



ASIA ALUMINUM HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 930)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

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 2004, together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

		Six months ended	
		31/12/04 (Unaudited) HK\$'000	31/12/03 (Unaudited) HK\$'000
	Notes		
TURNOVER	3	1,762,862	1,448,564
Cost of sales and services provided		(1,313,170)	(1,176,555)
Gross profit		449,692	272,009
Other revenue and gains		15,060	43,231
Selling and distribution costs		(46,005)	(39,542)
Administrative expenses		(68,742)	(62,178)
Provision for bad and doubtful debts		(1,886)	–
PROFIT FROM OPERATING ACTIVITIES	4	348,119	213,520
Finance costs	5	(34,726)	(33,334)
Share of losses of jointly-controlled entities		(6,439)	(4,141)
PROFIT BEFORE TAX		306,954	176,045
Tax	6	(85,877)	(55,427)
PROFIT BEFORE MINORITY INTERESTS		221,077	120,618
Minority interests		(68,824)	(37,148)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		152,253	83,470
DIVIDENDS	7	–	38,389
		HK cents	HK cents
EARNINGS PER SHARE	8		
Basic		4.80	3.16
Diluted		4.76	3.04

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements ("Interim Financial Statements") are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Interim Financial Statements should be read in conjunction with the 2003/2004 annual financial statements of the Group.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for preparing the Interim Financial Statements are consistent with those used in the Group's annual financial statements for the year ended 30 June 2004.

Further to the aforesaid, the Group has expanded its accounting policies for its interests in an associated company and government grants as below:

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the profit and loss account by way of a reduced depreciation charge.

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.

Group	Six months ended 31 December 2004 (Unaudited)					Total HK\$'000
	Aluminum extrusion products HK\$'000	Stainless steel products HK\$'000	Aluminum panels HK\$'000	Design and testing services HK\$'000	Others HK\$'000	
Segment revenue:						
Sales to external customers	1,658,015	61,651	40,249	521	2,426	1,762,862
Other revenue	2,444	-	-	-	-	2,444
Total	<u>1,660,459</u>	<u>61,651</u>	<u>40,249</u>	<u>521</u>	<u>2,426</u>	<u>1,765,306</u>
Segment results	<u>328,010</u>	<u>2,230</u>	<u>15,305</u>	<u>432</u>	<u>(717)</u>	<u>345,260</u>
Interest and unallocated gains						12,616
Unallocated expenses						(9,757)
Profit from operating activities						348,119
Finance costs						(34,726)
Share of losses of jointly-controlled entities						(6,439)
Profit before tax						306,954
Tax						(85,877)
Profit before minority interests						221,077
Minority interests						(68,824)
Net profit from ordinary activities attributable to shareholders						<u>152,253</u>

Group	Six months ended 31 December 2003 (Unaudited)					Total HK\$'000
	Aluminum extrusion products HK\$'000	Stainless steel products HK\$'000	Aluminum panels HK\$'000	Design and testing services HK\$'000	Others HK\$'000	
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>	<u>184,536</u>
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						<u>83,470</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 2004 (Unaudited)					Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	North America HK\$'000	Asia Pacific, excluding Mainland China and Hong Kong HK\$'000	Others HK\$'000	
Segment revenue:						
Sales to external customers	<u>53,559</u>	<u>1,457,315</u>	<u>166,819</u>	<u>79,995</u>	<u>5,174</u>	<u>1,762,862</u>
Group	Six months ended 31 December 2003 (Unaudited)					Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	North America HK\$'000	Asia Pacific, excluding Mainland China and Hong Kong HK\$'000	Others HK\$'000	
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>

4. PROFIT FROM OPERATING ACTIVITIES

	Six months ended	
	31/12/04 (Unaudited) HK\$'000	31/12/03 (Unaudited) HK\$'000
Profit from operating activities is arrived at after charging the following:		
Cost of inventories sold	1,313,081	1,173,749
Cost of services provided	89	2,806
Depreciation	<u>75,117</u>	<u>35,527</u>

