



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

The directors of Asia Aluminum Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2002, together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

		Six months ended	
		31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) HK\$'000
	Notes		
TURNOVER	3	1,106,728	942,318
Cost of sales and services provided		<u>(811,795)</u>	<u>(685,063)</u>
Gross Profit		294,933	257,255
Gain on disposal of discontinued operation		–	8,740
Gain on partial disposal of interests in a subsidiary	4	52,400	–
Other revenue		39,399	19,338
Selling and distribution costs		(22,673)	(18,052)
Administrative expenses		(63,941)	(56,359)
Other operating expenses		<u>(8,110)</u>	<u>(14,724)</u>
PROFIT FROM OPERATING ACTIVITIES	5		
Continuing operations		292,008	187,708
Discontinued operations		<u>–</u>	<u>8,490</u>
Finance costs	6	292,008 <u>(20,920)</u>	196,198 <u>(24,840)</u>
PROFIT BEFORE TAX		271,088	171,358
Tax	7	<u>(44,164)</u>	<u>(40,866)</u>
PROFIT AFTER TAX		226,924	130,492
Minority interests		<u>(49,143)</u>	<u>(33,742)</u>

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>177,781</u>	<u>96,750</u>
DIVIDENDS	8	<u>63,683</u>	<u>22,804</u>
		<i>HK cents</i>	<i>HK cents</i>
EARNINGS PER SHARE	9		
Basic		<u>7.43</u>	<u>4.32</u>
Diluted		<u>7.11</u>	<u>4.03</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements (“financial statements”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the financial statements are consistent with those used in the Group’s annual financial statements for the year ended 30 June 2002 except as described below.

In the current period, the Group has adopted, for the first time, a number of revised and new SSAPs as follows:

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 revised and new SSAPs has resulted in the adoption of the following revised and new accounting policies and changes in the presentation of cash flow statement and the statement of changes in equity.

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s overseas subsidiaries are translated at the exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognized as income or expense in the period in which the Group’s overseas subsidiaries are disposed of.

Under SSAP 15 (Revised), cash flows are now classified under three headings including operating, investing and financing activities. Interests and dividends paid which were previously presented under a separate heading are now classified as operating and financing cash flows respectively, whereas interests and dividends received are now classified as investing cash flows. Cash flows arising from taxes on income are now classified as operating activities, unless they can be separately identified with investing and financing activities.

The adoption of these revised and new accounting policies had no material effect on the financial results for the current or prior accounting period except that certain comparatives presented have been restated to conform to the new disclosure requirements.

3. SEGMENT INFORMATION

(a) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

Six months ended 31 December 2002							
Group	Continuing operations					Discontinued operations	Total HK\$'000
	Aluminum extrusion products HK\$'000	Stainless steel products HK\$'000	Aluminum panels HK\$'000	Design and testing services HK\$'000	E-commerce business operations HK\$'000	Environmental protection products HK\$'000	
Segment revenue:							
Sales to external customers	979,903	46,751	67,551	12,523	-	-	1,106,728
Other revenue	3,301	-	-	-	-	-	3,301
Total	<u>983,204</u>	<u>46,751</u>	<u>67,551</u>	<u>12,523</u>	<u>-</u>	<u>-</u>	<u>1,110,029</u>
Segment results	<u>170,405</u>	<u>440</u>	<u>34,374</u>	<u>10,395</u>	<u>(3,124)</u>	<u>-</u>	<u>212,490</u>
Interest and unallocated gains							88,498
Unallocated expenses							(8,980)
Profit from operating activities							292,008
Finance costs							(20,920)
Profit before tax							271,088
Tax							(44,164)
Profit before minority interests							226,924
Minority interests							(49,143)
Net profit attributable to shareholders							<u>177,781</u>

