	(17,423)
Administrative expenses		<u>(41,787)</u>	<u>(53,942)</u>
Loss from operations	6	(11,595)	(17,757)
Finance costs	8	(740)	(1,800)
Loss on disposal of a subsidiary		<u>(20)</u>	<u>–</u>
Loss before taxation		(12,355)	(19,557)
Taxation (charge) credit	9	<u>(232)</u>	<u>1,895</u>
Net loss for the year		<u>(12,587)</u>	<u>(17,662)</u>
Dividends	10	<u>–</u>	<u>–</u>
Loss per share	11		
– Basic		<u>HK(6.48) cents</u>	<u>HK(9.06) cents</u>

Consolidated Balance Sheet

	Notes	At 31 March	
		2004 HK\$'000	2003 HK\$'000 (As restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	58,783	61,401
Investments in securities	13	15,795	400
Club debenture		753	753
		<u>75,331</u>	<u>62,554</u>
Current assets			
Properties held for sale	14	36,209	–
Deposits paid for acquisition of properties	15	408	–
Inventories	16	150,178	120,386
Trade and other receivables	17	52,147	70,027
Taxation recoverable		–	1,695
Securities linked deposits	18	24,786	–
Bank balances and cash		24,556	95,149
		<u>288,284</u>	<u>287,257</u>
Current liabilities			
Trade and other payables	19	39,518	17,615
Bank borrowings -due within one year	20	48,520	38,264
Amount due to a related company	21	6,000	6,000
Dividend payable		27	27
		<u>94,065</u>	<u>61,906</u>
Net current assets		<u>194,219</u>	<u>225,351</u>
Total assets less current liabilities		<u>269,550</u>	<u>287,905</u>
Non-current liabilities			
Amount due to a related company	21	9,000	15,000
Deferred taxation	22	2,311	2,079
		<u>11,311</u>	<u>17,079</u>
		<u>258,239</u>	<u>270,826</u>
CAPITAL AND RESERVES			
Share capital	24	38,834	38,834
Reserves		219,405	231,992
		<u>258,239</u>	<u>270,826</u>

Balance Sheet

		At 31 March	
		2004	2003
	Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Interests in subsidiaries	23	<u>222,105</u>	<u>221,749</u>
Current asset			
Bank balances and cash		<u>9,133</u>	<u>10,042</u>
Current liabilities			
Amount due to a subsidiary		10	10
Dividend payable		<u>27</u>	<u>27</u>
		<u>37</u>	<u>37</u>
Net current assets		<u>9,096</u>	<u>10,005</u>
		<u>231,201</u>	<u>231,754</u>
CAPITAL AND RESERVES			
Share capital	24	38,834	38,834
Reserves	26	<u>192,367</u>	<u>192,920</u>
		<u>231,201</u>	<u>231,754</u>

Consolidated Statement of Changes in Equity

For the year ended 31 March 2004

	Share capital HK\$'000	Share premium HK\$'000	Dividend reserve HK\$'000	Special reserve HK\$'000	PRC statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Accumu- lated profits HK\$'000	Total HK\$'000
THE GROUP								
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 of SSAP 12 (Revised)	-	-	-	-	-	-	(855)	(855)
- as restated	39,159	54,559	3,133	3,382	1,309	401	190,373	292,316
Repurchase of shares	(325)	-	-	-	-	-	-	(325)
Premium on repurchase of shares	-	(296)	-	-	-	-	-	(296)
Share repurchase expenses	-	(74)	-	-	-	-	-	(74)
2002 final dividend paid	-	-	(3,133)	-	-	-	-	(3,133)
Transfer upon repurchase of shares	-	-	-	-	-	325	(325)	-
Net loss for the year	-	-	-	-	-	-	(17,662)	(17,662)
At 1 April 2003	38,834	54,189	-	3,382	1,309	726	172,386	270,826
Net loss for the year	-	-	-	-	-	-	(12,587)	(12,587)
At 31 March 2004	<u>38,834</u>	<u>54,189</u>	<u>-</u>	<u>3,382</u>	<u>1,309</u>	<u>726</u>	<u>159,799</u>	<u>258,239</u>

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the companies now forming the Group pursuant to the corporate reorganisation in 1997.

PRC statutory reserve of the Group represents the reserve required by the relevant PRC laws applicable to the Group's PRC subsidiary.

Consolidated Cash Flow Statement

	For the year ended 31 March	
	2004	2003
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Loss from operations	(11,595)	(17,757)
Adjustments for:		
Allowance for doubtful debts	9,268	17,794
Allowance for inventories	1,108	1,159
Depreciation and amortisation	2,962	3,263
Unrealised holding loss on investment in securities	1,755	–
Loss on disposal of property, plant and equipment	172	459
Interest income	(2,240)	(754)
Dividend from investments in securities	(59)	–
Gain on disposal of investments in securities	(1,698)	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(327)	4,164
(Increase) decrease in inventories	(30,900)	100,302
Decrease in trade and other receivables	8,612	50,730
Increase (decrease) in trade and other payables	21,903	(98,009)
	<hr/>	<hr/>
Cash generated by operations	(712)	57,187
Hong Kong Profits Tax refunded	1,695	465
Tax paid in other jurisdictions	–	(59)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	983	57,593
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Interest received	2,240	754
Dividend received	59	–
Proceeds from disposal of property, plant and equipment	25	95
Proceeds from disposal of investments in securities	51,905	–
Increase in deposits paid for acquisition of properties	(408)	–
Purchase of property, plant and equipment	(561)	(1,440)
Purchases of investments in securities	(67,357)	–
Purchases of securities linked deposits	(24,786)	–
Purchase of properties held for sale	(36,209)	–
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(75,092)	(591)
	<hr/>	<hr/>

	For the year ended 31 March	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCING ACTIVITIES		
New bank loans raised	23,709	56,075
Net cash inflow from trust receipt loans	6,625	3,152
Repayments of bank loans	(19,159)	(71,963)
Repayments of amount due to a related company	(6,000)	(6,000)
Dividends paid	–	(3,133)
Interest paid	(740)	(1,800)
Repurchase of shares	–	(695)
	<hr/>	<hr/>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	4,435	(24,364)
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(69,674)	32,638
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	94,043	61,405
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24,369	94,043
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	24,556	95,149
Bank overdrafts	(187)	(1,106)
	<hr/>	<hr/>
	24,369	94,043
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 March 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group's accounting books and records are maintained in Hong Kong dollars, the currency in which the majority of its transactions are denominated.

The Company acts as an investment holding company of a group of subsidiaries which are principally engaged in the import, marketing and distribution of consumer electrical appliances in Hong Kong, Macau and other regions in the People's Republic of China ("PRC") and the provision of related after-sales and maintenance services.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA.

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 bases 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. This change in accounting policy has resulted in a decrease of accumulated profits by HK\$708,000 at 1 April 2003 (2002: decrease of accumulated profits by HK\$855,000). The net loss for the year has been increased by HK\$232,000 (2003: net loss for the year decreased by HK\$147,000).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Turnover

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and discounts.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, at the following rates per annum:

Leasehold land	Over the unexpired term of the relevant lease on a straight line basis
Buildings	Over the shorter of the term of the lease, or 50 years on a straight line basis
Furniture and fixtures	15% on reducing balance method
Office equipment	15% on reducing balance method
Motor vehicles	25% on reducing balance method

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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 year.

Club debenture

A club debenture held for long-term investment purpose is stated at cost less any impairment loss.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated as the estimated selling price less costs to be incurred in selling.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 year. 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 years 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 bases 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference 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 in 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.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate, if applicable. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries operating outside Hong Kong are translated at the rates ruling on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. All exchange differences arising on consolidation are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical segments

For management purposes, the Group is currently organised into two geographical segments – Hong Kong and Macau, and 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:

	2004			2003 (As restated)		
	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>190,193</u>	<u>12,671</u>	<u>202,864</u>	<u>301,130</u>	<u>32,294</u>	<u>333,424</u>
Result	<u>(11,577)</u>	<u>(38)</u>	<u>(11,615)</u>	<u>(11,636)</u>	<u>(6,121)</u>	<u>(17,757)</u>
Finance costs			<u>(740)</u>			<u>(1,800)</u>
Loss before taxation			<u>(12,355)</u>			<u>(19,557)</u>
Taxation (charge) credit			<u>(232)</u>			<u>1,895</u>
Net loss for the year			<u>(12,587)</u>			<u>(17,662)</u>
BALANCE SHEET						
ASSETS						
Segment assets	308,864	13,418	322,282	311,459	35,504	346,963
Investments in securities	15,794	-	15,794	400	-	400
Club debenture	753	-	753	753	-	753
Unallocated corporate assets			<u>24,786</u>			<u>1,695</u>
Consolidated total assets			<u>363,615</u>			<u>349,811</u>

	2004			2003 (As restated)		
	Hong Kong and Macau	The PRC	Total	Hong Kong and Macau	The PRC	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LIABILITIES						
Segment liabilities	39,023	522	39,545	16,902	740	17,642
Short-term bank borrowings			48,520			38,264
Unallocated corporate liabilities			17,311			23,079
Consolidated total liabilities			<u>105,376</u>			<u>78,985</u>
OTHER INFORMATION						
Additions of property, plant and equipment	561	-	561	1,433	7	1,440
Allowances for doubtful debts	9,268	-	9,268	17,794	-	17,794
Allowances for inventories	1,108	-	1,108	1,159	-	1,159
Depreciation and amortisation	2,850	112	2,962	2,828	435	3,263
Loss on disposal of property, plant and equipment	168	4	172	459	-	459
Loss on disposal of a subsidiary	20	-	20	-	-	-
Unrealised holding loss on investment in securities	1,755	-	1,755	-	-	-

Business segments

No business segment analysis is provided as substantially all of the Group's turnover and contribution to results were derived solely from the trading of consumer electrical appliances during the year.

5. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000
Interest on bank deposits	260	754
Interest from securities linked deposits	1,980	-
Dividend from investments in securities	59	-
Gain on disposal of investment in securities	1,698	-
Rental income (net of outgoings of nil (2003: nil))	73	37
Others	1,840	692
	<u>5,910</u>	<u>1,483</u>

6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2004 HK\$'000	2003 HK\$'000
Auditors' remuneration		
– current year	388	388
– underprovision in the previous year	–	18
	<u>388</u>	<u>406</u>
Depreciation and amortisation	2,962	3,263
Loss on disposal of property, plant and equipment	172	459
Operating lease rentals in respect of land and buildings	3,184	2,801
Staff costs, including emoluments of directors, rental expenses under an operating lease in respect of directors' quarters of HK\$642,000 (2003: HK\$778,000)	<u>22,275</u>	<u>27,804</u>

7. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the directors for the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	<u>260</u>	<u>260</u>
	<u>260</u>	<u>260</u>
Other emoluments (executive directors):		
Salaries and other benefits	2,439	2,784
Performance related incentive payments	358	358
Retirement benefits scheme contributions	<u>70</u>	<u>149</u>
	<u>2,867</u>	<u>3,291</u>
Total emoluments	<u><u>3,127</u></u>	<u><u>3,551</u></u>

Number of directors

2004	2003
------	------

Emoluments of the directors are within the following bands:

Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>1</u>
	<u><u>6</u></u>	<u><u>6</u></u>

No director waived any emoluments during the year.

The five highest paid individuals of the Group included three (2003: three) directors, details of whose remuneration are set out above. The emoluments of the remaining two (2003: two) highest paid individuals are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	1,112	1,238
Performance related incentive payments	146	146
Retirement benefits scheme contributions	44	92
	<u> </u>	<u> </u>
Total emoluments	<u>1,302</u>	<u>1,476</u>

The emoluments of each of them are below HK\$1,000,000.

8. FINANCE COSTS

The amount represents interest on bank and other borrowings wholly repayable within five years.

