



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

The directors of Asia Aluminum Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2003, together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Notes	Six months ended	
		31/12/03 (Unaudited) HK\$'000	31/12/02 (Unaudited) HK\$'000
TURNOVER	3	1,448,564	1,106,728
Cost of sales and services provided		<u>(1,176,555)</u>	<u>(811,795)</u>
Gross profit		272,009	294,933
Other revenue and gains		43,231	39,399
Gain on partial disposal of interests in subsidiaries	4	–	52,400
Selling and distribution costs		(39,542)	(22,673)
Administrative expenses		(62,178)	(63,941)
Provision for bad and doubtful debts		<u>–</u>	<u>(8,110)</u>
PROFIT FROM OPERATING ACTIVITIES	5	213,520	292,008
Finance costs	6	(33,334)	(20,920)
Share of losses of jointly-controlled entities		<u>(4,141)</u>	<u>–</u>
PROFIT BEFORE TAX		176,045	271,088
Tax	7	<u>(55,427)</u>	<u>(44,164)</u>
PROFIT AFTER TAX		120,618	226,924
Minority interests		<u>(37,148)</u>	<u>(49,143)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u><u>83,470</u></u>	<u><u>177,781</u></u>

DIVIDENDS	8	<u>38,389</u>	<u>63,683</u>
		HK cents	HK cents
EARNINGS PER SHARE	9		
Basic		<u>3.16</u>	<u>7.43</u>
Diluted		<u>3.04</u>	<u>7.11</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**1. BASIS OF PREPARATION**

These unaudited condensed consolidated financial statements (“Interim Financial Statements”) have been 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 (“HKSA”), and Appendix 16 of the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

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 2003 except that the SSAP 12 (Revised) “Income Taxes” issued by the HKSA and the accounting policy on joint venture companies have been adopted for the first time in the preparation of the current period’s condensed consolidated financial statements.

SSAP 12 (Revised) prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). The revised SSAP 12 has had no significant impact for these condensed consolidated financial statements on the amounts recorded for income taxes.

3. SEGMENT INFORMATION**(a) Business segments**

The Group’s operating businesses are structured and managed separately, accordingly 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 2003 (Unaudited)					
	Aluminum extrusion products <i>HK\$’000</i>	Stainless steel products <i>HK\$’000</i>	Aluminum panels <i>HK\$’000</i>	Design and testing services <i>HK\$’000</i>	Others <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue:						
Sales to external customers	1,104,032	273,453	54,572	16,507	–	1,448,564
Other revenue	2,094	–	–	–	–	2,094
Total	<u>1,106,126</u>	<u>273,453</u>	<u>54,572</u>	<u>16,507</u>	<u>–</u>	<u>1,450,658</u>
Segment results	<u>129,398</u>	<u>17,877</u>	<u>24,594</u>	<u>13,701</u>	<u>(1,034)</u>	184,536

ASIA ALUMINUM HOLDINGS LIMITED

Interest and unallocated gains	41,137
Unallocated expenses	(12,153)
Profit from operating activities	213,520
Finance costs	(33,334)
Share of losses of jointly-controlled entities	(4,141)
Profit before tax	176,045
Tax	(55,427)
Profit before minority interests	120,618
Minority interests	(37,148)
Net profit from ordinary activities attributable to shareholders	83,470

Six months ended 31 December 2002 (Unaudited)

Group	Aluminum extrusion products <i>HK\$ '000</i>	Stainless steel products <i>HK\$ '000</i>	Aluminum panels <i>HK\$ '000</i>	Design and testing services <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
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>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>	212,490
Interest and unallocated gains						88,498
Unallocated expenses						(8,980)
Profit from operating activities						292,008
Finance costs						(20,920)
Share of losses of jointly-controlled entities						–
Profit before tax						271,088
Tax						(44,164)
Profit before minority interests						226,924
Minority interests						(49,143)
Net profit from ordinary activities attributable to shareholders						<u>177,781</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.