Six months ended 31 December 2001							
Group	Continuing operations					Discontinued operations	Total HK\$'000
	Aluminum extrusion products HK\$'000	Stainless steel products HK\$'000	Aluminum panels HK\$'000	Design and testing services HK\$'000	E-commerce business operations HK\$'000	Environmental protection products HK\$'000	
Segment revenue:							
Sales to external customers	780,431	82,113	64,285	12,627	2,862	-	942,318
Other revenue	1,396	-	-	-	-	-	1,396
Total	<u>781,827</u>	<u>82,113</u>	<u>64,285</u>	<u>12,627</u>	<u>2,862</u>	<u>-</u>	<u>943,714</u>

Segment results	<u>138,031</u>	<u>1,185</u>	<u>26,805</u>	<u>10,481</u>	<u>(1,307)</u>	<u>(250)</u>	174,945
Interest and unallocated gains							26,682
Unallocated expenses							<u>(5,429)</u>
Profit from operating activities							196,198
Finance costs							<u>(24,840)</u>
Profit before tax							171,358
Tax							<u>(40,866)</u>
Profit before minority interests							130,492
Minority interests							<u>(33,742)</u>
Net profit attributable to shareholders							<u>96,750</u>

(b) Geographical segments

In determining the group's geographical segments, revenues and profit from operating activities are attributed to the segments based on the location of the customers.

Six months ended 31 December 2002						
Group	Hong Kong <i>HK\$'000</i>	Elsewhere in the PRC <i>HK\$'000</i>	North America <i>HK\$'000</i>	Asia Pacific, excluding the PRC and Hong Kong <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	<u>149,916</u>	<u>856,753</u>	<u>28,547</u>	<u>66,315</u>	<u>5,197</u>	<u>1,106,728</u>
Segment results	<u>9,889</u>	<u>186,468</u>	<u>1,883</u>	<u>13,907</u>	<u>343</u>	<u>212,490</u>
Six months ended 31 December 2001						
Group	Hong Kong <i>HK\$'000</i>	Elsewhere in the PRC <i>HK\$'000</i>	North America <i>HK\$'000</i>	Asia Pacific, excluding the PRC and Hong Kong <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	<u>116,601</u>	<u>700,041</u>	<u>29,526</u>	<u>87,638</u>	<u>8,512</u>	<u>942,318</u>
Segment results	<u>3,008</u>	<u>154,025</u>	<u>762</u>	<u>16,931</u>	<u>219</u>	<u>174,945</u>

4. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN A SUBSIDIARY

In accordance with the contractual arrangement underlying the disposal of a 26.2% of equity interest in Asia Aluminum Group Limited ("AAG") to Indalex UK Limited ("Indalex"), the disposal consideration entitled to by the Company will be increased based on the attainment by AAG and its subsidiaries ("AAG Group") of certain financial thresholds for the financial years ended 30 June 2001, 30 June 2002 and ending 30 June 2003 respectively.

Subsequent to the period end, Indalex has agreed that the AAG Group has attained the financial thresholds for the financial year ended 30 June 2002 and an additional consideration of HK\$52,400,000 has been paid to the Company accordingly.

5. PROFIT FROM OPERATING ACTIVITIES

	Six months ended	
	31/12/02	31/12/01
	HK\$'000	HK\$'000
Profit from operating activities is arrived at after charging the following:		
Depreciation of		
Owned fixed assets	35,502	26,928
Leased fixed assets	2,194	2,303
	<u>37,696</u>	<u>29,231</u>

6. FINANCE COSTS

	Six months ended	
	31/12/02	31/12/01
	HK\$'000	HK\$'000
Interest on:		
Bank and other loans wholly repayable within five years	19,930	22,011
Finance leases	472	1,571
Convertible bonds	518	1,258
	<u>20,920</u>	<u>24,840</u>

7. TAX

	Six months ended	
	31/12/02	31/12/01
	HK\$'000	HK\$'000
Current period provision outside Hong Kong	44,164	40,866
Deferred tax	—	—
	<u>44,164</u>	<u>40,866</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits from its operations in Hong Kong during the six months ended 31 December 2002 (2001: Nil). Taxes on profits assessable elsewhere have been calculated at the appropriate rates of taxation in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

During the six months ended 31 December 2002, provisions for PRC income tax have been made at the applicable rate for the PRC subsidiaries.

