



# ALPHA GENERAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liabilities)  
 website: <http://www.irasia.com/listco/hk/alphageneral>

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2003

### RESULTS

The Board of Directors of Alpha General (Holdings) Limited (the “Company”) announces the audited combined results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2003, together with the comparative figures for the previous year as follows:

		For the year ended 31 March	
		2003	2002
	Notes	HK\$'000	HK\$'000
Turnover		333,424	452,650
Cost of sales		(262,346)	(342,960)
Gross profit		<u>71,078</u>	109,690
Other operating income		729	953
Interest income		754	897
Allowances for doubtful debts		(17,794)	–
Allowances for inventories		(1,159)	–
Distribution costs		(17,423)	(41,301)
Administrative expenses		<u>(53,942)</u>	<u>(59,711)</u>
(Loss) profit from operations		(17,757)	10,528
Finance costs		(1,800)	(1,738)
(Loss) profit before taxation		<u>(19,557)</u>	8,790
Taxation credit (charge)	2	1,748	(1,015)
Net (loss) profit for the year		<u>(17,809)</u>	<u>7,775</u>
Dividends	3	<u>–</u>	<u>7,049</u>
(Loss) earnings per share			
– Basic	4	<u>HK(9.13) cents</u>	<u>HK3.96 cents</u>
– Diluted		<u>N/A</u>	<u>HK3.93 cents</u>

# ALPHA GENERAL (HOLDINGS) LIMITED

Notes:

## 1. SHARE CAPITAL

With effect on and from 28 January 2003, every 20 issued and unissued shares of HK\$0.01 each in the share capital of the Company have been consolidated into one share of HK\$0.20 each. Immediately after completion of the share consolidation, 194,165,900 consolidated shares were created pursuant to the share consolidation. The consolidated shares rank pari passu in all respects with the shares in issue prior to the share consolidation.

## 2. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The credit (charge) comprises:		
Hong Kong Profits Tax calculated at 16% (2002:16%) of the estimated assessable profit for the year		
– current year	–	(1,459)
– overprovision in prior years	<u>1,228</u>	<u>164</u>
	1,228	(1,295)
Other jurisdictions		
– underprovision in the prior year	<u>(332)</u>	<u>(105)</u>
	896	(1,400)
Deferred taxation	<u>852</u>	<u>385</u>
	<u><u>1,748</u></u>	<u><u>(1,015)</u></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.

## 3. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2003 (2002: 1.60 HK cents)

The final dividend per share for the year ended 31 March 2002 has been adjusted for the effect of the consolidation of shares made by the Company on 28 January 2003.

## 4. (LOSS) EARNINGS PER SHARE

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
Net (loss) profit for the year	<u>(17,809)</u>	<u>7,775</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	195,011,581	196,383,268
Effect of dilutive potential ordinary shares:		
Share options	<u>N/A</u>	<u>1,454,994</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>N/A</u></u>	<u><u>197,838,262</u></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.

The computation of diluted loss per share for 2003 does not assume the exercise of the potential ordinary shares since their exercise would result in a reduction in loss per share.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 August 2003 to 28 August 2003, both days inclusive, during which period no transfer of shares will be effected.

In order to be a member of the Company entitled to attend and vote at the annual general meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 21 August 2003.

## BUSINESS REVIEW

Along with the slowdown in global economy, the consumer sentiment has become weaker and the competition in the local market keener. The performance of the Group, during the year under review, was inevitably affected. Impact was minimized owing to the Group's dedicated efforts to implement effective cost control such as streamlining and reorganizing operating structure, cutting salary and reviewing cost structure. Hong Kong remained the principal market for the Group in the year under review, while the sales network in the PRC was strategically reorganized.

### Business in Hong Kong and Macau

During the year, the Group's retailing business was affected by the economic downturn and the weak property market in Hong Kong. Turnover amounted to HK\$301,130,000(2002: HK\$315,596,000), representing a decrease of approximately 5% compared with last year.