Group	Six months ended 31 December 2003 (Unaudited)					
	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	North America <i>HK\$'000</i>	Asia Pacific, excluding Mainland China and Hong Kong	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
				<i>HK\$'000</i>		
Segment revenue:						
Sales to external customers	<u>81,307</u>	<u>1,199,383</u>	<u>117,645</u>	<u>47,009</u>	<u>3,220</u>	<u>1,448,564</u>
	Six months ended 31 December 2002 (Unaudited)					
Group	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	North America <i>HK\$'000</i>	Asia Pacific, excluding Mainland China and Hong Kong	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
				<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>

4. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES

In accordance with the contractual arrangement underlying the disposal of a 26.2% 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 30 June 2003 respectively.

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

5. PROFIT FROM OPERATING ACTIVITIES

	Six months ended	
	31/12/03 (Unaudited) <i>HK\$'000</i>	31/12/02 (Unaudited) <i>HK\$'000</i>
	Profit from operating activities is arrived at after charging the following:	
Depreciation	<u>35,527</u>	<u>37,696</u>

6. FINANCE COSTS

	Six months ended	
	31/12/03	31/12/02
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank and other loans wholly repayable within five years	26,023	19,930
Finance leases	275	472
Convertible bonds	–	518
	<u>26,298</u>	<u>20,920</u>
Arrangement fees on bank and other loans	7,036	–
	<u>33,334</u>	<u>20,920</u>

7. TAX

	Six months ended	
	31/12/03	31/12/02
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current period provision outside Hong Kong	55,427	44,164
Deferred tax	–	–
	<u>55,427</u>	<u>44,164</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 2003 (2002: 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 2003, provisions for the People's Republic of China (the "PRC") income tax have been made at the applicable rate for subsidiaries operating in the PRC.

8. DIVIDENDS

The directors have declared that an interim dividend of HK1.2 cents (2002: HK1.5 cents) per share be paid to the shareholders of the Company whose names appear on the Register of Members on 19 April 2004.

	Six months ended	
	31/12/03	31/12/02
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed interim dividend of HK1.2 cents (2002: HK1.5 cents) per share	37,399	37,566
Special dividend for 2002 of HK1.0 cent per share	–	25,044
	<u>37,399</u>	<u>62,610</u>
Underaccrual of final dividend for prior year due to exercise of warrants and share options before dividend record date	990	1,073
	<u>38,389</u>	<u>63,683</u>

9. EARNINGS PER SHARE

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

	Six months ended	
	31/12/03 (Unaudited) HK\$'000	31/12/02 (Unaudited) HK\$'000
Earnings		
Earnings (net profit for the period) for the purpose of basic earnings per share calculation	83,470	177,781
Effect of dilutive convertible bonds	–	347
Earnings for the purpose of diluted earnings per share	<u>83,470</u>	<u>178,128</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	2,640,413,552	2,391,912,092
Effect of dilutive share options	49,800,000	44,118,651
Effect of dilutive convertible bonds	<u>56,124,477</u>	<u>69,048,361</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,746,338,029</u>	<u>2,505,079,104</u>

MANAGEMENT DISCUSSION AND ANALYSIS**The Operating Review****(a) Overview**

For the six months period ended 31 December 2003, the Group achieved record half-year sales of HK\$1,449 million, an increase of 31% over the comparable period in 2002 mainly due to high demand in infrastructure and government projects in the PRC.

Turnover contribution based on geographical areas stood at Hong Kong 5% (2002: 14%), Mainland China 83% (2002: 77%), North America 8% (2002: 2%), Asia Pacific (excluding Mainland China and Hong Kong) and others 4% (2002: 7%).

Business segment turnover contribution showed aluminum extrusion and panels at 80% (2002: 95%), stainless steel at 19% (2002: 4%), design and testing services at 1% (2002: 1%).

The Group's overall gross profit margin during the period was 19% amounting to HK\$272 million.

The operating profit during the period decreased by 27% to HK\$214 million and the net profit attributable to shareholders decreased by 53% to HK\$83 million. Excluding the additional gain on partial disposal of interests in subsidiaries of the Company in 2002 of HK\$52.4 million, the net profit attributable to shareholders decreased by 33%.

(b) Divisional Operating Performance*Aluminum Extrusion and Panels*

Turnover during the period amounted to HK\$1,159 million and represented an increase of 11% from the last corresponding period attributed from the growing domestic demand in the PRC and the strong exports to North America.