5. FINANCE COSTS

	Six months ended	
	31/12/04 (Unaudited) HK\$'000	31/12/03 (Unaudited) HK\$'000
Interest on:		
Bank and other loans wholly repayable within five years	29,343	26,023
Finance leases	29	275
Fixed Rate Senior Notes	4,960	–
	<u>34,332</u>	<u>26,298</u>
Amortisation of deferred expenditure	394	–
Arrangement fees on bank and other loans	–	7,036
	<u>34,726</u>	<u>33,334</u>

6. TAX

	Six months ended	
	31/12/04 (Unaudited) HK\$'000	31/12/03 (Unaudited) HK\$'000
Current period:		
Provision in Mainland China	85,804	55,427
Under provision in previous years in Hong Kong	73	–
Deferred tax	–	–
	<u>85,877</u>	<u>55,427</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising from its operations in Hong Kong during the six months ended 31 December 2004 (2003: Nil). The statutory tax rate for Hong Kong profits tax is 17.5% (2003: 17.5%). 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.

The statutory rate for Mainland China corporate income tax is 33% (2003: 33%). Under the relevant tax laws and regulations in Mainland China, certain subsidiaries (the "PRC Subsidiaries") of the Company operating in Mainland China are exempt from income tax for two years from their respective first profit-making year and are eligible for a 50% reduction in income tax for the following three years. During the six months ended 31 December 2003 and 2004, provisions for income tax have been made at the applicable reduced rate for the PRC subsidiaries.

7. DIVIDENDS

The directors have resolved not to declared any interim dividend for the six months ended 31 December 2004 (2003: HK1.2 cents per share).

	Six months ended	
	31/12/04 (Unaudited) HK\$'000	31/12/03 (Unaudited) HK\$'000
Interim dividend: Nil (2003: HK1.2 cents per share)	–	37,399
Underaccrual of final dividend for prior year due to exercise of warrants and share options before dividend record date	–	990
	<u>–</u>	<u>38,389</u>

8. EARNINGS PER SHARE

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

	Six months ended	
	31/12/04 (Unaudited) HK\$'000	31/12/03 (Unaudited) HK\$'000
Earnings		
Earnings (net profit for the period) for the purpose of basic and diluted earnings per share calculation	<u>152,253</u>	<u>83,470</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	3,175,232,401	2,640,413,552
Effect of dilutive share options	25,642,857	49,800,000
Effect of dilutive convertible bonds	–	56,124,477
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,200,875,258</u>	<u>2,746,338,029</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Overview

For the six months ended 31 December 2004, the Group recorded a turnover of approximately HK\$1,763 million, representing an increase of 22% as compared with the corresponding period in the previous year. Profit attributable to shareholders for the period was approximately HK\$152 million, up 82% from HK\$83 million in the same period a year earlier. Strong growth in the Group's turnover and net profit for the period was attributable primarily to continued robust demand and improving profit margins for our aluminum products distributed in all major markets, in particular the PRC and the US.

The Group's gross profit margin improved to 26%, as compared with 19% posted in the corresponding period in the previous year, and was largely in line with the momentum generated by the higher gross profit margin delivered in the second half of the previous year. Although aluminum prices remained volatile during the period, the market has absorbed and become better adjusted to the price increase prevailing since 2003. The cost-plus pricing policy continued to enable the Group to manage its exposure to risks associated with aluminum price fluctuations.

Based on geographical distribution, the Group's turnover was 3% Hong Kong (2003: 6%), 83% Mainland China (2003: 83%), 9% North America (2003: 8%), and 5% Asia Pacific and others (2003: 3%).

By business line distribution, the Group's turnover was 96% aluminum extrusion and panels (2003: 80%), 3% stainless steel (2003: 19%), and 1% others (2003: 1%).

(b) Segment Performance

Aluminum Extrusion and Panels

Aluminum extrusion continued to be the Group's major driver and, together with aluminum panel products, the sales of this segment accounted for about 96% of the Group's total turnover for the period. Segment turnover rose 47% to HK\$1,698 million (2003: HK\$1,159 million) as a result of the strong exports to the US and growing domestic demand in the PRC, in particular the penetration into new markets in Zhejiang Province and the north western region of the country. Segment results also posted a significant 123% increase to HK\$343 million (2003: HK\$154 million) as efforts to diversify into more complex and therefore higher value-added products, such as multiple coating products, began to pay off. As the quality of the Group's multiple coating products was highly reputed, matched only by a few competitors in the market for similar products of distinctive quality, the Group was able to command

higher selling prices and profit margins accordingly.