8. DIVIDENDS

The directors have declared an interim dividend of HK1.5 cents (2001: HK1.0 cent) and a special dividend of HK1.0 cent per share (2001: Nil) to be paid to the shareholders of the Company whose names appear on the Register of Members on 7 April 2003.

9. EARNINGS PER SHARE

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

	Six months ended	
	31/12/02 HK\$'000	31/12/01 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share calculation (net profit for the period)	177,781	96,750
Effect of dilutive convertible bonds	<u>347</u>	<u>2,102</u>
Earnings for the purpose of diluted earnings per share	<u>178,128</u>	<u>98,852</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	2,391,912,092	2,239,455,046
Effect of dilutive share options	44,118,651	12,091,540
Effect of dilutive convertible bonds	<u>69,048,361</u>	<u>199,284,712</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,505,079,104</u>	<u>2,450,831,298</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Operating Review

The rapid development of the aluminum market has set strong momentum and the Group is able to deliver encouraging results for the period through concerted effort with clear focus on identified market segments and the leverage on highly competitive cost base in the PRC. The increasing demand in aluminum products for our markets has created emerging business opportunities for the Group to sustain its growth. The continuing introduction and application of newly innovated products in diversified industries and the increase in production capabilities have reinforced the Group's position to maintain its leadership as the largest aluminum extruder in Asia.

(a) Operating results for the period

With the full contribution by the two operating subsidiaries acquired in late 2001, the Group's turnover increased by 17% to HK\$1,107 million over the last period. The Group maintained a stable gross profit margin through persistent cost control and enhancement of product mix. The overall margin during the period was 27% and amounted to HK\$295 million.

The operating profit during the period increased by 56% to HK\$292 million and the net profit attributable to shareholders increased by 84% to HK\$178 million which included an additional profit of HK\$52 million derived from the disposal by the Company of a 26.2% interest in its major subsidiary, Asia Aluminum Group Limited ("AAG") in June 2001. Factoring out this, the net profit attributed to core business for the period was HK\$126 million, and represented an increase of 43% from last period.

(b) *Dynamics of the business*

Turnover from the manufacture and sales of aluminum products has recorded a remarkable increase in the period as a result of the robust growing domestic demand in the PRC and the diversification of product portfolio on high-end products with complex application. The turnover during the period amounted to HK\$1,047 million and represented an increase of 24% from the last corresponding period. The margin has been kept relatively stable with an improving trend.

The stainless steel market in the PRC is highly fragmented and is dominated by a few market players. The operating environment for the manufacturing and sales of stainless steel was very competitive. The Group has slowed down its stainless steel operation due to the unattractive returns. The sales of stainless steel products declined 43% to HK\$47 million over the period.

Growth of production capacity

The Group's current annual total production capacity is 140,000 metric tons, which represents a 17% increment from the last balance sheet date. This has been achieved by means of full integration of the two newly acquired operating subsidiaries and the upgrading in production facilities. The Group will continuously reinvest the funds generated from operations to maintain an organic growth rate at least 10% per annum.

Business sales

The PRC continues to be the Group's largest and the most promising market. Benefiting from the PRC's continuous GDP growth, orders from infrastructure and landmark property development projects are in the pipeline. The Group has secured aluminum extrusion and panel supply contracts for Beijing Grand Opera House, Hangzhou Opera House, Guangzhou Huadu New Airport, People's Great Hall refurbishment, Shanghai Walton Plaza and Shanghai Xintiandi. Supply Contracts with key reefer container manufacturers in the PRC have also been awarded recently.