The gross profit margin during the period decreased from 27% to 20% whilst the aluminum ingot prices increased considerably by about 14% during the period. The Group adopts a cost plus approach to price its products to the effect that the price is quoted according to the

London Metal Exchange ingot spot or forward price plus processing fee and that protects the Group from the risk exposure associated with the fluctuations in aluminum ingot prices. In order to strengthen client relationship and further penetration for defined market segment, we had taken the strategy to absorb part of the increased costs in materials in the first half of financial year 2004.

Stainless Steel

Although the operating environment for the manufacturing and sales of stainless steel was very competitive, the sales increase through process integration and product diversification. Sales of stainless steel products increased 4.8 times to HK\$273 million over the period and the gross profit margin was 9%.

Design and Testing Services

The revenue derived from this division was steady and amounted to HK\$17 million. The Group's testing chamber and facilities have been accredited and qualified to provide value added services for customers in the construction sector.

(c) Human Resources

As at 31 December 2003, 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. The remuneration package adopted by the Group includes share options and discretionary bonuses being granted to eligible staff based on the Group's performance and individual contribution. The Group's staff costs (including directors' emoluments) for the six months ended 31 December 2003 amounted to approximately HK\$54 million (2002: HK\$50 million).

(d) Future plans and Prospect

Future Plans

Aluminum extrusion

In order to capture the continued growing demand of aluminum extrusion products and to achieve further cost savings and economy of scale, the Group decided to accelerate the aluminum extrusion expansion plan to increase the Group's total aluminum extrusion production capacities in phases from the existing 140,000 tonnes to 300,000 tonnes before the end of 2005. The new aluminum extrusion plant is established in the Asia Aluminum Industrial City ("Industry City") in the High-Tech Development Zone of Zhaoqing, Guangdong Province, the PRC. The overall design of the extrusion plant has just been approved and the construction work of the plant will commence forthwith.

After the completion and smooth running of the new plant, the Group will gradually centralize its five factories from different parts of Foshan City in Guangdong Province, the PRC into the Industrial City. The Group believes that the move can further enhance the cost control and operating efficiency. This enables the Group to maintain its leadership as the largest and one of the most profitable aluminum extruders in Asia.

The total investment for the expansion is estimated to cost approximately HK\$1 billion, which is to be partly financed by the proceeds of HK\$507 million raised by the Company from a placement of 332,000,000 new shares in January 2004. The remainder of the costs will be mainly funded by internal resources of the Group.

Aluminum Sheets

In September 2003, the Group established a wholly-foreign owned enterprise "Asia Aluminum (China) Company Limited" in Zhaoqing for the purpose of operating a plant for the

manufacturing of high-grade rolled products - premium aluminum sheets. The plant will be constructed in the Industrial City and is 60% owned by the Group with an annual production capacity of 400,000 tonnes. The products are widely applied to aluminum cans, automobile, construction, printing and aerospace industries.

The factory is now under construction and the machinery installation is expected to start in the last quarter of 2004. The facilities are expected to begin trial run in the first half of 2006. This horizontal expansion of the Group can provide a comprehensive aluminum product mix to the Group's existing customers and the Group can also explore new customer bases in various new industries. Since the announcement of the aluminum sheets project in mid 2003, the Group has been approached by several multinational corporations for possible co-operation opportunities such as strategic equity investments and product distributorship for major markets in Asia and Europe. These discussions are still in a preliminary stage.

Other Expansion Plans

The Group is also developing a number of expansion plans which are complimentary to our core aluminum extrusion business.

One of the plans is to expand our manufacturing function to cover metal related finished products processing that initially include anchor channels for pre-casting systems, stainless steel aerial/tower work platform and scaffolding products and other environmental metal fabrication works. The production plant will also be constructed at the Industrial City and is 55% owned by the Group with an annual production capacity of 2,000 tonnes. It is expected that the plant will commence production in October 2004.

In order to secure a steady supply of raw materials for our aluminum extrusion business, the Group has recently entered into a 5-year raw material supply agreement with a major aluminum producer in Henan Province, the PRC. Under the agreement, the Group will be supplied with molten (liquid) aluminum for upto 100,000 tonnes each year starting from October 2004. With this arrangement, the Group is secured with a stable long-term supply of raw materials for the production of aluminum alloy billets that effectively can reduce the production costs by approximately HK\$35 million each year.

