



ALPHA GENERAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

Website: <http://www.irasia.com/listco/hk/alphageneral>

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

The Board of Directors (the “Board”) of Alpha General (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002 together with comparative figures for the corresponding period of 2001 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

		Six months ended	
	NOTES	30.9.2002 HK\$'000 (Unaudited)	30.9.2001 HK\$'000 (Unaudited)
Turnover	3	219,266	302,090
Cost of sales		(167,461)	(218,946)
Gross profit		51,805	83,144
Other operating income		632	643
Interest income		4	378
Distribution costs		(14,972)	(34,234)
Administrative expenses		(33,655)	(34,438)
Profit from operations	4	3,814	15,493
Finance costs		(858)	(938)
Profit before taxation		2,956	14,555
Taxation	5	(1,229)	(2,573)
Net profit for the period		1,727	11,982
Dividends	6	—	(3,916)
Earnings per share	7		
— Basic		0.04 cent	0.30 cent
— Diluted		0.04 cent	0.30 cent

Note:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. TURNOVER AND SEGMENT INFORMATION

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

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

Segment information about these geographical segments is presented below:

	Six months ended 30.9.2002			Six months ended 30.9.2001		
	Hong Kong and Macau <i>HK\$’000</i>	The PRC <i>HK\$’000</i>	Total <i>HK\$’000</i>	Hong Kong and Macau <i>HK\$’000</i>	The PRC <i>HK\$’000</i>	Total <i>HK\$’000</i>
Turnover	<u>182,142</u>	<u>37,124</u>	<u>219,266</u>	<u>192,149</u>	<u>109,941</u>	<u>302,090</u>
Results	<u>5,281</u>	<u>(1,467)</u>	<u>3,814</u>	<u>11,626</u>	<u>3,867</u>	<u>15,493</u>

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging depreciation and amortisation of HK\$1,650,000 (six-months ended 30 September 2001: HK\$1,311,000) in respect of the Group's property, plant and equipment.

5. TAXATION

	Six months ended	
	30.9.2002	30.9.2001
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax for current period	897	2,010
Underprovision of tax in other jurisdictions in the prior years	332	563
	<u>1,229</u>	<u>2,573</u>

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

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

6. DIVIDENDS

On 27 August 2002, a final dividend of 0.08 HK cent per share (2001: 0.15 HK cent) was approved by the shareholders for the year ended 31 March 2002.

The directors do not recommend the payment of any interim dividend (2001: 0.10 HK cent).

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2002	30.9.2001
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share		
Net profit for the period	<u>1,727</u>	<u>11,982</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,915,221,945	3,939,422,142
Effect of dilutive potential ordinary shares:		
Share options	<u>N/A</u>	<u>24,128,901</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>3,915,221,945</u>	<u>3,963,551,043</u>

The computation of diluted earnings per share for the six months ended 30 September 2002 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the shares for the period.

INTERIM RESULTS

For the six months ended 30 September 2002, turnover was approximately HK\$219,266,000, representing a decrease of about 27% from the corresponding period of last year (2001: HK\$302,090,000). Profit attributable to shareholders was about HK\$1,727,000 (2001: HK\$11,982,000). Earnings per share were 0.04 HK cent (2001: 0.30 HK cent).

BUSINESS REVIEW

During the period under review, even sluggish market sentiment in Hong Kong continued to affect the Group's business, the Group strove to maintain turnover in Hong Kong due to the return of long-term brand equity investment and effective cost control measures. Cost control measures such as scaling down of salary level was implemented. On the other hand, the Group also broadened its income source through the expansion of its product range. However, the PRC operation recorded a loss which worsened the overall performance of the Group.

For the period under review, Hong Kong remained as the principal market for the Group while continued efforts were also placed to explore new markets in the PRC.

The pace of global economic recovery remained sluggish during the period under review. Adverse external economic factors continued to impact the general business environment, which inevitably hampered the performance of the Group. Consumer prices in Hong Kong fell by 3.1% in the first ten months of 2002, and retail sales were down by 4.6% in value or 3.1% in volume in the first nine months of 2002, according to information released by the Trade Development Council. On the other hand, the 2002 World Cup fever has contributed to a better than expected sales performance of the Group's plasma and LCD TV.

Business in Hong Kong and Macau

Hong Kong's economy experienced persistent downturn during the period under review. With leverage on the Group's effective cost control and brand name effect, the Group managed to maintain a turnover in Hong Kong and Macau at HK\$182,142,000 (2001: HK\$192,149,000), representing a slight decrease of 5% when compared with the corresponding period last year.

Retail market

The Group's retail business was affected to a large extent by the sluggish economy. Consumers were more cautious about spending on the back of a reduced consumption power and the persistently high unemployment rate. Nevertheless, the completion of projects from education sector represented a favourable contribution to the Group's retail business and generated revenue to the Group.