In Hong Kong, the Group has obtained supply contracts for The Science Park, the redevelopment project in Mongkok "Bird Street", Enterprise Square III at Kowloon Bay, Kowloon Station Phase II, Thomson Road Development and a number of supply contracts are currently under negotiation, eg Mega Tower, AIG Centre, The Disneyland Park.

The supply of aluminum extrusion products and panels to Macau Casino Project is under discussion.

Sales to international markets and the PRC domestic market were HK\$250 million and HK\$857 million respectively. It is the Group's strategy to achieve a well-balanced geographical spread and product portfolio to minimize risk exposure. Despite the strong growth in the PRC market, the Group will increase its penetration of so far untapped international markets and is aiming at a 50/50 sales target in a medium term. With regard to the product mix, the Group will further increase the proportion of consumer household and paint-coated products to enhance its profit margins.

The Group will however, pursue the targets flexibly to focus on markets and products offering the most attractive returns and thus to maximize the shareholder's value.

(c) *Employees and remuneration policies*

As at 31 December 2002, the Group employed over 4,400 full time management, administrative and production staff in Hong Kong and the PRC. The remuneration policies of the Group are reviewed on an annual basis and the remuneration package includes medical insurance, pension funds (Mandatory Provident Fund Scheme for the Group's employees in Hong Kong) and bonuses.

(d) *Prospect and future plans*

The outlook for the PRC market is still very promising. The PRC's accession to the WTO has improved business confidence and attracts significant foreign direct investments to enhance its growth. The 2008 Beijing Olympic Games, the 2010 Shanghai World Expo, the China Go-West Policy and the Housing Reform have boosted demand for the infrastructure, transportation facilities and consumer household products which will benefit the Group as a whole. To cope with this, the Group will pursue growth in both vertical and horizontal dimensions by means of acquisitions and organic growth. Currently, the Group has abundant orders on hands and has outsourced some of its orders to a few selected extrusion factories and is trying to identify acquisition targets in due course.

The Group is expecting sales growth in the North American market. Indalex Aluminum Solution Group, our strategic partner, has agreed the Group to handle direct sales orders from North American customers. Given the cost competitiveness of our products, the Group believes that the market shall deliver good performance in the ensuing years.

The Group has been working on the development of a supply chain system to have a better control on the inventories and logistic costs since last year. The phase one of the system has been implemented and the process is ongoing. Negotiations with different smelters and suppliers will be finalized in the next few months and this will achieve cost-savings in respect of the material procurement and production cost in the fiscal year 2003 onwards.

The Group has five factories locating in different parts of Nanhai District in Guangdong Province, the PRC, and is now cautiously considering the centralization and moving into one single production complex. The Group also believes that the move can further enhance the cost control and operating efficiency.

It has been the Group's corporate policy to maximize the return to its shareholders. In the medium term, the Group will focus on sales in the premium sectors with higher margin in construction, transportation and consumer market to realize our superior production quality and ability. In a long run, the Group will look for a healthy bilateral growth in the production capacity and the global market penetration.

The Financial Review

(a) *Attributable Return to Shareholders and Dividend Policy*

Basic earnings per share ("EPS") for the period were HK7.43 cents, compared to HK4.32 cents in the last period. In order to maintain a growth and avoid possible dilution in the EPS as a result of issue of new shares arising from exercise of share options, the Board of Directors has decided not to issue any new share options in the next 12-month period.

The Group adopts a consistent dividend payment policy. The annual payout ratio has been more than 40% since 2001. The Board has declared the payment of an interim dividend of HK1.5 cents per share and a special dividend of HK1.0 cent per share to the shareholders of the Company whose names appear on the Register of Members of the Company on 7 April 2003. The dividend warrants will be dispatched on or before 14 April 2003.

