



ALPHA GENERAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

AMENDMENT OF THE DISTRIBUTORSHIP AGREEMENT FOR MAINLAND CHINA

Pursuant to the Company's plan for strategic re-allocation of the Group's resources, it has decided to focus on the distribution of the Products in Guangdong and withdraw from the distribution of the Products in other parts of Mainland China. Alpha Appliances entered into an Amendment Agreement with FGL to amend the Mainland Distributorship Agreement to give effect to this.

The Company's management believes that in the circumstances the focus of distribution of the Products in Guangdong provides a platform for sale performance and the withdrawal of distribution operations in other parts of Mainland China will avoid operational losses. They are therefore in the interest and benefit of the Company and its shareholders.

The Company's management believes that the Group's distribution of products in Hong Kong and Macau is not affected by the above-mentioned Amendment Agreement to the Mainland Distributorship Agreement. In particular the Group's distribution of air-conditioners in Hong Kong and Macau (which constitutes the Group's core business) is governed by the exclusive distributorship agreement dated 1st October 1978 made between Alpha Appliances and FGL. Alpha Appliances has maintained the exclusive distributorship under such agreement with FGL for over 24 years. The Group's management is not aware of any circumstances that might lead to any adverse effect on such exclusive distributorship in Hong Kong and Macau.

1. Amendment of the Mainland Distributorship Agreement

The Company announces that pursuant to its plan for the strategic re-allocation of the Group's resources its management has decided to focus on the distribution of the Products in Guangdong of Mainland China and to withdraw from the distribution of the Products in the other parts of Mainland China. Accordingly Alpha Appliances entered into an Amendment Agreement dated 7th January 2003 with FGL by which the Mainland Distributorship Agreement was amended to the effect that the Territory covered by the Mainland Distributorship Agreement in respect of the Products is Guangdong instead of Mainland China. The amended Mainland Distributorship Agreement provides that upon mutual agreement of the parties it may be renewed or extended for successive terms after its stated expiration date on 31st August 2003.

2. Reasons for and benefit of the amendment

Prior to such amendment of the Mainland Distributorship Agreement the Group operated in Mainland China (in addition to Guangdong) principally in Jiangsu Province, Zhejiang Province and Shanghai. Competition in Mainland China in the sale of air-conditioners is intense both in terms of pricing and market share. The domestic suppliers of air-conditioners have flooded the market in Mainland China with low-priced products in order to obtain market share and alleviate the over-stocking of inventories. The products supplied by our supplier for sale in Mainland China, as they were quality products, carried prices which, in the view of the Company's management, were not competitive with those offered by the domestic suppliers. The Group's distribution of the Products in Mainland China was inhibited by a lack of flexibility to acknowledge the market demand for competitively priced air-conditioners within a price range preferred by the consumers.

Set out below is a comparative table showing segment information about the turnover and the contribution to profits derived from the Group's operations in Mainland China (including Guangdong and other parts of Mainland China) (expressed in terms of approximate percentages of the Group's total turnover and profits from operations respectively for the relevant periods). This table is computed on the basis of the relevant figures as reported in the audited financial statements of the Group for the 3 years ended on 31st March of 2000, 2001 and 2002 respectively and the unaudited financial report for the 6-month period ended on 30th September 2002.

	Six months ended 30.9.2002	2002	2001	2000
Turnover	17%	30%	28%	28%
Contribution to profit from operations (see Note 1)	0% (see Note 2)	10%	16%	14%

(Note 1: This profit was before taxation and finance costs.)

Note 2: Loss to the extent of HK\$1,467,000 was attributable to operations in Mainland China in the 6 months ended 30.9.2002.)

It is discernible from the above table that, as far as the Group's operations in Mainland China were concerned, the contribution to profits from operations of the Group was disproportionate to the turnover to an appreciable extent. This is principally due to the fact that the operation of such distribution networks in Mainland China incurred heavy overheads and other resources of the Group. In the current circumstances the Company's management believes that the continued distribution operations in Mainland China other than Guangdong will involve the Group in operational losses and therefore their discontinuance is in the commercial interest and benefit of the Company and its shareholders.

3. Continued distribution business in Guangdong Province

The Group continues its distribution of the Products in Guangdong pursuant to the above-mentioned amended Mainland Distributorship Agreement. The Group's sale network in Guangdong is well established. Hong Kong's cultural, ancestral and linguistic bonds with Guangdong and its people make this province stand out as a platform for sale performance of the Products by the Group. There are distinct logistic advantages in supporting such operations from Hong Kong, particularly in view of Hong Kong's economic penetration into and gradual integration with the economic development of the Pearl River Delta region. These factors offset the adverse factors experienced in the distribution of the Products in the other parts of Mainland China. The Company's management therefore believes that it is in the interest of the Company to re-allocate its resources to conduct its Mainland China business in Guangdong.

4. No effect on Hong Kong and Macau distributions

The Company's management believes that the Group's distribution of products in Hong Kong and Macau is not affected by the above-mentioned Amendment Agreement to the Mainland Distributorship Agreement. In particular the Group's distribution of air-conditioners in Hong Kong and Macau (which constitutes the Group's core business) is governed by the exclusive distributorship agreement dated 1st October 1978 made between Alpha Appliances and FGL. Alpha Appliances has maintained the exclusive distributorship under such agreement with FGL for over 24 years. The Group's management is not aware of any circumstances that might lead to any adverse effect on such exclusive distributorship in Hong Kong and Macau.

The Group's distributions of other products in Hong Kong and Macau is governed by different distribution agreements with FGL and in some cases the applicable distribution agreements (for appliances other than air-conditioners) are with other suppliers. The Group's distributions of appliances in Hong Kong and Macau is well established and operate in very different business environment from that prevailing in Mainland China.

5. Definitions

In this announcement, the following expressions have the meanings respectively given to them below:-

"Alpha Appliances"	means	Alpha Appliances Limited, a subsidiary of the Company.
"FGL"	means	Fujitsu General Limited (a public company incorporated in Japan) which, by itself or its group companies, supplies the Products to Alpha Appliances.
"Group"	means	the Company and its subsidiaries
"Guangdong"	means	the Guangdong Province (廣東省) of the People's Republic of China
"Mainland China"	means	the People's Republic of China (excluding Taiwan, Macau and Hong Kong)
"Mainland Distributorship Agreement"	means	the Distributorship Agreement dated 2nd December 1996 made between FGL and Alpha Appliances whereby, subject to and in accordance with its terms, FGL appointed Alpha Appliances as the exclusive distributor of G-General brand window and split type air-conditioners in the Territory (which expression, as therein defined, comprises of Mainland China).
"Products"	means	"GGENERAL" brand air-conditioners manufactured and assembled by Fujitsu General (Shanghai) Co., Ltd., a group company of FGL.

For and on behalf of the Board
Alpha General (Holdings) Limited
Chu Ka Lok, Peter
Chairman