9. TAXATION (CHARGE) CREDIT

	2004 HK\$'000	2003 HK\$'000 (As restated)
The (charge) credit comprises:		
Current tax:		
– Hong Kong Profits Tax for the year	–	–
– overprovision in prior years	–	1,228
	<u> </u>	<u> </u>
	–	1,228
Other jurisdictions		
– underprovision in the prior year	–	(332)
	<u> </u>	<u> </u>
	–	896
Deferred taxation (note 22):		
Current year	(47)	999
Attributable to a change in tax rate	(185)	–
	<u> </u>	<u> </u>
	<u>(232)</u>	<u>1,895</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the loss per the income statement as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Loss before taxation	<u>(12,355)</u>		<u>(19,557)</u>	
Tax at Hong Kong Profits				
Tax rate	(2,162)	17.5	(3,128)	16.0
Tax effect of expenses that are not deductible in determining taxable profit	585	(4.7)	815	(4.2)
Tax effect of income not taxable in determining taxable profit	(20)	0.2	(118)	0.6
Tax effect of tax losses not recognised	1,812	(14.7)	1,432	(7.3)
Increase in opening deferred tax balances resulting from an increase in tax rate	185	(1.5)	-	-
Overprovision in prior years	-	-	(896)	4.6
Other	<u>(168)</u>	<u>1.3</u>	<u>-</u>	<u>-</u>
Tax effect and effective tax rate for the year	<u>232</u>	<u>(1.9)</u>	<u>(1,895)</u>	<u>9.7</u>

10. DIVIDENDS

No dividend was paid or proposed during 2004, nor has any dividend been proposed since the balance sheet date (2003: nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2004	2003
	HK\$'000	HK\$'000
		(As restated)
Loss for the purposes of basic and diluted loss per share		
Net loss for the year	<u>(12,587)</u>	<u>(17,662)</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>194,165,900</u>	<u>195,011,581</u>

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share has been adjusted for the share consolidation on 28 January 2003.

No diluted loss per share has been presented as the exercise of share options would result in a reduction in loss per share.

The adjustment to comparative basic loss per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

	Basic <i>HK cents</i>
Reconciliation of 2003 loss per share:	
Reported figure before adjustments	(9.13)
Adjustments arising from the adoption of SSAP 12 (Revised)	0.07
	<hr/>
Restated	(9.06)
	<hr/> <hr/>

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1 April 2003	58,989	7,340	10,698	6,343	83,370
Additions	–	294	97	170	561
Disposals	–	(245)	(78)	(274)	(597)
Disposal of a subsidiary	–	–	(28)	–	(28)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	58,989	7,389	10,689	6,239	83,306
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION AND AMORTISATION					
At 1 April 2003	7,592	3,869	5,422	5,086	21,969
Provided for the year	1,198	617	801	346	2,962
Eliminated on disposals	–	(120)	(51)	(229)	(400)
Eliminated on disposal of a subsidiary	–	–	(8)	–	(8)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	8,790	4,366	6,164	5,203	24,523
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE					
At 31 March 2004	<u>50,199</u>	<u>3,023</u>	<u>4,525</u>	<u>1,036</u>	<u>58,783</u>
At 31 March 2003	<u>51,397</u>	<u>3,471</u>	<u>5,276</u>	<u>1,257</u>	<u>61,401</u>

The net book value of land and buildings shown above comprises:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Land in Hong Kong:		
Long leases	6,528	6,724
Medium-term leases	36,342	37,164
	<hr/>	<hr/>
	42,870	43,888
Land in the PRC:		
Medium-term leases	7,329	7,509
	<hr/>	<hr/>
	<u>50,199</u>	<u>51,397</u>

13. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Equity securities:						
Listed in Hong Kong, at fair value	-	-	15,395	-	15,395	-
Unlisted, at cost	400	400	-	-	400	400
	<u>400</u>	<u>400</u>	<u>15,395</u>	<u>-</u>	<u>15,795</u>	<u>400</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>15,395</u>	<u>-</u>	<u>15,395</u>	<u>-</u>

The directors consider that the investment securities are worth at least their carrying values.

14. PROPERTIES HELD FOR SALE

The Group

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

15. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

The Group

The amount represents deposits paid to vendor for the acquisition of properties. Details of the related capital commitment are set out in note 29.

16. INVENTORIES

The Group

	2004 HK\$'000	2003 HK\$'000
Finished goods	145,354	115,476
Spare parts	4,824	4,910
	<u>150,178</u>	<u>120,386</u>

Included in the above are inventories in the amount of HK\$6,110,000 (2003: HK\$5,222,000) which were carried at net realisable value.

17. 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:

	The Group	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	20,778	22,847
31 – 60 days	13,083	7,370
>60 days	<u>11,668</u>	<u>33,268</u>
	45,529	63,485
Other receivables	<u>6,618</u>	<u>6,542</u>
	<u><u>52,147</u></u>	<u><u>70,027</u></u>

18. SECURITY LINKED DEPOSITS

The Group

The amount represents deposits which will be converted into designated listed shares in Hong Kong at the maturity dates of the deposits if the closing prices of these designated shares fall below the pre-determined prices at those dates. If the closing prices of these designated shares are higher than the pre-determined prices at maturity, the Group will receive cash with pre-agreed interest amount.

19. TRADE AND OTHER PAYABLES

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

	The Group	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	22,325	1,254
31 – 60 days	865	1,074
>60 days	<u>7,617</u>	<u>9,717</u>
	30,807	12,045
Other payables	<u>8,711</u>	<u>5,570</u>
	<u><u>39,518</u></u>	<u><u>17,615</u></u>

20. BANK BORROWINGS

Bank borrowings are repayable within one year or upon demand, comprise the following:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Trust receipt loans	23,222	16,597
Bank loans and overdrafts	25,298	21,667
	<u>48,520</u>	<u>38,264</u>
Secured	18,101	–
Unsecured	30,419	38,264
	<u>48,520</u>	<u>38,264</u>

21. AMOUNT DUE TO A RELATED COMPANY

The Group

The amount represents the balance due to Napson Trading Limited (“Napson”), a company in which Mr. Chu Ka Lok, Peter has a beneficial interest, in connection with the acquisition of Grant Return Investments Limited (“Grant Return”) from Napson in previous year. 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 current liability.

22. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years.

The Group

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Prepayments HK\$'000	Tax loss HK\$'000	Total HK\$'000
At 1 April 2002					
– as previously reported	2,090	–	133	–	2,223
– adjustment on adoption of SSAP 12 (Revised)	466	396	(7)	–	855
	<u>2,556</u>	<u>396</u>	<u>126</u>	<u>–</u>	<u>3,078</u>
– as restated	2,556	396	126	–	3,078
(Credit) charge to income statement	(52)	–	12	(959)	(999)
	<u>2,504</u>	<u>396</u>	<u>138</u>	<u>(959)</u>	<u>2,079</u>
At 31 March 2003	2,504	396	138	(959)	2,079
Charge (credit) to income statement	31	–	(151)	167	47
Effect of change in tax rate	225	37	13	(90)	185
	<u>2,760</u>	<u>433</u>	<u>–</u>	<u>(882)</u>	<u>2,311</u>
At 31 March 2004	2,760	433	–	(882)	2,311

At the balance sheet date, the Group had unused tax losses of HK\$27,032,000 (2003: HK\$17,637,000) available to offset against future profits. A deferred tax has been recognised in respect of HK\$5,039,000 (2003: HK\$5,997,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$7,368,000 (2003: HK\$6,833,000) due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$7,368,000 (2003: HK\$6,833,000) that will expire in five years, other losses may be carried forward indefinitely.

23. INTERESTS IN SUBSIDIARIES

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at carrying value	148,333	148,333
Amounts due from subsidiaries	73,772	73,416
	<u>222,105</u>	<u>221,749</u>

The carrying value of the unlisted shares is based on the underlying net assets of the subsidiaries as at the time they became members of the Group pursuant to a corporate reorganisation in 1997.

The amounts due from subsidiaries are unsecured, interest-free and are not expected to be repaid within one year. Accordingly, the amounts are shown as non-current.

Details of the Company's subsidiaries at 31 March 2004 are as follows:

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid/ registered capital	Proportion of nominal value of issued/registered share capital held by the Company		Principal activity
			Directly	Indirectly	
Alpha Appliances (China) Limited	Hong Kong	Ordinary HK\$10,000	-	100%	Investment holding
Alpha Appliances Limited	Hong Kong	Ordinary HK\$10,000 Non-voting deferred HK\$5,000,000 (Note 1)	-	100%	Distributing and trading in consumer electrical appliances
Alpha Appliances Services Limited	Hong Kong	Ordinary HK\$10,000	-	100%	Inactive
Alpha Contempo Limited	Hong Kong	Ordinary HK\$100	-	100%	Inactive
Alpha General (BVI) Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1,000	100%	-	Investment holding
Alpha Hitech Limited	Hong Kong	Ordinary HK\$10,000	100%	-	Inactive
Alpha Strategic Investment Limited	Hong Kong	Ordinary HK\$100	-	100%	Property investment

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid/ registered capital	Proportion of nominal value of issued/registered share capital held by the Company		Principal activity
			Directly	Indirectly	
Fair City Service Limited	Hong Kong	Ordinary HK\$10,000	-	100%	Inactive
Grant Return Investments Limited	Hong Kong	Ordinary HK\$2,000,000	-	100%	Property investment
珍寶國際貿易(上海)有限公司(Note 2)	PRC	Registered US\$200,000	-	100%	Trading in consumer electrical appliances

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Notes:

- The non-voting deferred shares, which are not held by the Group, carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the relevant company or to participate in any distribution on winding up.
- Wholly foreign owned enterprises established in PRC.

24. SHARE CAPITAL

	Notes	Number of shares	Amount HK\$'000
Authorised:			
At 1 April 2002 ordinary shares of HK\$0.01 each		6,000,000,000	60,000
Shares consolidation, shares of HK\$0.20 each	(b)	(5,700,000,000)	-
At 31 March 2003 and 31 March 2004		<u>300,000,000</u>	<u>60,000</u>
Issued and fully paid:			
At 1 April 2002, shares of HK\$0.01 each		3,915,844,000	39,159
Repurchase of shares	(a)	(32,526,000)	(325)
Shares consolidation, shares of HK\$0.20 each	(b)	(3,689,152,100)	-
At 31 March 2003 and 31 March 2004, shares of HK\$0.20 each		<u>194,165,900</u>	<u>38,834</u>

Notes:

- (a) During the year ended 31 March 2003, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
September 2002	11,566,000	0.020	0.018	225,164
October 2002	14,990,000	0.019	0.017	276,130
November 2002	5,970,000	0.020	–	119,400

The above shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from the accumulated profits to the capital redemption reserve (note 26).

- (b) Pursuant to an ordinary resolution passed at a special general meeting, the Company carried out a share consolidation whereby every twenty issued shares of HK\$0.01 each in the capital of the Company were consolidated into one new share of HK\$0.20 each on 28 January 2003.

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme ") was adopted pursuant to a resolution passed on 21 July 1997 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20 July 2007. Under the Scheme, the Board of Directors of the Company may grant options to full-time employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 23 July 2004, the number of shares in respect of which options had been granted under the Scheme was 5,900,000, representing 3% of the issued share capital of the Company at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the number of shares issued and issuable under the Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company's shares for the five business days immediately preceding the date of grant, and the nominal value of the Company's shares.

No option pursuant to the Scheme was granted during the year.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The following table discloses details of the Company's share options and movements during the year:

	Date of grant	Exercisable period	Exercise price per share HK\$ (Note)	Outstanding at 1.4.2002	Adjusted on 28.1.2003 (Note)	Outstanding at 31.3.2003 and 31.3.2004
Directors	17.4.2001	17.4.2001 – 16.4.2011	0.5504	60,000,000	(57,000,000)	3,000,000
	17.12.2001	17.12.2001 – 16.12.2011	0.7920	22,000,000	(20,900,000)	1,100,000
				<u>82,000,000</u>	<u>(77,900,000)</u>	<u>4,100,000</u>
Employees	17.12.2001	17.12.2001 – 16.12.2011	0.7920	36,000,000	(34,200,000)	1,800,000
Total	17.4.2001			60,000,000	(57,000,000)	3,000,000
	17.12.2001			58,000,000	(55,100,000)	2,900,000
				<u>118,000,000</u>	<u>(112,100,000)</u>	<u>5,900,000</u>

Note: The number and the exercise price of options which remained outstanding on 28 January 2003 have been adjusted as a result of the share consolidation with effect on and from 28 January 2003.