During the period under review, the household appliance industry continued to experience vigorous price war with introduction of various new brands at decreasing price level. The sales performance of "FUJI ELECTRIC", which targeted mass customers, was adversely affected. On the other hand, the "OGENERAL" air-conditioner, which targeted medium-to-high end users, remained as one of the top selling brands in Hong Kong.

"OGENERAL" VRF system is a new combination of three compressors and power accumulation technology assuring a smooth and efficient operation for the required capacity, has been launched into the market. The easy installation and maintenance, as well as the energy saving advantages of the system represent an efficient and environmental friendly alternative to the traditional air-conditioner.

Moreover, the 2002 FIFA World Cup held between May and June 2002 has boosted the sale of the Group's televisions, plasma displays and related products. The newly launched "LG" Plasma and LCD television, as well as the "FUJITSU" Plasma Display panel recorded satisfactory results during the period under review.

The sale of other household appliances including the "GALA" refrigerators and washing machines, which were non-seasonal, maintained a stable performance and contributed to the Group's satisfactory results.

Project market

For project business which supplies and installs window and split type air-conditioners for new property developments in Hong Kong, its sales performance was influenced by the reduced public housing and private housing construction and the unfavourable second-hand property market. For the period under review, the revenue from uncompleted projects will be recognized in the coming years. As at 30 September 2002, the Group had on hand total contract sum amounted to approximately HK\$80,000,000.

Business in the PRC

During the period under review, the competition of the electrical appliance market in the PRC remained fierce coupled with cool summer. Industry players resorted to price war at ever-decreasing price level. The Group was not in a good position to reduce the price without support from the manufacturer Fujitsu General's Shanghai factory. Turnover decreased approximately 66% as compared with last year and the PRC operation recorded negative contribution.

PROSPECTS

Looking forward, the Group plans to diversify its product mix in order to attain a balanced product portfolio and income source. The Group has successfully secured the premium new product "Goldline" gas built-in hob which is believed very promising. Also, more "LG" LCD television models are added to its line-up sold by the Group in Hong Kong.

In addition, it is very encouraging that the sale of the refrigerators and washing machines under the brand name of "GALA" proved to be successful. The Group will continue to commit to identify high potential new products to further expand the product range and to grasp the opportunity that bring forth. In addition, the Group will keep on identifying new investments related to new technology to capitalize on additional business opportunities.

For the PRC market, the Group has successfully established the distribution network throughout the past five years. The Group believed that the network would form a solid foundation for the Group to explore the market. In the meantime, the Group is trying its best endeavors to negotiate a better term with the manufacturer paving the way to realize the extensive distribution network.

In addition, the Group believes that the PRC's accession to the WTO and the winning of the hosting country of 2008 Olympic Games will open up numerous business opportunities for the Group. It will certainly grasp the golden opportunity of significant growth of the electrical appliance market in the PRC by utilizing its management experience and further explore its sales network. The Group will continue to boost the Group's brand name in the electrical appliance market and establish partnership with regional dealers. The latter will be done by guaranteeing favorable rebate terms and providing comprehensive sales and after-sales support to dealers in response to the keen competition in air-conditioning industry.

In view of the Group's operation in the PRC which experienced a loss during the period under review, the Group will exercise prudent management measures and downsize the operation in the PRC in order to minimize the impact. The Group endeavors to generate promising return to its shareholders and the Group as a whole.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2002, the Group employed approximately 180 employees, of which about 135 in Hong Kong and 45 in the PRC. The remuneration policy and package of the Group's employees are based on industry's practices. In addition, discretionary bonus and other merit payments are linked to the profit performance of the Group and individual performance as recognition and reward for value creation. Its staff benefits, welfare and statutory contributions if any, are made in accordance with prevailing labour laws of its operating entities.

LIQUIDITY AND CAPITAL RESOURCES

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

During the six months ended 30 September 2002, the Group generated a net cash inflow from operating activities of approximately HK\$19 million as compared to a net cash inflow of approximately HK\$85 million in corresponding period last year. As at 30 September 2002, the current ratio of the Group was 3.6.

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

COMPLIANCE WITH CODE OF BEST PRACTICE

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Company for the six months ended 30 September 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period under review, the Company repurchased a total of 11,566,000 shares of HK\$0.01 each of the Company on the Stock Exchange of Hong Kong Limited, all of which were cancelled. The repurchases of the Company's shares during the period under review were effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Company. Details of the repurchased shares are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
September 2002	11,566,000	0.02	0.018	225,989

Save as disclosed above, the Company did not redeem any of its listed securities during the period under review. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September 2002.

APPRECIATION

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

By Order of the Board
Chu Ka Lok, Peter
Chairman

HKSAR, 17 December 2002

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website as soon as possible.

The full text of the Company's announcement of interim results can be accessed through internet at: <http://www.irasia.com/listco/hk/alphageneral>.

Please also refer to the published version of this announcement in the China Daily.