(b) Capital Structure and Treasury Policy

The Group has maintained a strong and stable financial position. As at 31 December 2002, the Group had total assets of approximately HK\$4,006 million, comprising non-current assets of approximately HK\$886 million and current assets of approximately HK\$3,120 million, which were financed by current liabilities, non-current liabilities, minority interest and shareholders' funds of approximately HK\$1,231 million, HK\$325 million, HK\$524 million and HK\$1,926 million respectively.

The outstanding balance for the convertible bonds ("CBs") was reduced to HK\$10 million as at 31 December 2002 from HK\$41 million as at 30 June 2002 after the conversion made by The SCM Growth Fund II L.P. during the period. The conversion resulted in an increase in share capital and share premium of HK\$6 million and HK\$25 million respectively. As at the date of this announcement, all the outstanding CBs have been converted into ordinary shares resulting in a further increase in share capital and share premium of HK\$2 million and HK\$8 million respectively.

The three-year syndicated loans will be falling due in January 2004, and the Group is currently reviewing the repayment of the whole sum.

As at 31 December 2002, the Group's cash and bank balances and total borrowings were approximately HK\$1,639 million and HK\$880 million respectively. The Group's consolidated net cash as at 31 December 2002, being cash and bank deposits less bank borrowings, amounted to HK\$759 million as compared to HK\$543 million as at 30 June 2002. Most of the bank deposits are denominated in Renminbi.

(c) Liquidity and Financial Resources

The Group's liquidity position remains strong with available undrawn bank facilities together with bank deposits of HK\$574 million and HK\$1,639 million respectively as of 31 December 2002. The ample financial resources available to the Group will provide adequate funding for the Group's operational requirements and also put us in a favourable position for further expansion, including potential acquisitions.

As at 31 December 2002, the Group had aggregate banking and credit facilities in respect of overdrafts, short term loans, trade financing and finance leases of approximately HK\$1,169 million and were secured by certain of the Group's tangible fixed assets with net book value totaling HK\$6 million and bank deposits of approximately HK\$113 million. In addition, the Company has provided corporate guarantee for a total amount of HK\$703 million. The Group had utilized a total of approximately HK\$559 million of the aforesaid banking and credit facilities as at the same date.

The debt to equity ratio (debt/shareholders' funds) of the Group as at 31 December 2002 was 46%, being the same level of last year. The current ratio was 2.5 at as 31 December 2002. Of total borrowings as of 31 December 2002, 63% is repayable within one year and 37% is repayable within two to five years.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3 April 2003 (Thursday) to 7 April 2003 (Monday), both dates inclusive. During such period, no transfer of shares will be effected.

Shareholders are reminded that in order to be qualified for the interim dividend and the special dividend, all completed transfer forms accompanied by the relevant certificates must be lodged with the branch registrar of the Company in Hong Kong, Hong Kong Registrars Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 2 April 2003 (Wednesday).

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2002, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 December 2002, in compliance with the Code of Best Practice ("Code of Best Practice") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except that the independent non-executive directors of the Company are not appointed for specific term but are subject to retirement by rotation at the annual general meeting. In the opinion of the directors, this meets with the same objective of the Code of Best Practice.

AUDIT COMMITTEE

To comply with the Code of Best Practice, the Company has an Audit Committee (the "Committee"). The Committee comprises two members, namely, Messrs. Ma Tsz Chun and Yau Wing Keung, Frankie, both of them are independent non-executive directors of the Company.

The Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31 December 2002. At the request of the Committee, the Group's external auditors have carried out a limited scope financial review of the unaudited interim report. Such limited scope review was not an audit conducted in accordance with the Auditing Standards issued by the Hong Kong Society of Accountants and was less than that specified in the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The Stock Exchange's website – <http://www.hkex.com.hk> and the Company's website – <http://www.asiaalum.com> will contain all the information required by paragraph 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules on or before 31 March 2003.

On behalf of the Board
Dr. Benby Chan
Managing Director

Hong Kong, 18 March 2003

“Please also refer to the published version of this announcement in SCMP”.