26. RESERVES

	Share premium HK\$'000	Dividend reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
THE COMPANY						
At 1 April 2002	54,559	3,133	139,656	401	481	198,230
Premium on repurchase of shares	(296)	-	-	-	-	(296)
Share repurchase expenses	(74)	-	-	-	-	(74)
2003 final dividend paid	-	(3,133)	-	-	-	(3,133)
Transfer upon repurchase of shares	-	-	-	325	(325)	-
Net loss for the year	-	-	-	-	(1,807)	(1,807)
At 1 April 2003	54,189	-	139,656	726	(1,651)	192,920
Net loss for the year	-	-	-	-	(553)	(553)
At 31 March 2004	<u>54,189</u>	<u>-</u>	<u>139,656</u>	<u>726</u>	<u>(2,204)</u>	<u>192,367</u>

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the corporate reorganisation in 1997, less distributions made out of contributed surplus.

In addition to the accumulated profits, under The Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors of the Company, as at the balance sheet date, the Company's reserves available for distribution to shareholders were as follows:

	2004 HK\$'000	2003 HK\$'000
Contributed surplus	139,656	139,656
Accumulated losses	(2,204)	(1,651)
	<u>137,452</u>	<u>138,005</u>

27. DISPOSAL OF A SUBSIDIARY

On 18 January 2004, the Group disposed of the entire interest in 廣州市宏集電器貿易有限公司 ("廣州宏集"). The net assets of 廣州宏集 at the date of disposal were as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets disposed:		
Property, plant and equipment	20	–
Loss on disposal of a subsidiary	(20)	–
	<u>–</u>	<u>–</u>
Total consideration	<u>–</u>	<u>–</u>

The cash flows and results contributed by the subsidiary disposed during the year were not significant.

28. LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	1,536	1,264
In the second to fifth year inclusive	1,067	–
	<u>2,603</u>	<u>1,264</u>

Operating lease payments represent rentals payable by the Group for certain of its offices, showrooms and warehouses. Leases are fixed for an average of two years.

The Group as lessor

At the balance sheet date, the Company had contracted with tenant for the following future minimum lease payments:

	2004 HK\$'000	2003 HK\$'000
Within one year	250	–
In the second to fifth year inclusive	146	–
	<u>396</u>	<u>–</u>

The leasehold land and buildings held for rental purpose has committed tenants for two years.

29. CAPITAL COMMITMENT

	The Group	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure in respect of the acquisition of properties, plant and equipment contracted for but not provided in the financial statement	<u>2,921</u>	<u>–</u>

30. CONTINGENT LIABILITIES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees given to banks in respect of banking facilities granted to a subsidiary	–	–	565,090	263,090
Guarantee given to a vendor in respect of goods supplied to subsidiaries	–	–	84,112	84,112
Guarantee given to customers in respect of non performance	<u>4,249</u>	<u>6,380</u>	<u>–</u>	<u>–</u>
	<u>4,249</u>	<u>6,380</u>	<u>649,202</u>	<u>347,202</u>

The extent of banking facilities utilised by the subsidiaries at 31 March 2004 amounted to HK\$48,520,000 (2003: HK\$38,264,000).

31. PLEDGE OF ASSETS

At 31 March 2004, the Group's bank borrowings of HK\$18,101,000 (2003: nil) were secured by the properties held for sale with an aggregate net book value of HK\$36,209,000 (2003: nil).

32. RETIREMENT BENEFITS SCHEME

The Group has a defined contribution pension scheme for its qualifying employees. The scheme assets are held under a provident fund managed by Manual Life International Limited. The Group and its employees are each required to make contributions to the scheme calculated at 5% to 10% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the Group's contribution and the related accrued interest after 10 years' of complete service, or at a reduced scale ranging between 30% to 90% after completion of 3 to 9 years' service. The forfeited contributions and related accrued interest are to be used to reduce the Group's contributions.

The above provident fund scheme was granted an exemption of the Mandatory Provident Fund Schemes. The principal deed and the rules of the above provident fund scheme were amended accordingly to comply with the rules of the Mandatory Provident Fund Schemes Ordinance.

With effect from 1 December 2000, the Group also participates in a mandatory provident fund scheme. The scheme assets are held under a mandatory provident fund operated by Manual Life Provident Fund Trust Company Limited. Under the scheme, the Group is required to make contributions to the scheme calculated at 5% of the employees' relevant income (as defined in the Mandatory Provident Fund Schemes Ordinance) on a monthly basis.

The employees of the subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to make contributions to the state retirement scheme in the PRC based on 11% to 22% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of services in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

The total cost charged to income statement of HK\$935,000 (2003: HK\$1,356,000) represents contributions payable to these schemes by the Group in respect of the current reporting period.

As at the balance sheet date, there were no forfeited contributions available to offset future contributions of the Group to the above schemes.

33. RELATED PARTY TRANSACTIONS

The Group paid rentals amounting to HK\$588,000 to Napson during the year ended 31 March 2004 for the use of the Group's principal office (2003: HK\$798,000). The rentals were determined with reference to prevailing market rent when the relevant rental agreements were entered into.

34. ULTIMATE HOLDING COMPANY

In the opinion of the directors, Charmwood Development Limited, a company incorporated in Liberia, is the ultimate holding company of the Group.

35. POST BALANCE SHEET EVENTS

Subsequent to 31 March 2004, the Group entered into various agreements to acquire properties in an aggregate amount of HK\$16,552,000.

D. UNAUDITED CONSOLIDATED RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

The following information is extracted from the interim report of the Company for the six months ended 30 September 2004:

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 September	
		2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover	3	139,075	113,778
Cost of sales		(108,825)	(85,827)
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		(27,727)	(21,178)
(Loss) profit from operations	4	(6,783)	(8,235)
Finance costs		(869)	(411)
(Loss) profit before taxation		(7,652)	(8,646)
Taxation	5	(19)	(115)
Net (loss) profit for the period		<u>(7,671)</u>	<u>(8,761)</u>
Dividends	6	<u>–</u>	<u>–</u>
Loss per share	7		
– Basic		<u>(3.95) cents</u>	<u>(4.51) cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

- No extraordinary or exceptional item was recorded during the six months ended 30 September 2004 and 30 September 2003.
- No minority interests were recorded during the six months ended 30 September 2004 and 30 September 2003.

Condensed Consolidated Balance Sheet*At 30 September 2004*

	<i>Notes</i>	30.9.2004 <i>HK\$'000</i> (unaudited)	31.3.2004 <i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	59,191	58,783
Investments in securities		17,142	15,795
Club debenture		753	753
		<u>77,086</u>	<u>75,331</u>
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
		<u>251,826</u>	<u>288,284</u>
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
		<u>70,014</u>	<u>94,065</u>
Net current assets		<u>181,812</u>	<u>194,219</u>
Total assets less current liabilities		<u>258,898</u>	<u>269,550</u>
Non-current liabilities			
Amount due to a related company	13	6,000	9,000
Deferred taxation	14	2,330	2,311
		<u>8,330</u>	<u>11,311</u>
		<u>250,568</u>	<u>258,239</u>
CAPITAL AND RESERVES			
Share capital		38,834	38,834
Reserves		211,734	219,405
		<u>250,568</u>	<u>258,239</u>

Condensed Consolidated Statement of Changes in Equity

	For the six months ended 30 September 2004						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	PRC statutory reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumu- lated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003							
– as previously reported	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	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(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 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	131,960	7,115	139,075	103,237	10,541	113,778
Results	<u>(6,955)</u>	<u>(100)</u>	(7,055)	<u>(9,332)</u>	<u>77</u>	(9,255)
Interest income	272	–	272	1,020	–	1,020
Finance costs			<u>(869)</u>			<u>(411)</u>
Loss before taxation			(7,652)			(8,646)
Taxation			<u>(19)</u>			<u>(115)</u>
Net loss for the period			<u>(7,671)</u>			<u>(8,761)</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

	Six months ended	
	30.9.2004 <i>HK\$'000</i>	30.9.2003 <i>HK\$'000</i>
The charge comprises:		
Deferred taxation		
– Current period	19	35
– Attributable to the change in tax rate	–	80
	<u>19</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 (six months ended 30 September 2003: Nil).

7. LOSS PER SHARE

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

	Six months ended	
	30.9.2004 <i>HK\$'000</i>	30.9.2003 <i>HK\$'000</i>
Loss for the purposes of basic and diluted loss per share (net loss for the period)	<u>(7,671)</u>	<u>(8,761)</u>
Number of ordinary shares for the purpose of basic earnings per share	<u>194,165,900</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 April 2003 to 31 March 2004: HK\$201,000).

9. PROPERTIES HELD FOR SALES

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

11. TRADE AND OTHER PAYABLES

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

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

12. BANK BORROWINGS

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
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Bank borrowings are repayable within one year or upon demand, comprise the following:

Bank loans and overdrafts	26,378	25,298
Trust receipt loans	<u>11,724</u>	<u>23,222</u>
	<u><u>38,102</u></u>	<u><u>48,520</u></u>
Secured	26,378	18,101
Unsecured	<u>11,724</u>	<u>30,419</u>
	<u><u>38,102</u></u>	<u><u>48,520</u></u>

13. AMOUNT DUE TO A RELATED COMPANY

The amount represents balance due to Napson Trading Limited, 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 properties acquired		Taxes loss	Total	Fair value adjustment on properties acquired		Prepayments	Taxes loss	Total
Accelerated tax depreciation	from a subsidiary	Accelerated tax depreciation			from a subsidiary	Prepayments			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 remaining unused tax losses of HK\$34,040,000 (31 March 2004: HK\$27,032,000). A deferred tax has been recognised in respect of HK\$5,640,000 (31 March 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 March 2004: HK\$21,993,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$7,560,000 (31 March 2004: HK\$7,368,000) that will expire in five years, other losses may be carried forward indefinitely.

15. POST BALANCE SHEET EVENTS

- (a) Subsequent to 30 September 2004, the Group entered into an agreement to sell a property held for sale with an aggregate carrying amount of HK\$11,331,000 at a consideration of HK\$13,000,000. This relates to properties 20 and 21 as described in Appendix II to this document.
- (b) 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, 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 Shares") will be cancelled in exchange for HK\$0.70 in cash for each Scheme Share.

E. STATEMENT OF INDEBTEDNESS

At the close of business on 30 September 2004, being the latest practicable date prior to the printing of this document, the Group had outstanding bank borrowings of approximately HK\$41 million (unaudited) comprised bills payable and trust receipt loans of approximately HK\$15 million and revolving loans of approximately HK\$26 million. In addition, the Group had HK\$12 million (unaudited) due to a related company in connection with the acquisition of a subsidiary from this related company in a previous year. The amount is unsecured, interest-free and repayable by 60 consecutive monthly instalments of HK\$500,000 each from October 2001.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 September 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

F. MATERIAL CHANGE

Save as disclosed in the unaudited financial statement of the Group for the six months ended 30 September 2004, the extract of which is reproduced under paragraph D of this Appendix, the Directors are not aware of any material change in the financial or trading position of the Group since 31 March 2004, the date to which the latest audited consolidated financial statements of the Group were made up.