Prospects

The Directors expect that the coming three years offer a lot of opportunities as well as challenges to the Group in view of our expansion plans and the strong demand in both the PRC and North American markets. Given the solid foundation of the Group in the industry, the Directors are confident that the Group's existing core business will continue to prosper and the Group will continue to create long-term value for its shareholders.

The Financial Review

(a) Attributable Return to Shareholders and Dividend

Basic earnings per share ("EPS") for the period were HK3.16 cents, compared to HK7.43 cents in the last period. The Board has declared the payment of an interim dividend of HK1.2 cents per share, representing a payout ratio of 45% (31/12/02: 35%), to the shareholders of the Company whose names appear on the Register of Members of the Company on 19 April, 2004. The dividend warrants will be dispatched on or before 26 April 2004.

(b) Capital Resources and Liquidity

The Group has maintained a strong and stable financial position. As at 31 December 2003, the Group's total assets and net current assets amounted to approximately HK\$5,024 million and HK\$1,916 million respectively. The Group's total shareholders' funds increased 6% to

approximately HK\$2,124 million as at 31 December 2003 compared to HK\$2,000 million as at 30 June 2003.

As at 31 December 2003, the Group's cash and bank balances was approximately HK\$2,495 million of which most of the bank deposits are denominated in Renminbi.

In July 2003, the Group has arranged a new 3-year syndicated loan of total amount US\$75 million of which an amount of US\$40 million has been used to refinance the previous syndicated loan due in January 2004 with the balance of US\$35 million used as the Group's general working capital. As at 31 December 2003, total borrowings of the Group amounted to HK\$1,676 million (30 June 2003: HK\$998 million), of which 65% (30 June 2003: 100%) was due within one year whilst 35% (30 June 2003: Nil) was due in the second to fifth years. Gearing ratio of the Group increased to 79% (30 June 2003: 50%) and after deducting the bank balances and cash on hand, the Group has no net debt. The Group will restructure the maturity of the total borrowings based on its future funding needs and reduce its gearing ratio to less than 55% by repaying the short term loans.

During the period, the Group continued to maintain most of its borrowings on an unsecured basis. As at 31 December 2003, unsecured debt comprised approximately 76% of the total borrowings and remaining borrowings were secured by certain of the Group's tangible fixed assets with net book value totaling HK\$14 million and bank deposits of approximately HK\$120 million.

The Group's liquidity position remains strong with available undrawn aggregate banking and credit facilities in respect of overdrafts, short term loans, trade financing and finance leases together with net cash on hand of approximately HK\$903 million and HK\$818 million respectively as of 31 December 2003. In addition, the Group continues to generate strong recurring cashflows from its core aluminum extrusion business. The ample financial resources available to the Group will provide adequate funding for the Group's operational requirements and also put us in a favorable position for further expansion.

As at 31 December 2003, the Group has contingent liabilities of bills discounted with recourse of HK\$6 million. In addition, the Company has provided corporate guarantee to non-wholly owned subsidiaries for a total amount of HK\$718 million.

(c) Treasury Policy

The Group's overall treasury and funding policies have remained the same in managing exposures to fluctuation in foreign currency exchange rates and interest rates on specific transactions. It is our policy not to engage in speculative activities. The Group will closely monitor overall exchange and interest rate exposures and will use appropriate financial instruments to hedge any exposure.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 April 2004 (Thursday) to 19 April 2004 (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, 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, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 14 April 2004 (Wednesday).

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

During the six months ended 31 December 2003, 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 2003, in compliance with the Code of Best Practice ("Code of Best Practice") as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for a specific period as required by paragraph 7 of the Code of Best Practice, but are subject to retirement by rotation at the annual general meeting. In the opinion of the directors, this meets 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, Mr. Ma Tsz Chun, a certified public accountant, and Mr. Yau Wing Keung, Frankie, both of them are independent non-executive directors of the Company.

The Committee has reviewed together 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 financial statements for the six months ended 31 December 2003. The Group's external auditors, Ernst & Young, have carried out a limited scope financial review of these unaudited interim financial statements. Such limited scope review was not an audit conducted in accordance with the Auditing Standards issued by the HKSA and the scope was less than that specified in the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKSA.

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.asiaaluminum.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 2004.

On behalf of the Board
Mr. Kwong Wui Chun
Chairman

Hong Kong, 29 March 2004

Please also refer to the published version of this announcement in South China Morning Post dated 30 March 2004.