Stainless Steel

Sales of stainless steel products dropped by 78% to approximately HK\$62 million with segment results shrinking 88% to about HK\$2 million over the same period in the previous year as the operating environment for the manufacturing and sales of stainless steel products continued to deteriorate amidst intensified competition and rising raw material costs. In view of the declining profit margins in stainless steel processing, the Group has converted part of its stainless steel plant facilities to aluminum extrusion operations. It is the intention of the Group to continue focusing on high margin businesses.

Others and Design and Testing Services

Revenue derived from this division dropped by 82% to approximately HK\$3 million largely due to the decrease in turnover from design and testing services during the period when our testing chamber facilities were mostly committed internally to the Group's expansion projects in Zhaoqing.

Financial Review

(a) Issue of Senior Notes

In December 2004, the Company successfully issued senior notes (the "Notes") in the aggregate principal amount of US\$450 million due 2011 with a coupon of 8% per annum (the "Notes Issue"). The Notes Issue was arranged by Morgan Stanley & Co. International Limited and are listed on the Singapore Stock Exchange. The Notes have been rated BB and Ba3 by international rating agencies Standard & Poor's and Moody's respectively. The proceeds from the Notes are mainly to be used to develop a new aluminum flat rolled products manufacturing facility (the "FRP Project") in Zhaoqing, Guangdong Province, the PRC, and to finance the early repayment of a US\$75 million syndicated loan facility arranged by the Company in 2003.

The Company issued the Notes in a highly favorable market environment for bond issuers against a background of increasing interest rates and continued credit tightening in the PRC. The Notes Issue is intended to improve and enhance the matching of the Group's expansion plan with its cashflow requirements and debt maturity profile.

(b) Capital Resources and Liquidity

The Group continues to maintain a strong and stable financial position. As at 31 December 2004, the Group's cash, bank balances and deposits amounted to approximately HK\$6,470 million (30 June 2004: HK\$2,953 million) after the successful issue of the Notes. This strong cash position will enable the Group to further expand its aluminum extrusion operations, successfully undertake the FRP Project and to develop other associated facilities and projects.

As at 31 December 2004, total bank loans and other Group borrowings amounted to approximately HK\$4,975 million (30 June 2004: HK\$1,480 million), of which HK\$3,499 million arose from the Notes Issue, with the balance consisting mainly of short-term trade finance and working capital loan facilities due within one year as well as the US\$75 million syndicated loan. The syndicated loan was originally due in 2006 but repaid early in January 2005 following the Notes Issue. Total debt to equity ratio of the Group increased to 170% (30 June 2004: 52%).

The Group's liquidity position remains strong, in a net cash position, and with ample undrawn aggregate banking and credit facilities available in respect of overdrafts, short-term loans, trade financing and finance leases. In addition, the Group continues to generate strong recurring cashflows from its core aluminum business. The ample financial resources available to the Group provide adequate funding for the Group's operational requirements and also put us in a favorable position for further expansion.

The Group had contingent liabilities of about HK\$15 million as at 31 December 2004, comprising approximately HK\$4 million of bills discounted with recourse and HK\$11 million guarantees for certain banking facilities respectively.

(c) Treasury Policy

The overall treasury and funding policy of the Group is to manage exposures to fluctuation in foreign currency exchange rates and interest rates on specific transactions. The Group will use appropriate financial instruments, including forward foreign exchange contracts, currency swaps and interest rate swaps, to manage its exposure to foreign currency and interest rate risks in order to minimize the impact of exchange rate and interest rate fluctuations on earnings, assets and liabilities. Derivative instruments are used solely for hedging purposes, and speculation is strictly prohibited.