Set out below are the texts of a letter, summary of values and valuation certificate received from Sallmanns in connection with their valuation as at 30 September 2004 of the property interests held by the Group in Hong Kong and the PRC pursuant to the Takeovers Code, and are prepared for the purpose of inclusion in this document:

**Sallmanns**

Corporate valuation and consultancy

www.sallmanns.com

22nd Floor, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2528 5079

26 November 2004

The Directors
Alpha General (Holdings) Limited
15th Floor
Dominion Centre
43-59 Queen's Road East
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Alpha General (Holdings) Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2004 (the "date of valuation").

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

We have attributed no commercial value to the property interests in Group IV, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

In our property valuation, we have not included a property interest in Hong Kong which was disposed of by the Group before the Latest Practicable Date. Pursuant to a Provisional Agreement for Sale and Purchase dated 24 September 2004, Alpha Strategic Investment Limited, an indirect wholly-owned subsidiary of the Company sold Flat C on 25th Floor of Block 1 of Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong to an independent third party and the Assignment for Sale and Purchase was completed on 9 November 2004 at an aggregate consideration of HK\$13,040,000.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing those property interests of the Group in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5, Rule 11 of the Hong Kong Codes on Takeovers and Mergers and Share Repurchases issued by Securities and Futures Commission in February 2002 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Surveyors and effective from May 2003; and the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors in March 2000.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been, in some instances, provided by the Group with extracts of the title documents relating to the properties in the PRC and have caused searches to be made at the Hong Kong Land Registries in respect of Hong Kong properties. Where possible, we have searched the original documents to verify the existing titles to the property interests

in the PRC and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company's PRC legal advisers – Pu Dong Law Office and Guangdong Kings Law Firm, concerning the validity of the Group's titles to the property interests.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars. The exchange rate adopted in our valuations is approximately HK\$1 = RMB1.061 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 21 years' experience in the valuation of properties in the PRC and 24 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I – PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP
IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2004 <i>HK\$</i>
1.	Room 6011 Novel Building No. 887 Huaihai Zhong Road Luwan District Shanghai City The PRC	3,160,000
2.	Room 1004, 10th Floor Peace World Plaza 362-366 Huanshi Dong Road Dongshan District Guangzhou City Guangdong Province The PRC	1,550,000
	Sub-total:	<hr/> 4,710,000 <hr/> <hr/>

GROUP II – PROPERTY INTERESTS HELD BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing state as at 30 September 2004 <i>HK\$</i>
3.	Ground Floor, 1st Floor (and flat roof thereof), 2nd Floor, 3rd Floor (and flat roof thereof), 4th Floor and 5th Floor Alpha Appliances Building No. 21 Po Wan Road Sheung Shui The New Territories Hong Kong	35,690,000
4.	Unit 11, 3rd Floor Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	770,000
5.	Unit 12, 3rd Floor Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	770,000
6.	Unit 13, 3rd Floor (including the corresponding part of flat roof) Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	940,000
7.	Unit 12, 9th Floor Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	1,100,000

No.	Property	Capital value in existing state as at 30 September 2004 HK\$
8.	Godown on 5th Floor Heung Wah Industrial Building No. 12 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	2,240,000
9.	Units A and B, 17th Floor Heung Wah Industrial Building No. 12 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	2,460,000
10.	Unit A, 21st Floor (including corresponding part of the flat roof) Heung Wah Industrial Building No. 12 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	1,200,000
11.	Unit B, 21st Floor (including corresponding part of the flat roof) Heung Wah Industrial Building No. 12 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	1,260,000
12.	Workshop A, 1st Floor and Car Parking Space No. L11 on 1st Floor Block 1 Koon Wah Mirror (6th) Industrial Building Nos. 7-9 Ho Tin Street Tuen Mun The New Territories Hong Kong	1,280,000

No.	Property	Capital value in existing state as at 30 September 2004 HK\$
13.	Flat B, 37th Floor 2 Park Road Sai Ying Pun Hong Kong	9,880,000
14.	Flat C, 37th Floor 2 Park Road Sai Ying Pun Hong Kong	6,770,000
15.	Car Parking Space No. L5, Basement Level Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	500,000
16.	Car Parking Space No. L15, Basement Level Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	500,000
17.	Car Parking Space No. 16, 3rd Floor Kam Tao Building No. 16 Glass Street Causeway Way Hong Kong	330,000
	Sub-total:	65,690,000

GROUP III – PROPERTY INTERESTS HELD FOR SALE BY THE GROUP IN HONG KONG

No.	Property	Capital Value in existing state as at 30 September 2004 HK\$
18.	Flat D, 25th Floor Block 1 Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	7,710,000
19.	Flat D, 22nd Floor Block 1 Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	7,460,000
20.	Flat C, 28th Floor Block 8 Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	12,400,000
21.	Car Parking Space No. 136, L6 Floor Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	600,000
22.	Car Parking Space No. 20 L2 Floor Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	600,000

No.	Property	Capital Value in existing state as at 30 September 2004 HK\$
23.	Car Parking Space No. 21 L2 Floor Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	600,000
24.	Car Parking Space No. 22 L2 Floor Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	600,000
Sub-total:		<hr/> 29,970,000 <hr/>

**GROUP IV – PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP
IN HONG KONG**

No.	Property	Capital value in existing state as at 30 September 2004 HK\$
25.	17th Floor, Phase 2 Fountain Set Building No. 3A Hung Cheung Road Tuen Mun The New Territories Hong Kong	No commercial value
26.	Room 808 Dominion Centre Nos. 43-59 Queen's Road East Hong Kong	No commercial value
27.	Rooms 1503-1507 Dominion Centre Nos. 43-59 Queen's Road East Hong Kong	No commercial value
28.	Shop 613, Level 6 Grand Century Place No. 193 Prince Edward Road West Mongkok Kowloon Hong Kong	No commercial value
	Sub-total:	Nil
	Total:	<u>100,370,000</u>

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
1. Room 6011 Novel Building No. 887 Huaihai Zhong Road Luwan District Shanghai City The PRC	<p>The property comprises an office unit on level 6 of a 12-storey office building completed in about 1996.</p> <p>The property has a gross floor area of approximately 175.87 sq.m.</p> <p>The property was granted with land use rights to an apportioned site area of approximately 19.8 sq.m. for a term of 47 years commencing from 16 March 1998 and expiring on 7 March 2045 for composite uses.</p>	The property is currently rented to an independent third party, named Intage Marketing Consulting Shanghai Company Limited for office uses (see Note 2).	3,160,000

Notes:

1. Pursuant to a Real Estate Title Certificate, Hu Fang Di Shi Zi (1998) Di No. 001197 issued by the Land and Buildings Administrative Bureau on 30 March 1998, the land use rights to an apportioned area of approximately 19.8 sq.m. and the building ownership title of the property thereon with a gross floor area of approximately 175.87 sq.m. are owned by Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement entered into between Alpha Appliances Limited (the “lessor”) and Intage Marketing Consulting Shanghai Company Limited (the “lessee”, an independent third party not connected to the directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates) on 25 July 2003, the property is leased to the lessee for a term of 2 years commencing from 1 November 2003 and expiring on 31 October 2005 at a monthly rent of USD2,674.69 exclusive of electricity charges, management fees and other outgoings. The tenancy also subject to a rent-free period of 1 month commencing from 1 November 2003 and expiring on 30 November 2003.
3. We have been provided with a legal opinion regarding the property interests by Pu Dong Law Office, the Group’s PRC legal advisers, which contains, inter alia, the following:
 - (i) the Tenancy Agreement is valid, binding and enforceable and the rights of Alpha Appliances Limited are protected under the PRC laws; Intage Marketing Consulting Shanghai Company Limited has the right to occupy the property during the lease term in accordance with the Tenancy Agreement, save and except the rights to transfer, lease and mortgage;
 - (ii) the Tenancy Agreement has been registered with the relevant Real Estate Registration Agency; and
 - (iii) Alpha Appliances Limited legally owns the land use rights (up to 7 March 2045) to and the ownerships of the property. Alpha Appliances Limited has the rights to transfer, lease, mortgage or otherwise deal with the land use rights (up to 7 March 2045) to and ownership of the property without additional payment of any land premium or other substantial taxes or expenses.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
2. Room 1004, 10th Floor Peace World Plaza 362-366 Huanshi Dong Road Dongshan District Guangzhou City Guangdong Province The PRC	<p>The property comprises an office unit on level 10 of a 33-storey office building called Peace World Plaza (the "Building") completed in about 1996.</p> <p>The property has a gross floor area of approximately 177.39 sq.m.</p> <p>The land use rights of a commonly owned land, where the subject building erected thereon, with a site area of approximately 2,808.32 sq.m. are granted for a term of 50 years commencing from 31 December 1991 and expiring on 30 December 2051 for composite uses.</p>	The property is currently rented to an independent third party, named NAF Northern Freight Ltd. for office uses (see Note 2).	1,550,000

Notes:

1. Pursuant to a Real Estate Title Certificate, Sui Fang Di Zheng Zi Di No. 0395611 issued by the People's Government of Guangzhou City on 10 July 1998, the land use rights of a commonly owned land, where the subject building erected thereon, with a site area of approximately 2,808.32 sq.m. and the building ownership title of the property thereon with a gross floor area of approximately 177.39 sq.m. are owned by Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement entered into between Alpha Appliances Limited (the "lessor") and NAF Northern Freight Ltd. (the "lessee", an independent third party not connected to the directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates), the property is leased to the lessee for a term commencing from 29 September 2004 and expiring on 12 October 2006 at a monthly rent of RMB13,350 exclusive of water and electricity charges, management fees and other outgoings. The tenancy also subject to a rent-free period commencing from 29 September 2004 and expiring on 12 October 2004.
3. We have been provided with a legal opinion regarding the property interests by Guangdong Kings Law Firm, the Group's PRC legal advisers, which contains, inter alia, the following:
 - (i) the Tenancy Agreement is valid, binding and enforceable and the rights of Alpha Appliances Limited are protected under the PRC laws; NAF Northern Freight Ltd. has the right to occupy the property during the lease term in accordance with the terms of the Tenancy Agreement, save and except the rights to title transfer, mortgage and lease;
 - (ii) the Tenancy Agreement has been registered with Guangzhou Real Estate Tenancy Management Office; and
 - (iii) Alpha Appliances Limited legally owns the land use rights of the Building by common ownership with building area of approximately 2,808.32 sq.m. (which said land use rights belong to all owners of the Building) and the ownership of the property. The consideration (price) for the assignment of the use of land has been made and Alpha Appliances Limited has the rights to transfer, lease, mortgage or otherwise deal with the ownership of the property and abovementioned relevant land use rights subject to payment of relevant taxes or expenses according to the effective government regulations of that time.