### Retail market

The economic downturn in Hong Kong was persistently serious during the year under review and revealed little sign of recovery. This led to high unemployment rate ever experienced in Hong Kong. Consumers substantially reduced their consumption due to the gloomy circumstances in all respects, which caused a serious strike to all walks of life. With the slackening consumption, the impact imposed by the high unemployment rate on the retail market in Hong Kong was inevitable. Enterprises in the industry resorted to lowering prices as a means to survive in the current situation, which would, however, result in reduced gross profit. Meanwhile, the influx of low-priced imports from the Mainland caused fierce price competition in the market, which caused a further cut on the Group's profit, accounting for its relatively lowered profitability in the year under review. In addition, Hong Kong was severely battered by the outbreak of the Severe Acute Respiratory Symptom (SARS) since March 2003, which further worsen the local economy and retail market.

The price level of household appliances was decreasing continuously. The sale of "FUJI ELECTRIC" targeting mass customers was under great challenge. The "OGENERAL" air conditioner, which targeted medium-to-high end users, continued to remain as one of the top selling brands in Hong Kong. The Group launched a new "OGENERAL" air conditioner model in 2003, with unique features of super wave with air flow as wide as 140-degree, catchin honeycomb filter for better air purification, grade 1 energy label, and super quiet of 35 db. The sales performance of this new product was satisfactory which further strengthened the Group's market niche in the household electrical appliance industry. "OGENERAL" was accredited the "Super brand" award by the Reader's Digest in 2002, which guaranteed its popularity.

The 2002 FIFA World Cup held between May and June 2002 had brought forth satisfactory performance for the Group's audio-visual products. Plasma, LCD television and DLP projector were all well received by the market, contributing to the Group's revenue. The Group was also delighted by

the growing sales performance of “LG” plasma and LCD televisions. In addition, new products such as “LG” DLP projector were launched during the year to capture the high-end electrical appliance market. Besides, the AV center for the display of plasma, LCD televisions, and projectors has served to attract more customers to try the Group’s products and strengthened its market share.

With regard to other electrical household appliances, the Group has been successfully awarded the Sole Agent of the new “Goldline” gas built-in hob in Hong Kong and Macau from January 2003, bringing a new source of income to the Group. The new “Goldline” gas built-in hob received good market response; however, it did not make contribution to the Group’s revenue since it was launched from the second half of 2003. The “GALA” refrigerators, washing machines, range hoods and dehumidifiers maintained a stable performance.

“**OGENERAL**” VRF System, a new combination of three compressors and power accumulation technology assuring a smooth and efficient operation was launched in 2002. The system gradually gained recognition and popularity in the market, with favourable response from the customers.

### **Project market**

The property market was the most affected under the persistent slowdown of the Hong Kong economy, as revealed by the cutting down on the number of development projects by the property developers, resulting in a tremendous fall in the number of orders from various property developers for air-conditioner installation. Besides, the discouraging conditions in the second-hand market also affected the performance of the household electrical appliance retail business. Prices of the new development projects had been on the decrease, which caused the property developers to urge air-conditioner suppliers to compromise on their pricing of the installation works, resulting in a drop in the Group’s gross profit margin. For the year under review, part of the revenue from completed projects had been realized and the revenue of some uncompleted projects will be recognized in the coming years. As at 31 March 2003, the Group had on hand total contract sum amounted to approximately HK\$44,600,000.

### **Business in the PRC**

During the year under review, the competition of the electrical appliance market in the PRC remained fierce. The sale of “**OGENERAL**” air-conditioners manufactured in Shanghai was affected as the manufacturer Fujitsu General’s Shanghai factory insisted to use the quality raw materials and components and this resulted in a high procurement cost borne by the Group. In addition, the keen competition in the market was intensified by the reduction of prices by the local manufacturers, which restrained the Group’s viability in the PRC market, within which it concentrated its business, and directly hampered its performance. The Group’s operation in the PRC experienced a loss during the year under review, the overall performance of the Group in the year under review was thus directly affected.

The Group had been engaging in distribution business in the PRC for 5 years since April 1998. However, the rate of return had been growing at a slow pace, and the investment return period was therefore much lengthened, which resulted in discouraging performance. Thus, the Group reviewed and reorganized businesses in the PRC.

## PROSPECTS

The poor economic situation, coupled with the high unemployment rate will continue to hamper the recovery of the local consumption in the retail market. In particular, although SARS epidemic lasting for 2 months was over, its impact is longstanding and represents another burden to the economic recovery. The Group, therefore, believes that its performance will be affected, to a certain extent, in the short run. Hence, the Group looks forward to the economic recovery of Hong Kong.