(d) Dividend

The Board resolved not to declare an interim dividend for the six months ended 31 December 2004 (2003: HK1.2 cents per share) in order to maintain flexibility to make further investment in the future, including the expansion in the Asia Aluminum Industrial City ("Industrial City") in Zhaoqing, Guangdong Province, the PRC.

Future Plan and Prospect

Future Plan

Aluminum Extrusion

In 2004, the Group commenced construction of a new aluminum extrusion plant in the Industrial City in the Zhaoqing City High-Tech Development Zone, Guangdong Province, the PRC. Construction of the factory buildings to house the aluminum extrusion facilities and other associated infrastructure began in September 2004. The management anticipate construction related to the aluminum extrusion facilities to be completed by the middle of 2005. These facilities will commence commercial production in the second half of 2005, providing the Group with an initial annual extrusion capacity in Zhaoqing of about 200,000 metric tons.

Once our new extrusion facilities in Zhaoqing are running at sufficient capacity, we will be able to further enhance our operating efficiency and product mix of our extrusion operations. Together with the new capacity in Zhaoqing, our Group's estimated annual production capacity for extrusion products will increase to 300,000 metric tons. This will enable Asia Aluminum to strengthen its leadership as the largest and one of the most profitable aluminum extruders in Asia.

Aluminum FRP Project

In 2003, the Group announced the construction of the FRP Project, a large-scale aluminum flat rolled products project in the Industrial City in Zhaoqing, Guangdong Province, designed to produce high-quality rolled products, and with an annual production capacity of 400,000 metric tons. The products find wide application in the beverage and food can, transportation, precision construction, lithographic sheet for printing and aerospace industries. This horizontal expansion will generate a comprehensive aluminum product mix enabling the Group to address a broader range of end-user markets while expanding business with the Group's existing customers.

The FRP Project is now being implemented with site work started and some key contracts already signed, including those for the hot mill and the 5-stand cold mill. The management expect the 5-stand cold mill to be erected in first half of 2006 while the hot mill will be completed by the end of 2006. Commercial production for the hot rolling mill is expected to begin during the first half of 2007. We believe Asia Aluminum will be one of the first manufacturers in the PRC to produce high-quality aluminum rolled products suitable for a variety of uses that hitherto have been substantially satisfied through imports. Through a combination of high-quality products manufactured to exacting tolerances and a lower cost structure than our international competitors, we believe we are well positioned to gain significant market share through import substitution. We intend to become one of the largest manufacturers of these products supplying the high-growth market for rolled products in the PRC and overseas.

Prospects

The Directors believe that the demand for aluminum extrusion products and rolled products in the PRC will continue to grow given China's continued economic development, ongoing infrastructure investment and demand for transportation, industrial and consumer applications and that the Group is well positioned to benefit from this growth. Given the limited number of producers in Asia-Pacific capable of producing high-grade aluminum extrusion and rolled products, the Directors also expect that the Group's significant cost advantage will allow the Group to export aluminum products to various overseas markets. The Directors are confident that the Group's existing core business will continue to prosper and that the Group will be able to continue to create long-term value for shareholders.

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

During the six months ended 31 December 2004, 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 2004, in compliance with the Code of Best Practice ("Code of Best Practice") as set out in the old Appendix 14 of the Listing Rules, except that some of 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.

A detailed corporate governance report will be prepared and disclosed in the Company's 2005 Annual Report as required by the new Appendix 14 ("Code on Corporate Governance Practices") of the Listing Rules.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice, the Company has an audit committee (the "Committee"). The Committee comprises three members, namely, Messrs. Ma Tsz Chun, a certified public accountant, Yau Wing Keung, Frankie, and Chou Shun, Alan, all 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. 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 HKICPA and the scope was less than that specified in the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA.

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 2005.

On behalf of the Board
Mr. Kwong Wui Chun
Chairman

Hong Kong, 29 March 2005

As at the date of this announcement, Mr. Kwong Wui Chun, Dr. Chan Yiu Tsuan, Benby and Mr. Zhong Jianqiu are executive Directors and Mr. Ma Tsz Chun, Mr. Yau Wing Keung, Frankie and Mr. Chou Shun, Alan are independent non-executive Directors.

"Please also refer to the published version of this announcement in South China Morning Post."