**GROUP II – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP
IN HONG KONG**

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
3. Ground Floor, 1st Floor (and flat roof thereof), 2nd Floor, 3rd Floor (and flat roof thereof), 4th Floor and 5th Floor Alpha Appliances Building No. 21 Po Wan Road Sheung Shui The New Territories Hong Kong	The property comprises the whole of ground to 5th floors and the appurtenant flat roofs on the 1st Floor and 3rd Floor of a 6-storey industrial building completed in about 1992. The property (excluding the flat roofs) have a total saleable area of approximately 50,006 sq.ft. (4,645.67 sq.m.). The flat roofs have a total area of approximately 1,010 sq.ft. (93.83 sq.m.).	The property is currently occupied by the Group for warehouse purposes.	35,690,000
915/967th parts or shares of and in Fanling Sheung Shui Town Lot No. 117	The property is held under a Government Lease for a term of 57 years commencing from 25 September 1990 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

1. The registered owner of the property is Grant Return Investments Limited.
2. Grant Return Investments Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 291624 dated 16 August 1993.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
4. Unit 11, 3rd Floor Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	The property comprises a unit on the 3rd floor of a 11-storey industrial building completed in about 1987. The property has a gross floor area of approximately 1,395 sq.ft. (129.60 sq.m.).	The property is currently occupied by the Group for warehouse purposes.	770,000
5/1000th parts or shares of and in New Kowloon Inland Lot No. 5854	The property is held under a Government Lease for a term of 99 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 3362170 dated 24 April 1987. The consideration of the property is HK\$538,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3344083 dated 20 March 1987.
3. The property is subject to a Management Agreement vide Memorial No. 7432318 dated 1 February 1997.
4. The property is subject to an Occupation Permit No. NK 11/87 vide Memorial No. 3319968 dated 5 March 1987.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
5. Unit 12, 3rd Floor Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	The property comprises a unit on the 3rd floor of a 11-storey industrial building completed in about 1987. The property has a gross floor area of approximately 1,395 sq.ft. (129.60 sq.m.).	The property is currently occupied by the Group for warehouse purposes.	770,000
5/1000th parts or shares of and in New Kowloon Inland Lot No. 5854	The property is held under a Government Lease for a term of 99 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 3364095 dated 7 April 1987. The consideration of the property is HK\$538,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3344083 dated 20 March 1987.
3. The property is subject to a Management Agreement vide Memorial No. 7432318 dated 1 February 1997.
4. The property is subject to an Occupation Permit No. NK 11/87 vide Memorial No. 3319968 dated 5 March 1987.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
6. Unit 13, 3rd Floor (including the corresponding part of flat roof) Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	The property comprises a unit on the 3rd floor and appurtenant flat roof of a 11-storey industrial building completed in about 1987.	The property is currently occupied by the Group for service centre purposes.	940,000
7/1000th parts or shares of and in New Kowloon Inland Lot No. 5854	The property has a gross floor area of approximately 1,702 sq.ft. (158.12 sq.m.). The property is held under a Government Lease for a term of 99 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 3376678 dated 24 April 1987. The consideration of the property is HK\$743,800.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3344083 dated 20 March 1987.
3. The property is subject to a Management Agreement vide Memorial No. 7432318 dated 1 February 1997.
4. The property is subject to an Occupation Permit No. NK 11/87 vide Memorial No. 3319968 dated 5 March 1987.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
7. Unit 12, 9th Floor Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	The property comprises a unit on the 9th floor of a 11-storey industrial building completed in about 1987. The property has a gross floor area of approximately 1,395 sq.ft. (129.60 sq.m.).	The property is currently occupied by the Group for warehouse purposes.	1,100,000
4/1000th parts or shares of and in New Kowloon Inland Lot No. 5854	The property is held under a Government Lease for a term of 99 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 9221615 dated 7 May 2004. The consideration of the property is HK\$980,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3344083 dated 20 March 1987.
3. The property is subject to a Management Agreement vide Memorial No. 7432318 dated 1 February 1997.
4. The property is subject to an Occupation Permit No. NK 11/87 vide Memorial No. 3319968 dated 5 March 1987.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
8. Godown on 5th Floor Heung Wah Industrial Building No. 12 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	The property comprises the whole of 5th floor of a 24-storey industrial building completed in about 1978.	The property is currently occupied by the Group for warehouse purposes.	2,240,000
14/380th parts or shares of and in Aberdeen Inland Lot No. 340	The property has a gross floor area of approximately 7,226 sq.ft. (671.31 sq.m.). The property is held under a Government Lease for a term of 75 years renewable for a further 75 years commencing from 27 October 1969 and expiring on 26 October 2044. The current government rent payable for the property is HK\$274.00 per annum.		

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 3383490 dated 2 May 1987. The consideration of the property is HK\$2,800,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3177473 dated 5 May 1978.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
9. Units A and B, 17th Floor Heung Wah Industrial Building No. 12 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	<p>The property comprises 2 units (the whole floor) on the 17th floor of a 24-storey industrial building completed in about 1978.</p> <p>The property has a gross floor area of approximately 7,227 sq.ft. (671.40 sq.m.).</p>	The property is currently occupied by the Group for warehouse purposes.	2,460,000
14/380th parts or shares of and in Aberdeen Inland Lot No. 340	<p>The property is held under a Government Lease for a term of 75 years renewable for a further 75 years commencing from 27 October 1969 and expiring on 26 October 2044.</p> <p>The current government rent payable for the property is HK\$274.00 per annum.</p>		

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 4001346 dated 31 January 1989. The total consideration of the property is HK\$5,100,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3177473 dated 5 May 1978.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
10. Unit A, 21st Floor (including corresponding part of the flat roof) Heung Wah Industrial Building No. 12 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	The property comprises a unit on the 21st floor and the appurtenant flat roof of a 24-storey industrial building completed in about 1978. The property has a gross floor area of approximately 3,534 sq.ft. (328.32 sq.m.). The property is held under a Government Lease for a term of 75 years renewable for a further 75 years commencing from 27 October 1969 and expiring on 26 October 2044. The current government rent payable for the property is HK\$274.00 per annum.	The property is currently occupied by the Group for warehouse purposes.	1,200,000
5/380th parts or shares of and in Aberdeen Inland Lot No. 340			

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 8515737 dated 28 September 2001. The consideration of the property is HK\$988,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3177473 dated 5 May 1978.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
11. Unit B, 21st Floor (including corresponding part of the flat roof) Heung Wah Industrial Building No. 12 Wong Chuk Hang Road Wong Chuk Hang Hong Kong 5/380th parts or shares of and in Aberdeen Inland Lot No. 340	<p>The property comprises a unit on the 21st floor and the appurtenant flat roof of a 24-storey industrial building completed in about 1978.</p> <p>The property has a gross floor area of approximately 3,693 sq.ft. (343.09 sq.m.).</p> <p>The property is held under a Government Lease for a term of 75 years renewable for a further 75 years commencing from 27 October 1969 and expiring on 26 October 2044. The current government rent payable for the property is HK\$274.00 per annum.</p>	<p>The property is currently occupied by the Group for warehouse purposes.</p>	1,260,000

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company vide Memorial No. 1590943 dated 9 October 1978. Pursuant to an Assignment for Sale and Purchase dated 17 August 1978, Alpha Appliances Limited and Wong Yuet Sin purchased Units A and B on 21st Floor (including corresponding parts of the flat roof) of Heung Wah Industrial Building at a consideration of HK\$678,689. Pursuant to a Deed of Partition dated 17 August 1978, the first owner (Wong Yuet Sin) and second owner (Alpha Appliances Limited) have mutually agreed to make a partition and division of Units A and B on 21st Floor (including corresponding parts of the flat roof) of Heung Wah Industrial Building.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3177473 dated 5 May 1978.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
12. Workshop A, 1st Floor and Car Parking Space No. L11 on 1st Floor Block 1 Koon Wah Mirror (6th) Industrial Building Nos. 7-9 Ho Tin Street Tuen Mun The New Territories Hong Kong 437/15946th parts or shares of and in Tuen Mun Town Lot No. 240	<p>The property comprises a unit and a car parking space on the 1st floor of a 18-storey industrial building completed in about 1988.</p> <p>The unit has a gross floor area of approximately 8,224 sq.ft. (764.03 sq.m.).</p> <p>The property is held under a Government Lease for a term of 99 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is currently occupied by the Group for warehouse and car parking purposes.</p>	1,280,000

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 325439 dated 10 March 1988. The total consideration of the property is HK\$5,500,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 321407 dated 6 January 1988.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
13. Flat B, 37th Floor 2 Park Road Sai Ying Pun Hong Kong	The property comprises a unit on the 37th floor of a 40-storey residential building completed in about 2004.	The property is currently vacant.	9,880,000
115/18,785th parts or shares of and in the Remaining Portion of Sub-section 1 of Section A of Inland Lot No. 605	The property has a gross floor area of approximately 1,240 sq.ft. (115.20 sq.m.). The property is held under a Government Lease for a term of 995 years commencing from 25 June 1863 and expiring on 24 June 2858. The current government rent payable for the property is HK\$4 per annum.		

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9202492 dated 7 April 2004. The consideration of the property is HK\$9,808,000.
2. Alpha Strategic Investment Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9350670 dated 24 September 2004.
4. The property is subject to an Occupation Permit No. HK 34/2004 vide Memorial No. 9317828 dated 15 June 2004.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
14. Flat C, 37th Floor 2 Park Road Sai Ying Pun Hong Kong	The property comprises a unit on the 37th floor of a 40-storey residential building completed in about 2004.	The property is currently vacant.	6,770,000
83/18,785th parts or shares of and in the Remaining Portion of Sub-section 1 of Section A of Inland Lot No. 605	The property has a gross floor area of approximately 898 sq.ft. (83.43 sq.m.). The property is held under a Government Lease for a term of 995 years commencing from 25 June 1863 and expiring on 24 June 2858. The current government rent payable for the property is HK\$4 per annum.		

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9202501 dated 7 April 2004. The consideration of the property is HK\$6,744,000.
2. Alpha Strategic Investment Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9350670 dated 24 September 2004.
4. The property is subject to an Occupation Permit No. HK 34/2004 vide Memorial No. 9317828 dated 15 June 2004.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
15. Car Parking Space No. L5, Basement Level Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong	<p>The property comprises a car parking space on the basement level of a 11-storey industrial building completed in about 1987.</p> <p>The property is held under a Government Lease for a term of 99 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047.</p>	The property is currently occupied by the Group for car parking purposes.	500,000
1/1000th parts or shares of and in New Kowloon Inland Lot No. 5854	<p>The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>		

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 5292505 dated 30 April 1992. The consideration of the property is HK\$530,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3344083 dated 20 March 1987.
3. The property is subject to a Management Agreement vide Memorial No. 7432318 dated 1 February 1997.
4. The property is subject to an Occupation Permit No. NK 11/87 vide Memorial No. 3319968 dated 5 March 1987.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
16. Car Parking Space No. L15, Basement Level Hope Sea Industrial Centre No. 26 Lam Hing Street Kowloon Bay Kowloon Hong Kong 1/1000th parts or shares of and in New Kowloon Inland Lot No. 5854	<p>The property comprises a car parking space on the basement level of a 11-storey industrial building completed in about 1987.</p> <p>The property is held under a Government Lease for a term of 99 years commencing from 1 July 1898 and statutorily renewed until 30 June 2047.</p> <p>The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is currently occupied by the Group for car parking purposes.	500,000

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 9322839 dated 18 August 2004. The consideration of the property is HK\$500,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 3344083 dated 20 March 1987.
3. The property is subject to a Management Agreement vide Memorial No. 7432318 dated 1 February 1997.
4. The property is subject to an Occupation Permit No. NK 11/87 vide Memorial No. 3319968 dated 5 March 1987.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
17. Car Parking Space 16, 3rd Floor Kam Tao Building No. 16 Glass Street Causeway Way Hong Kong 2/56820th parts or shares of and in Inland Lot No. 2204	The property comprises a car parking space on the 3rd floor of a composite development with four car parking levels completed in about 1973. The property is held under a Government Lease for a term of 75 years renewable for a further 75 years commencing from 31 March 1904 and expiring on 30 March 1979. The current government rent payable for the property is HK\$181,494 per annum.	The property is currently occupied by the Group for car parking purposes.	330,000

Notes:

1. The registered owner of the property is Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 3504235 dated 26 August 1987. The consideration of the property is HK\$64,000.
2. The property is subject to a Deed of Mutual Covenant vide Memorial No. 1043175 dated 27 December 1973.
3. The property is subject to a Management Agreement vide Memorial No. 1043176 dated 27 December 1973.

