



## 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 2003

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 2003 together with comparative figures for the corresponding period of 2002 are as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

	NOTES	Six months ended	
		30.9.2003 HK\$'000 (Unaudited)	30.9.2002 HK\$'000 (Unaudited) (Restated)
Turnover	3	113,778	219,266
Cost of sales		(85,827)	(167,461)
Gross profit		27,951	51,805
Other operating income		1,299	632
Interest income		1,020	4
Distribution costs		(8,064)	(14,972)
Allowance for doubtful debts		(9,263)	(547)
Administrative expenses		(21,178)	(33,108)
(Loss) profit from operations	4	(8,235)	3,814
Finance costs		(411)	(858)
(Loss) profit before taxation		(8,646)	2,956
Taxation	5	(115)	(1,350)
Net (loss) profit for the period		(8,761)	1,606
Dividends	6	—	—
(Loss) earnings per share	7		
– Basic		(4.51) cents	0.82 cent
– Diluted		N/A	0.82 cent

Notes:

**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 Society of 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 2003, except as described below.

In the current interim period, the Group has adopted 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 basis 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. As a result of this change in policy, the opening balance on accumulated profits at 1 April 2003 has been increased by HK\$517,000 (1 April 2002: HK\$400,000). The loss for the six months ended 30 September 2003 have been increased by HK\$115,000 (six months ended 30 September 2002: net profit decreased by HK\$121,000).

**3. TURNOVER AND SEGMENT INFORMATION**

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

	Six months ended 30.9.2003			Six months ended 30.9.2002		
	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 (Restated)
Turnover	<u>103,237</u>	<u>10,541</u>	<u>113,778</u>	<u>182,142</u>	<u>37,124</u>	<u>219,266</u>
Results	<u>(8,312)</u>	<u>77</u>	<u>(8,235)</u>	<u>5,281</u>	<u>(1,467)</u>	<u>3,814</u>

**4. (LOSS) PROFIT FROM OPERATIONS**

(Loss) profit from operations has been arrived at after charging (crediting):

	Six months ended	
	30.9.2003 HK\$'000	30.9.2002 HK\$'000
Depreciation	1,438	1,650
Loss (gain) on disposal of property, plant and equipment	<u>169</u>	<u>(8)</u>

**5. TAXATION**

	Six months ended	
	30.9.2003 HK\$'000	30.9.2002 HK\$'000 (Restated)
The charge comprises:		
Hong Kong Profits Tax for current period	-	897
Underprovision of tax in other jurisdictions in the prior years	-	332
Deferred taxation		
- Current period	35	121
- Attributable to the change in tax rate	<u>80</u>	<u>-</u>
	<u>115</u>	<u>1,350</u>

## ALPHA GENERAL (HOLDINGS) LIMITED

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the period. The charge comprises Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period ended 30 September 2002.

In March 2003, the Hong Kong government proposed that the rate for Hong Kong Profits Tax be increased to 17.5% with effect from the year of assessment 2003/2004, which was passed by the Legislative Council on 25 June 2003. This increase is taken into account in the preparation of the Group's 2003 interim financial report.

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

In addition to the amount charged to the income statement, deferred taxation relating to the revaluation of the Group's properties on acquisition has been charged directly to reserves.

### 6. DIVIDENDS

The directors do not recommend the payment of any interim dividend (2002: Nil).

### 7. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.9.2003</b>	30.9.2002
	<b>HK\$'000</b>	HK\$'000
		(Restated)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
Net (loss) profit for the period	<u><b>(8,761)</b></u>	<u>1,606</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>194,165,900</b>	195,761,097
Effect of dilutive potential ordinary shares:		
Share options	<u>N/A</u>	<u>312,000</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u><b>N/A</b></u>	<u>196,073,097</u>

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the period ended 30 September 2002 has been adjusted for the share consolidation on 28 January 2003.

The computation of diluted loss per share for the six months ended 30 September 2003 does not assume the exercise of the share options since their exercise would result in a reduction in loss per share.

## INTERIM RESULTS

For the six months ended 30 September 2003, turnover was approximately HK\$113,778,000, representing a decrease of approximately 48.1% from the corresponding period last year (2002: HK\$ 219,266,000). Loss attributable to shareholders was approximately HK\$8,761,000 (2002: Profit attributable to Shareholders: HK\$1,606,000). Loss per share was 4.51 HK cents (2002 Earnings per share: 0.82 HK cent).

## BUSINESS REVIEW

During the period under review, the performance of the Group was adversely affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS"). Coupled with the war between USA and Iraq, the pace of global economic recovery remained sluggish.

Since the peak season of the consumption of air conditioner coincided with the period of the outbreak of SARS, the turnover of air conditioner was seriously hampered. On the other hand, the sales of window-type air conditioner was able to increase slightly in the adverse environment.