Looking ahead, the Group plans to diversify its product mix in order to attain a balanced product portfolio and income source to guard against fluctuations in market demand. The Group looks forward to the gradual stabilizing of the property market and the second-hand property market in the short run, which would increase the contribution from the installation works to its revenue. The Group intends to introduce new products "Goldline" gas built-in hob and the "LG" Plasma and LCD television models to its projects so as to diversify its development.

The Group will also capitalize on its strong brand recognition in order to retain market share and maintain a steady performance. Therefore, the Group will continue to boost the brand name "GENERAL" in the electrical appliance market in Hong Kong and establish partnership with dealers. In addition, the Group strongly believes that by providing comprehensive sales and after-sales support to customers and dealers is one of the key elements to remain competitive.

In accordance with the "Closer Economic Partnership Arrangement" signed by Hong Kong and the PRC, 90% of the Hong Kong Origin products can enjoy the "Zero Import Tariff" arrangements, promoting their price competitiveness. Enjoying the first-mover advantage given by the PRC on implementing the "Zero Import Tariff" arrangements first in Hong Kong, the Hong Kong companies can become the sole retailers and traders in the PRC. Hong Kong, therefore, is made privileged over other countries. The Group is going to have careful marketing analysis and research in advance for differentiating the appropriate opportunities and capturing them correspondingly by leveraging on its inherent professional knowledge and management experience that would enable the Group to further consolidate its position in the local market and restructure its sales network in the PRC.

## EMPLOYMENT, TRAINING, DEVELOPMENT AND REMUNERATION POLICY

As at 31 March 2003, the Group employed approximately 135 employees, of which about 127 in Hong Kong and 8 in the PRC.

The remuneration policy and package of the Group's employees are based on industry's practices. In addition, discretionary bonus and other merit payments are linked to the profit performance of the Group and individual performance as recognition and reward for value creation. Its staff benefits, welfare and statutory contributions if any, are made in accordance with prevailing labor laws of its operating entities.

## 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 year under review, the Group generated a net cash inflow from operating activities of approximately HK\$57,186,000 as compared to a net cash inflow of HK\$84,756,000 in the corresponding period last year. The Group obtained additional funding from short term bank loans of about HK\$56,075,000 and repaid bank loans of about HK\$71,963,000 during the year. As at 31 March 2003, the current ratio of the Group was 4.6 times.

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 THE CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

**PUBLICATION OF THE FINAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

The financial and other information required by Paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the year under review, the Company repurchased a total of 32,526,000 shares (before the share consolidation) of HK\$0.01 each of the Company on the Stock Exchange of Hong Kong Limited, all of which were cancelled. The repurchase of the Company's shares during the year 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. Saved as disclosed above, the Company did not redeem any of its listed securities during the year under review. Neither the Company, nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year ended 31 March 2003.

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

HKSAR, 24 July 2003

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of Alpha General (Holdings) Limited (the "Company") will be held at 10:00 a.m. on 28 August 2003 (Thursday) at Salon 3, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong for the following purposes:

1. To adopt the Audited Financial Statements together with the Report of the Directors and the Report of the Auditors for the year ended 31 March 2003.
2. (a) To re-elect the following retiring Directors as Directors:
  - (i) Dr. Wu Shu Chih, Alex
  - (ii) Mr. Chan Kai Kwok
- (b) To authorise Directors to appoint any person as a Director either to fill a casual vacancy or as an addition to the existing Board of Directors.
3. To approve and fix Directors' fee.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.

By Order of the Board  
**Tang Chi Chuen**  
*Company Secretary*

HKSAR, 24 July 2003

*Notes:*

- (a) A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote for him in accordance with the Company's Bye-laws. A proxy need not be a Member.
- (b) To be valid, forms of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's principal office in Hong Kong as follows not less than 48 hours before the time fixed for holding the Meeting or at any adjournment thereof.
- (c) The Register of Members of the Company will be closed from 22 to 28 August 2003, both days inclusive, during which period no transfer of shares will be effected. In order to be a member of the Company entitled to attend and vote at the annual general meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 21 August 2003.

*Principal Office in Hong Kong:*  
Room 1503, Dominion Centre  
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Hong Kong

Please also refer to the published version of this announcement in The Standard dated on 25-07-2003.