VALUATION CERTIFICATE

GROUP III – PROPERTY INTERESTS HELD FOR SALE BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
18. Flat D, 25th Floor Block 1 Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong 166/341,874th parts or shares of and in Kowloon Inland Lot No. 11118	<p>The property comprises a unit on the 25th floor of a 35-storey residential building completed in about 2004.</p> <p>The property has a gross floor area of approximately 1,119 sq.ft. (103.96 sq.m.).</p> <p>The property is held under a Government Lease for a term of 47 years commencing from 29 June 2000 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is currently vacant.	7,710,000

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9316246 dated 9 August 2004. The consideration of the property is HK\$6,932,000.
2. Alpha Strategic Investment Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9310713 dated 4 August 2004.
4. The property is subject to an Occupation Permit No. KN 6/2004 vide Memorial No. 9142558 dated 13 February 2004.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
19. Flat D, 22nd Floor Block 1 Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	The property comprises a unit on the 22nd floor of a 35-storey residential building completed in about 2004. The property has a gross floor area of approximately 1,119 sq.ft. (103.96 sq.m.).	The property is currently vacant.	7,460,000
166/341,874th parts or shares of and in Kowloon Inland Lot No. 11118	The property is held under a Government Lease for a term of 47 years commencing from 29 June 2000 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9312553 dated 9 August 2004. The consideration of the property is HK\$6,553,000.
2. Alpha Strategic Investment Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9310713 dated 4 August 2004.
4. The property is subject to an Occupation Permit No. KN 6/2004 vide Memorial No. 9142558 dated 13 February 2004.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
20. Flat C, 28th Floor Block 8 Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	The property comprises a unit on the 28th floor of a 35-storey residential building completed in about 2004. The property has a gross floor area of approximately 1,681 sq.ft. (156.17 sq.m.).	The property is currently vacant.	12,400,000
249/341,874th parts or shares of and in Kowloon Inland Lot No. 11118	The property is held under a Government Lease for a term of 47 years commencing from 29 June 2000 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9316250 dated 9 August 2004. The consideration of the property is HK\$10,914,000.
2. Alpha Strategic Investment Limited is wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9310713 dated 4 August 2004.
4. The property is subject to an Occupation Permit No. KN 6/2004 vide Memorial No. 9142558 dated 13 February 2004.
5. Pursuant to a Provisional Agreement for Sale and Purchase dated 22 October 2004, the property together with Property No. 21 were sold to independent third parties, Li Yat Wah and Cheng Sum Wah ("Purchasers") from Alpha Strategic Investment Ltd. ("Vendor") at a consideration of HK\$13,000,000. The formal Agreement for Sale and Purchase was entered into between the Vendor and Purchaser on 5 November 2004 and the Assignment for Sale and Purchase is agreed to be completed on or before 22 December 2004. The balance payment will be settled by the Purchaser upon completion of the Assignment for Sale and Purchase. According to the Land Registration Record, Alpha Strategic Investment Limited is still the legal owner of the property as at our date of valuation.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
21. Car Parking Space No. 136 L6 Floor Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong 25/341,874th parts or shares of and in Kowloon Inland Lot No. 11118	<p>The property comprises a car parking space on the 2nd floor of a 6-level car park of a 9-block residential development completed in about 2004.</p> <p>The property is held under a Government Lease for a term of 47 years commencing from 29 June 2000 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is currently vacant.	600,000

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9316251 dated 9 August 2004. The consideration of the property is HK\$500,000.
2. Alpha Strategic Investment Limited is wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9310713 dated 4 August 2004.
4. The property is subject to an Occupation Permit No. KN 6/2004 vide Memorial No. 9142558 dated 13 February 2004.
5. Pursuant to a Provisional Agreement for Sale and Purchase dated 22 October 2004, the property together with Property No. 20 were sold to independent third parties, Li Yat Wah and Cheng Sum Wah ("Purchasers") from Alpha Strategic Investment Ltd. ("Vendor") at a consideration of HK\$13,000,000. The formal Agreement for Sale and Purchase was entered into between the Vendor and Purchaser on 5 November 2004 and the Assignment for Sale and Purchase is agreed to be completed on or before 22 December 2004. The balance payment will be settled by the Purchaser upon completion of the Assignment for Sale and Purchase. According to the Land Registration Record, Alpha Strategic Investment Limited is still the legal owner of the property as at our date of valuation.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
22. Car Parking Space No. 20 L2 Floor Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong 25/341,874th parts or shares of and in Kowloon Inland Lot No. 11118	<p>The property comprises a car parking space on the 2nd floor of a 6-level car park of a 9-block residential development completed in about 2004.</p> <p>The property is held under a Government Lease for a term of 47 years commencing from 29 June 2000 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is currently vacant.	600,000

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9312561 dated 9 August 2004. The consideration of the property is HK\$500,000.
2. Alpha Strategic Investment Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9310713 dated 4 August 2004.
4. The property is subject to an Occupation Permit No. KN 6/2004 vide Memorial No. 9142558 dated 13 February 2004.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
23. Car Parking Space No. 21 L2 Floor Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	The property comprises a car parking space on the 2nd floor of a 6-level car park of a 9-block residential development completed in about 2004. The property is held under a Government Lease for a term of 47 years commencing from 29 June 2000 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently vacant.	600,000
25/341,874th parts or shares of and in Kowloon Inland Lot No. 11118			

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9316247 dated 9 August 2004. The consideration of the property is HK\$500,000.
2. Alpha Strategic Investment Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9310713 dated 4 August 2004.
4. The property is subject to an Occupation Permit No. KN 6/2004 vide Memorial No. 9142558 dated 13 February 2004.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
24. Car Parking Space No. 22 L2 Floor Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong 25/341,874th parts or shares of and in Kowloon Inland Lot No. 11118	<p>The property comprises a car parking space on the 2nd floor of a 6-level car park of a 9-block residential development completed in about 2004.</p> <p>The property is held under a Government Lease for a term of 47 years commencing from 29 June 2000 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is currently vacant.	600,000

Notes:

1. The registered owner of the property is Alpha Strategic Investment Limited vide Memorial No. 9312554 dated 9 August 2004. The consideration of the property is HK\$500,000.
2. Alpha Strategic Investment Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. 9310713 dated 4 August 2004.
4. The property is subject to an Occupation Permit No. KN 6/2004 vide Memorial No. 9142558 dated 13 February 2004.
5. Pursuant to a Provisional Agreement for Sale and Purchase dated 11 November 2004, the property was sold to an independent third party, Protein Fit Company Ltd. ("Purchaser") from Alpha Strategic Investment Ltd. ("Vendor") at a consideration of HK\$600,000. The formal Agreement for Sale and Purchase is agreed to be entered into between the Vendor and Purchaser on 24 November 2004 and the Assignment for Sale and Purchase is agreed to be completed on or before 17 December 2004. The balance payment will be settled by the Purchaser upon completion of the Assignment for Sale and Purchase. According to the Land Registration Record, Alpha Strategic Investment Limited is still the legal owner of the property as at our date of valuation.

GROUP IV – PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
25. 17th Floor, Phase 2 Fountain Set Building No. 3A Hung Cheung Road Tuen Mun The New Territories Hong Kong	<p>The property comprises the whole of 17th floor of a 22-storey industrial building completed in about 1990.</p> <p>The property has a gross floor area of approximately 20,789.30 sq.ft. (1,931.37 sq.m.).</p> <p>The property is rented to Alpha Appliances Limited, an indirect wholly owned subsidiary of the Company, from an independent third party, named Gold Wheat Investment Limited for a term of 2 years commencing from 1 March 2004 and expiring on 28 February 2006 at a monthly rent of HK\$136,896 inclusive of government rent and management fees but exclusive of rates, water, electricity charges and other outgoings. The tenancy also subject to a rent free period during 1 March 2004 and 31 March 2004 and during 1 March 2005 and 31 March 2005.</p>	The property is currently occupied by the Group for warehouse purposes.	No commercial value

Notes:

1. The registered owner of the property is Gold Wheat Investment Limited (an independent third party not connected to the directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates) vide Memorial No. 325697 dated 4 March 1988.
2. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
26. Room 808 Dominion Centre Nos. 43-59 Queen's Road East Hong Kong	<p>The property comprises a unit on the 8th floor of a 26-storey commercial building completed in about 1979.</p> <p>The property has a gross floor area of approximately 1,405 sq.ft. (130.53 sq.m.).</p> <p>The property is rented to Alpha Appliance Limited, an indirect wholly-owned subsidiary of the Company, from an independent third party, named E. Wah Realty Limited for a term of 2 years commencing from 1 March 2004 and expiring on 28 February 2006 at a monthly rent of HK\$10,500 inclusive of government rent but exclusive of rates, management fees, air-conditioning charges and other outgoings.</p>	The property is currently occupied by the Group for office purposes.	No commercial value

Notes:

1. The property consists of 2/800th parts or shares of and in the Remaining Portion of Section B of Inland Lot No. 349, Sub-section 2 of Section A of Inland Lot No. 350, the Remaining Portion of Inland Lot No. 372, the Remaining Portion of Section A of Inland Lot No. 650, the Remaining Portion of Section B of Inland Lot No. 650, the Remaining Portion of Inland Lot No. 650, the Remaining Portion of Section A of Inland Lot No. 651, the Remaining Portion of Sub-section 1 of Section A of Inland Lot no. 651, the Remaining Portion of Section B of Inland Lot No. 651 and the Remaining Portion of Inland Lot No. 651.
2. The registered owner of the property is E. Wah Realty Limited (an independent third party not connected to the directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates) vide Memorial No. 841605 dated 29 September 1971, Memorial No. 865950 dated 27 January 1972, Memorial No. 878466 dated 22 March 1972, Memorial No. 1103141 dated 13 August 1974 and Memorial No. 1103364 dated 10 August 1974.
3. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
27. Rooms 1503-1507 Dominion Centre Nos. 43-59 Queen's Road East Hong Kong	<p>The property comprises 5 units on the 15th floor of a 26-storey commercial building completed in about 1979.</p> <p>The property has a gross floor area of approximately 4,690 sq.ft. (435.71 sq.m.).</p> <p>The property is rented to Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, from a connected party, named Napson Trading Limited, for a term of 2 years commencing from 1 November 2004 and expiring on 31 October 2006 at a monthly rent of HK\$49,000 inclusive of government rent but exclusive of rates, management fees, air-conditioning charges and other outgoings (with an option in favour of Alpha Appliances Limited to renew the term for 1 more year at agreed rent or, if not agreed, at open market monthly rent).</p>	The property is currently occupied by the Group for office purposes.	No commercial value

Notes:

1. The property consists of 14/800th parts or shares of and in the Remaining Portion of Section B of Inland Lot No. 349, Sub-section 2 of Section A of Inland Lot No. 350, the Remaining Portion of Inland Lot No. 372, the Remaining Portion of Section A of Inland Lot No. 650, the Remaining Portion of Section B of Inland Lot No. 650, the Remaining Portion of Inland Lot No. 650, the Remaining Portion of Section A of Inland Lot No. 651, the Remaining Portion of Sub-section 1 of Section A of Inland Lot no. 651, the Remaining Portion of Section B of Inland Lot No. 651 and the Remaining Portion of Inland Lot No. 651.
2. The registered owner of the property is Napson Trading Limited, vide Memorial No. 5317578 dated 22 May 1992. The shares in Napson Trading Limited are held by Woodland Trust, a discretionary trust whose beneficiaries include Mr. Chu Ka Lok, Peter and Mrs. Chu Leung Wai Chung, Monica (wife of Mr. Chu Ka Lok, Peter).
3. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.
4. As the aggregate of the annual rental and government rent are less than HK\$1,000,000, the tenancy constitutes a continuing connected transaction exempt from the reporting, announcement and independent shareholder's approval requirements of the Company under Rule 14A.33(3)(b) of the Listing Rules and a waiver from disclosure requirement in respect of such transactions was obtained from the Stock Exchange subject to conditions as described in the listing prospectus of the Company.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2004 HK\$
28. Shop 613, Level 6 Grand Century Place No. 193 Prince Edward Road West Mongkok Kowloon Hong Kong	<p>The property comprises a unit on level 6 of a composite commercial development with 7 levels shopping arcade completed in about 1997.</p> <p>The unit has a gross floor area of approximately 861.0 sq.ft. (79.99 sq.m.).</p> <p>The property is rented to Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, from an independent third party, named Kowloon-Canton Railway Corporation for a term of 2 years commencing from 1 October 2003 and expiring on 30 September 2005 at a monthly rent of either (i) HK\$33,050 or (ii) a sum of 3% of monthly Gross Receipt (whichever is higher). The rental is inclusive of government rent but exclusive of rates, management fees, air-conditioning and other outgoings. The tenancy is also subject to a rent free period of 45 days commencing from 1 October 2004 and expiring on 14 November 2004.</p>	The property is currently occupied by the Group for retail purposes.	No commercial value

Notes:

1. The registered owner of the property is Kowloon-Canton Railway Corporation, an independent third party not connected to the directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates.
2. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.
3. The property is subject to an Occupation Permit No. 6/97/P&R/OP vide Memorial No. 7151284 dated 27 June 1997.