Despite the unfavorable environment, the drop in the turnover was controlled by the established brand equity and effective cost control measures like reviewing cost structure. On the other hand, the Group also diversified its product mix, such as "Goldline" gas built-in hob, "LG" LCD television, "LG" Plasma, "GALA" refrigerator and washing machine, in order to attain a balanced product portfolio and income source.

During the period under review, Hong Kong remained as the principal market for the Group. Regarding the PRC market, the distribution of products was focused in Guangdong.

### **Business in Hong Kong and Macau**

The confidence of customers dropped because of the outbreak of SARS and the high unemployment rate. According to information released by the Census and Statistics Department, the Composite Consumer Price Index in the period was lower when compared to the corresponding period last year. The retail sales were also damaged during the period of SARS. For instance, the retail sales were down by 15.2% in value or 12.2% in volume in April 2003 as compared to the same month last year.

The turnover in Hong Kong and Macau amounted to HK\$103,237,000 (2002: HK\$182,142,000), representing a decrease of approximately 43.3% when compared with the corresponding period last year.

### **Business in the PRC**

Regarding the PRC market, pursuant to the Group's plan for strategic re-allocation of the resources, it will continue to focus on the distribution of products in Guangdong.

The competition was intense in the PRC. The domestic suppliers flooded the market with low-priced products. At the same time, the large foreign and joint venture manufacturers possessed cost advantage because of economies of scale. The Group's product was not in a good position to reduce the price as the manufacturer, Fujitsu General, insisted on high quality materials which eventually increased the manufacturing cost. Turnover decreased by approximately 71.6% as compared with the same period last year.

### **Retail market**

#### *Air conditioner*

Alpha General captured the market by selling air conditioners that were tailored for diverse markets. The "OGENERAL" air conditioner, which targeted medium-to-high customers, remained one of the most popular brands in Hong Kong. The sales of window-type air conditioner attained satisfactory performance amid the economic downturn during the period.

The rising concerns on energy conservation and environmental protection stimulated the Group to develop air conditioner that is environmental friendly. The "OGENERAL" VRF system that was launched in 2002 secured several new projects in the period. Another new model of "OGENERAL" air conditioner was launched 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 operation of 35 db. The market well received this new product.

#### *Audio-visual products*

Once soccer betting became legal, people were more interested in watching football matches. In order to attain a higher visual quality, people tended to replace their original television set by plasma or LCD television. A higher demand for plasma and LCD television was created. The sales performance of "LG" Plasma and "LG" LCD television was on the rise during the period on the back of the football frenzy. In order to capture the high-end market, the Group launched a series of new AV products – "LG" 44-inch DLP projection TV and the world's first and slimmest 40-inch projection TV. In addition, the new display center in Grand Century Place attracted more customers to try the Group's products and strengthened its market share.

#### *Other electrical household appliances*

The Group has been awarded the Sole Agent of the new "Goldline" gas built-in hob in Hong Kong and Macau since January 2003. The gas built-in hobs were launched in the market in the second half of 2003. The sales performance was satisfactory. In addition, the "GALA" refrigerator, washing machine, dryer, range hood, dehumidifier and air purifier maintained a stable performance during the period.

## **Project market**

Project business includes providing quality products and services for property developer, contractor, government organization, hospital and school. The “OGENERAL” air conditioner is the preferred choice of corporate clients. The reduced public housing construction and the not yet recovered property market affected the performance. As at 30 September 2003, the Group had on hand total contract sum amounted to approximately HK\$44,700,000.

## **PROSPECTS**

With SARS and war at Iraq coming to an end, Hong Kong is running out of the shadow. Favorable factors like the relaxation of the restriction for the visitors from the PRC and the lowering unemployment rate simulated retail sales in Hong Kong. The property market also showed revival.

Looking forward, the Group planned to diversify its product mix in order to attain a balanced product portfolio and income source. The new model of “OGENERAL” air conditioner and “LG” Plasma, DLP and LCD projection TV were expected to generate new sources of income. The new energy saving series of “OGENERAL” inverter ceiling wall split type air conditioner, will be launched in March 2004. Several features are distinctive, including self-cleaning filter, UV sterilization lamp, negative ion generator.

In addition, the Group will keep on identifying new investments related to new technology to capitalize on additional business opportunities. The Group also expected that the gradual stabilizing of the property market and the second-hand property market would increase the contribution of the project market.

In view of the Group’s operation in the PRC, the Group will exercise prudent management measures and focus its operation in Guangdong, the PRC. The Group endeavors to generate promising return to its shareholders and the Group as a whole.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 September 2003, the Group employed approximately 115 employees, of which about 110 in Hong Kong and 5 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 six months ended 30 September 2003, the Group generated a net cash inflow from operating activities of approximately HK\$8 million as compared to a net cash inflow of HK\$19 million in the corresponding period last year. As at 30 September 2003, the current ratio of the Group was 6.8.

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 2003.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period under review, the Company has not redeemed any of its securities. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September 2003.

## 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, 15 December 2003

*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 Standard dated on 16-12-2003.