1. RESPONSIBILITY STATEMENT

The information in this document relating to the Group has been supplied by the Directors. The issue of this document has been approved by the Directors who jointly and severally accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement in this document misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests in the Company/associated corporations

- (i) As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Directors or the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies pursuant to the Listing Rules, were as follows:

Shares

Name of Director	Number of Shares		Percentage of the issued share capital of the Company	
	Personal interests	Other interests	Personal interests	Other interests
Chu Ka Lok, Peter	3,367,000	764,000 <i>(Note 1)</i>	1.74%	0.39%
		118,260,000 <i>(Note 2)</i>	–	60.91%
Wat Hon Keung	933,000	–	0.48%	–
Chan Kai Kwok	935,500	–	0.48%	–
Chu Maria Teresa	4,000,000	–	2.06%	–
	<u>9,235,500</u>	<u>119,024,000</u>	<u>4.76%</u>	<u>61.30%</u>

Shares in subsidiaries

As at the Latest Practicable Date, the following Director held interests in the non-voting deferred shares in Alpha Appliances Limited, an indirect wholly-owned subsidiary of the Company, as follows:

Name of Director	Number of non-voting deferred shares
Chu Ka Lok, Peter	50,000 (Note 3)

Notes:

- These shares were held by Napson, a company incorporated in Hong Kong and is wholly and beneficially owned by Charmwood. The entire issued share capital of Charmwood is held by Woodland Trust, a discretionary trust whose beneficiaries include Mr. Chu Ka Lok, Peter and Mrs. Chu Leung Wai Chung, Monica (wife of Mr. Chu Ka Lok, Peter).
- These shares were held by Charmwood.
- 49,999 shares were held by Charmwood and 1 share was held by Reredos Corporation which share was in turn held in trust for Charmwood. The entire issued share capital of Charmwood is held by Woodland Trust, a discretionary trust whose beneficiaries include Mr. Chu Ka Lok, Peter and Mrs. Chu Leung Wai Chung, Monica (wife of Mr. Chu Ka Lok, Peter). He therefore has "other interests" in such number of non-voting deferred shares as described in Practice Note 5 to the Listing Rules.

- (ii) As at the Latest Practicable Date, the interests of the Directors in any rights to subscribe for Shares as recorded in the register required to be kept under the SFO were as follows:

Directors	Exercisable period	Exercise price per Share (HK\$)	Outstanding at the Last Practicable Date
Chu Ka Lok, Peter	17 Apr 2001 – 16 Apr 2011	0.5504	1,500,000
Wat Hon Keung	17 Dec 2001 – 16 Dec 2011	0.7920	500,000
Chan Kai Kwok	17 Dec 2001 – 16 Dec 2011	0.7920	500,000
Chu Maria Teresa	17 Apr 2001 – 16 Apr 2011	0.5504	1,500,000
	17 Dec 2001 – 16 Dec 2011	0.7920	100,000
Total			<u>4,100,000</u>

Apart from those Options granted to executive Directors pursuant to the Share Option Scheme as disclosed in note 25 to the financial statements in paragraph C of Appendix I and disclosed above, at no time up to the Latest Practicable Date 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies pursuant to the Listing Rules.

- (iii) None of the subsidiaries of the Company, or pension fund of the Company or its subsidiaries, or the advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders had any beneficial interest in any shares, convertible securities, warrants, options or derivatives of the Company.
- (iv) No contract of significance to which Charmwood, any of its holding companies or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at the Last Practicable Date.
- (v) Three of the executive directors, namely, Mr. Chu Ka Lok, Peter, Mr. Wat Hon Keung and Ms Chu Maria Teresa have each entered into a service agreement with the Company for a period of three years commencing on 1 July 1997 and continuing thereafter until terminated by either party giving not less than three months' written notice to the other party. Save as aforesaid, none of the Directors had a service contract in force with any member of the Group or associated companies of the Company which had more than twelve months to run or which was entered into or amended within six months before the Announcement. For the year ended 31 March 2004, (i) approximately HK\$2.4 million has been recorded as salaries and other benefits of the aforesaid three executive directors, and (ii) approximately HK\$358,000 has been recorded as performance and related incentive payments to these directors.
- (vi) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Scheme.
- (vii) Charmwood and parties acting in concert with it, beneficially interested in 126,391,000 Shares as at the Latest Practicable Date, had indicated to the Company that if the Scheme is approved at the Court Meeting, it and its associates will vote in favour of the special resolution to be proposed at the

Special General Meeting to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the reduction of the issued share capital of the Company). Save as the indications given by Charmwood and parties acting in concert with it to the Company, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Company or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Proposal nor there is any irrevocable undertaking by any other persons in respect of voting at the Court Meeting or the Special General Meeting.

- (viii) There is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal.
- (ix) As at the Latest Practicable Date, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person acting in concert with it or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company.
- (x) As at the Latest Practicable Date, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Charmwood or with any person acting in concert with it owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company or had dealt in any of them during the Disclosure Period.
- (xi) As at the Latest Practicable Date, there was no shareholding in the Company which was managed on a discretionary basis by fund managers connected with the Company.
- (xii) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exist between Charmwood, or any person acting in concert with Charmwood, and any other person.
- (xiii) Save for Mr. Chu Ka Lok, Peter and his wife Mrs. Chu Leung Wai Chung, Monica (both are beneficiaries of Woodland Trust, a discretionary trust which holds the entire issued share capital of Charmwood), neither the Company, nor its Directors nor parties acting in concert with any of them had any interest in the shares, convertible securities, warrants, options or derivatives of Charmwood. The Company and the Directors had not dealt for value in any shares, convertible, securities, warrants, options or derivatives of Charmwood during the Disclosure Period.

(b) Substantial shareholders

As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the Shareholder who had an interest in 5 per cent. or more of the issued share capital of the Company is Charmwood

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 securities of the Company above. Save as disclosed above and in respect of such register of substantial shareholders, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

(c) Dealings in securities of the Company

- (i) There was no dealing in any shares, convertible securities, warrants, options or derivatives of the Company by Charmwood and parties acting in concert with it during the Disclosure Period.
- (ii) There was no dealing in any shares, convertible securities, warrants, options or derivatives of the Company by the Directors during the Disclosure Period.
- (iii) None of the Directors, Charmwood or any persons acting in concert with any of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Disclosure Period.
- (iv) None of the subsidiaries of the Company, or pension fund of the Company or its subsidiaries, or the advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) but excluding exempt principal traders had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Disclosure Period.
- (v) None of the parties referred to in paragraph 6 of this appendix, together with their respective ultimate holding companies, subsidiaries or fellow subsidiaries had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Disclosure Period.
- (vi) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person acting in concert with it or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Disclosure Period.
- (vii) No fund managers connected with the Company had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Disclosure Period.
- (viii) Other than Charmwood and parties acting in concert with it (including Mr. Wat Hon Keung and Mr. Chan Kai Kwok, both being executive Directors and Scheme Shareholders) who will not be entitled to vote on the resolution to approve the Scheme at the Court Meeting, no person had irrevocably committed themselves to accept or reject the Scheme. There was no dealing in the Shares by Charmwood and parties acting in concert with it (including Mr. Wat Hon Keung and Mr. Chan Kai Kwok, both being executive Directors) during the Disclosure Period.

- (ix) Charmwood and parties acting in concert with it (including Mr. Wat Hon Keung and Mr. Chan Kai Kwok, both being executive Directors and Scheme Shareholders) will not be entitled to vote on the resolution to approve the Scheme at the Court Meeting. As at the Latest Practicable Date, no other Director is beneficially interested in any Shares.

3. MARKET PRICES

- (a) The Shares are traded on the Stock Exchange. The table below shows the closing prices of the Shares on the Stock Exchange on (i) the last trading day of each of the six calendar months immediately preceding 11 October 2004, being the last trading day prior to the suspension of trading in the Shares from 9:30 a.m. (Hong Kong time) on 12 October 2004, pending the issue of the Announcement; (ii) 11 October 2004 and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
30 April 2004	0.335
31 May 2004	0.350
30 June 2004	0.335
30 July 2004	0.300
31 August 2004	0.290
30 September 2004	0.295
11 October 2004	0.310
Latest Practicable Date	0.660

- (b) The lowest and highest closing prices for the Shares recorded on the Stock Exchange during the Disclosure Period were HK\$0.275 on 23 and 24 June 2004 and HK\$0.67 on 28 and 29 October 2004, and 1, 8, 10, 11 and 12 November 2004 respectively.
- (c) The table below sets out the highest and lowest closing prices of the Shares on the Stock Exchange for each month during the twelve-month period immediately preceding the Announcement Date:

Month	Highest closing price per Share HK\$	Lowest closing price per Share HK\$
November 2003	0.315	0.290
December 2003	0.300	0.265
January 2004	0.320	0.270
February 2004	0.395	0.305
March 2004	0.420	0.315
April 2004	0.385	0.335
May 2004	0.360	0.300
June 2004	0.335	0.275
July 2004	0.350	0.290
August 2004	0.310	0.280
September 2004	0.320	0.290
October 2004	0.310	0.280

4. MATERIAL CONTRACTS

Neither the Company nor any of its subsidiaries within the two years prior to the Announcement Date entered into any contracts which are or may be material other than in the ordinary course of the business carried on or intended to be carried on by the Group.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any outstanding litigation of material importance and no litigation of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this document:

Name	Qualification
Access Capital	A licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities under the SFO
Somerley	A deemed licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities under the SFO
Sallmanns	Property valuers
Pu Dong Law Office	PRC legal advisers
Guangdong Kings Law Firm	PRC legal advisers

7. CONSENTS

Access Capital, Sallmanns, Somerley, Pu Dong Law Office and Guangdong Kings Law Firm have given and have not withdrawn their respective written consents to the issue of this document with the inclusion therein of copies of their respective letters, as the case may be, and/or references to their names, in the form and context in which they respectively appear.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is at Room 1503, Dominion Centre, 43-59 Queen's Road East, Hong Kong.
- (b) The registered office of Charmwood is at 80 Broad Street, Monrovia, Liberia.
- (c) The address of Mr. Chu Ka Lok, Peter, Mr. Wat Hon Keung, Mr. Chan Kai Kwok and Ms Chu Maria Teresa is at Room 1503, Dominion Centre, 43-59 Queen's Road East, Hong Kong.
- (d) The registered office of Access Capital is at Suite 606, 6th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (e) The secretary of the Company is Mr. Tang Chi Chuen. He is a practising solicitor and notary public in Hong Kong. He holds the degrees of Bachelor of Laws and Master of Laws in Chinese Commercial Law.
- (f) The qualified accountant of the Company is Ms. Lau Shuk Man. She is a member of HKICPA and a member of CPA Australia.
- (g) If the Proposal is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the independent financial adviser to the Independent Board Committee, all expenses incurred by the Company in connection with the Proposal and the Share Option Proposal shall be borne by Charmwood if the Scheme is not approved.
- (h) Charmwood confirms that no securities of the Company remaining to be held by Charmwood after the implementation of the Scheme are agreed or currently being the subject of any plan to be transferred to other persons.
- (i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Company and any other person for the transfer of the beneficial interests in the Scheme Shares under the Proposal.
- (j) All announcements in relation to the Proposal will be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Wilkinson & Grist, 6th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours on any weekday (public holidays excepted) until the effective date of the Scheme:

- (a) the memorandum of association of the Company and the Bye-laws;
- (b) the audited consolidated financial statements of the Group for each of the two financial years ended 31 March 2003 and 31 March 2004;
- (c) the interim report of the Company for the six months ended 30 September 2004;
- (d) the "Letter from Somerley", the text of which is set out on pages 18 to 43 of this document;
- (e) the full version of the letter and valuation certificates from Sallmanns, the text of which is set out in Appendix II;
- (f) the letters of consent as referred to in paragraph 7 of this Appendix; and
- (g) the service agreements referred to in paragraph 2(a)(v) of this Appendix.

SCHEME OF ARRANGEMENT

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

2004: No. 381

IN THE MATTER OF

ALPHA GENERAL (HOLDINGS) LIMITED

and

IN THE MATTER OF

SECTION 99 OF THE COMPANIES ACT (as herein defined)

SCHEME OF ARRANGEMENT

between

ALPHA GENERAL (HOLDINGS) LIMITED

and

ITS SHAREHOLDERS (as herein defined)

PRELIMINARY

SCHEME OF ARRANGEMENT

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“Companies Act”	the Companies Act 1981 of Bermuda;
“Company”	Alpha General (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Court”	the Supreme Court of Bermuda;
“Effective Date”	the date (Bermuda time) on which the Scheme becomes effective in accordance with Clause 6 of the Scheme;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of The People’s Republic of China;
“Latest Practicable Date”	23 November 2004, being the latest practicable date prior to the printing of the document containing the Scheme for the purposes of ascertaining certain information for inclusion therein;
“Record Date”	4:00 p.m. (Hong Kong time) on the Business Day immediately preceding the date (Bermuda time) on which the Scheme becomes effective;
“Register”	the register of members of the Company;
“Scheme”	the scheme of arrangement in respect of the Shareholders as contained herein, in its present form or with or subject to any modification thereof or additions thereto or conditions approved by the Shareholders or imposed by the Court;
“Scheme Shares”	all of the issued and paid-up Shares other than Shares held by the Substantial Shareholders;
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares as appearing in the Register at the Record Date;

SCHEME OF ARRANGEMENT

“Share(s)”	share(s) of HK\$0.20 each in the capital of the Company;
“Special General Meeting”	the special general meeting of the Shareholders to be convened to consider and, if thought fit, approve the Scheme;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Substantial Shareholders”	collectively, (i) Charmwood Development Limited, a company incorporated in Liberia , (ii) Chu Ka Lok, Peter, (iii) Napson Trading Limited, a company incorporated in Hong Kong with limited liability, and (iv) Chu Maria Teresa.

- (B) The Company was incorporated as an exempted company on 24 January 1997 in Bermuda under the Companies Act.
- (C) As of the Latest Practicable Date, the Company had an authorised share capital of HK\$60,000,000 divided into 300,000,000 Shares of which HK\$38,833,180 divided into 194,165,900 Shares have been issued and are fully paid or credited as fully paid.
- (D) On the Latest Practicable Date, the Substantial Shareholders beneficially owned an aggregate of 126,391,000 Shares, all credited as fully paid. The Substantial Shareholders have undertaken that in relation to such Shares in which they are beneficially interested, they will remain so beneficially interested until the date on which the Scheme becomes effective, is withdrawn or lapsed.
- (E) The purpose of the Scheme is to privatise the Company by canceling and extinguishing all of the Scheme Shares held by the Scheme Shareholders and paying a cash consideration of HK\$0.70 for every Scheme Share cancelled and extinguished in accordance with the Scheme so that, thereafter, all of the issued Shares shall be held by the Substantial Shareholders only.
- (F) The Scheme involves the cancellation and extinguishment of all of the Scheme Shares on the Effective Date and, in consideration and exchange thereof, the Scheme Shareholders shall be entitled to receive HK\$0.70 for each Scheme Share held by the Scheme Shareholders.
- (G) The Substantial Shareholders have agreed to appear by counsel at the hearing of the Petition to sanction the Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by them for the purpose of giving effect to the Scheme including, without limitation, satisfying their obligations under the Scheme.

SCHEME OF ARRANGEMENT

PART I

SCHEME PARTICULARS

1. On the Effective Date:
 - (a) (i) the issued share capital of the Company shall be reduced by the cancellation and extinguishment of all of the Scheme Shares;
 - (ii) the Company shall apply the amount of the credit arising in its books of account as a result of the reduction of its issued share capital referred to in paragraph (a)(i) above to the contributed surplus of the Company; and
- (b) in consideration of the cancellation and extinguishment of their Scheme Shares, the Scheme Shareholders shall be paid by the Company HK\$0.70 in cash for every one (1) Scheme Share cancelled and extinguished as aforesaid.

PART II

GENERAL APPLICATION

2. As from the Effective Date, all certificates representing the Scheme Shares shall cease to have effect as documents of title and every Scheme Shareholder thereof shall be bound on the request of the Company to deliver up to the Company, the certificates for his or her existing shareholdings in the Company.
3. Not later than ten days after the Effective Date, the Company shall send or cause to be sent to the Scheme Shareholders (as appearing in the Register on the Record Date) cheques in respect of the sums payable to such Scheme Shareholders.
 - (a) Unless indicated otherwise in writing to the branch share registrar of the Company in Hong Kong, all such cheques and certificates shall be sent through the post (by airmail where appropriate) in pre-paid envelopes addressed to such Scheme Shareholders as follows:
 - (i) in the case of each sole Scheme Shareholder, to the registered address of such Scheme Shareholders as appearing in the Register on the Record Date; or
 - (ii) in the case of joint Scheme Shareholders, the registered address as appearing in the Register on the Record Date of the joint Scheme Shareholder whose name then stands first in the Register in respect of the relevant joint holding.

SCHEME OF ARRANGEMENT

- (b) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(a) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Company for the moneys expressed to be represented thereby.
- (c) All cheques shall be posted at the risk of the addressee and other persons entitled thereto and the Company shall not be liable for any loss or delay in transmission.
- (d) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(a) of this Scheme, the Company shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to paragraph 1(b) of this Scheme to persons who satisfy the Company that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(a) of this Scheme of which they are payees have not been cashed. Any payments made by the Company hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 1(b) of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law. The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Company to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (e) On the expiry of six years from the Effective Date, the Company shall be released from any further obligation to make any payments under this Scheme and the Company shall thereafter retain the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph 3(d) of this Scheme including accrued interest subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.
- (f) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.

SCHEME OF ARRANGEMENT

4. Each instrument of transfer and certificate validly subsisting at the Record Date in respect of a transfer or holding of any number of Scheme Shares shall, as from the Effective Date, cease to be valid for any purpose as an instrument of transfer or a certificate for Shares and every Scheme Shareholder thereof shall be bound, on the request of the Company, to deliver up to the Company the certificate(s) for its, his or her existing holding.
5. All mandates or other instructions to the Company in force at the opening of business in Hong Kong on the Effective Date in relation to the Scheme Shares (including elections for the payment of dividends by way of scrip) shall cease to be valid as effective mandates or instructions.
6. The Scheme shall become effective upon an office copy of the Order of the Court sanctioning the Scheme under Section 99 of the Companies Act being duly registered by the Registrar of Companies in Bermuda.
7. The Company may consent for and on behalf of all concerned, to any modification(s) of or addition(s) to the Scheme or to any condition which the Court may require.
8. All costs, charges and expenses of and incidental to this Scheme and the costs of carrying the same into effect shall be borne by the Company.

Dated the 26th day of November 2004

NOTICE OF THE COURT MEETING

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

2004: NO. 381

IN THE MATTER OF

ALPHA GENERAL (HOLDINGS) LIMITED

and

IN THE MATTER OF

SECTION 99 OF THE COMPANIES ACT, 1981

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 25 November 2004 (the "Order") made in the above matter, the Court has directed a meeting of the holders of the Scheme Shares (as defined in the Scheme of Arrangement hereinafter mentioned) to be convened, for the purpose of considering and, if thought fit, approving (with or without modification(s)) a Scheme of Arrangement proposed to be made between the above-named company (the "Company") and the holders of Scheme Shares on the Record Date and that such meeting will be held at Aberdeen Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on the 20th day of December 2004 at 10:00 a.m. at which place and time all the holders of the Scheme Shares are requested to attend.

A copy of a printed scheme circular (the "Scheme Circular") of which this notice forms a part, containing the said Scheme of Arrangement and the explanatory statement required to be furnished pursuant to section 100 of the Companies Act 1981 together with a form of proxy have been posted to every shareholder having a registered address in the register of members of the Company and additional copies of the Scheme Circular, together with forms of proxy, can be obtained by any person entitled to attend the said meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday afternoon, a Sunday or a statutory holiday) from (i) the principal offices of the Company at Room 1503, Dominion Center, 43-59 Queen's Road East, Hong Kong; and (ii) the office of the branch share registrar of the Company in Hong Kong, namely Secretaries Limited, situate at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The said holders of the Scheme Shares may vote in person at the said meeting or they may appoint another person(s) whether member(s) of the Company or not, as their proxies to attend and vote in their stead.

NOTICE OF THE COURT MEETING

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint shareholding.

It is requested that forms appointing proxies be lodged with the branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the said meeting.

By the Order the Court has appointed Mr. Chu Ka Lok, Peter, a Director of the Company, or failing him, Mr. Chan Kai Kwok, also a Director of the Company, or failing him, any other person who is a Director of the Company as at the date of the Order to act as Chairman of the said meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court and to the satisfaction of the conditions set out in the explanatory statement contained in the Scheme Circular.

Dated this 26th day of November 2004

CONYERS DILL & PEARMAN
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Attorneys for the Company

NOTICE OF THE SPECIAL GENERAL MEETING



ALPHA GENERAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of ALPHA GENERAL (HOLDINGS) LIMITED (the "Company") will be held at 10:30 a.m. on 20 December 2004 at Aberdeen Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong (or so soon after the meeting of the holders of the Scheme Shares (as defined in the scheme of arrangement hereinafter mentioned) convened pursuant to the direction of the Supreme Court of Bermuda at the same place and on the same date shall have been concluded or concluded after any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolutions, with or without modification:

SPECIAL RESOLUTION

1. **"THAT:**

- (A) the scheme of arrangement dated 26 November 2004 (the "Scheme") between the Company and the holders of the Scheme Shares (as defined in the Scheme) as at the Record Date (as defined in the Scheme) in the form of the printed document contained in a composite document which has been submitted to this meeting marked "A" and, for the purpose of identification, signed by the chairman of this meeting, with any modification thereof or addition thereto or subject to any conditions approved or imposed by the Supreme Court of Bermuda), be and is hereby approved; and
- (B) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the issued share capital of the Company be reduced by the cancellation and extinguishment of all of the Scheme Shares;
 - (ii) the credit arising in the books of account of the Company as a result of the reduction of its issued share capital referred to in sub-paragraph (B)(i) above be applied by the Company to its contributed surplus;

and the Directors be and are hereby authorised to do all such acts, deeds and things as they may, in their absolute discretion, deem fit to effect, implement and complete any of the foregoing."

By order of the Board
ALPHA GENERAL (HOLDINGS) LIMITED
CHU Ka Lok, Peter
Chairman

Hong Kong, 26 November 2004

NOTICE OF THE SPECIAL GENERAL MEETING

Principal place of business in Hong Kong:

Room 1503, Dominion Centre

43-59 Queen's Road East

Hong Kong

Notes:

1. All transfers accompanied by the relevant share certificates must be lodged at the branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 15 December 2004.
2. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person at this proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. A pink form of proxy of the meeting is enclosed. If the appointer is a corporation, the pink form of proxy must be under its common seal or, under the hand of an officer or attorney duly authorised on its behalf. Completion and return of the pink form of proxy will not preclude a member from attending this meeting and voting in person if he so wishes. In such event, his form of proxy will be deemed to have been revoked.
4. To be valid, a pink form of proxy must be deposited at the principal office of the Company at branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding this meeting or any adjournment thereof.
5. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register.