

NOTES TO THE CONDENSED FINANCIAL STATEMENT

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 Listing Rules.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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.

Group	Six months ended 31 December 2002 (Unaudited)						Total HK\$'000
	Continuing operations					Discontinued operation	
	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							<u>(8,980)</u>
Profit from operating activities							292,008
Finance costs							<u>(20,920)</u>
Profit before tax							271,088
Tax							<u>(44,164)</u>
Profit before minority interests							226,924
Minority interests							<u>(49,143)</u>
Net profit attributable to shareholders							<u>177,781</u>

3. SEGMENT INFORMATION (Cont'd)

(a) Business segments (Cont'd)

Group	Six months ended 31 December 2001 (Unaudited)						Total HK\$'000
	Continuing operations					Discontinued operation	
	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	781,827	82,113	64,285	12,627	2,862	–	943,714
Segment results	138,031	1,185	26,805	10,481	(1,307)	(250)	174,945
Interest and unallocated gains							26,682
Unallocated expenses							(5,429)
Profit from operating activities							196,198
Finance costs							(24,840)
Profit before tax							171,358
Tax							(40,866)
Profit before minority interests							130,492
Minority interests							(33,742)
Net profit attributable to shareholders							96,750

3. SEGMENT INFORMATION (Cont'd)

(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 (Unaudited)						
Group	Hong Kong HK\$'000	Elsewhere in the PRC HK\$'000	North America HK\$'000	Asia Pacific, excluding the PRC and Hong Kong HK\$'000	Others HK\$'000	Total HK\$'000
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 (Unaudited)						
Group	Hong Kong HK\$'000	Elsewhere in the PRC HK\$'000	North America HK\$'000	Asia Pacific, excluding the PRC and Hong Kong HK\$'000	Others HK\$'000	Total HK\$'000
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 DISPOSAL OF DISCONTINUED OPERATION

On 23 August 2001, the Group entered into an agreement for the disposal of Hamington International Limited (“Disposal”), a company which, through its subsidiaries, was engaged in the business of the development of designs and technologies for applications in environmental protection products. Further details of the Disposal were set out in the Company’s circular of 14 September 2001.

5. GAIN ON PARTIAL DISPOSAL OF INTERESTS IN A SUBSIDIARY

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 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.

6. PROFIT FROM OPERATING ACTIVITIES

	Six months ended	
	31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) 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
	37,696	29,231

7. FINANCE COSTS

	Six months ended	
	31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) 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
	20,920	24,840

8. TAX

	Six months ended	
	31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) HK\$'000
Current period provision outside Hong Kong	44,164	40,866
Deferred tax	–	–
	44,164	40,866

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.

9. DIVIDENDS

The directors have declared an interim dividend of HK 1.5 cents (2001: HK 1.0 cent) and a special dividend of HK 1.0 cent (2001: Nil) per share to be paid to the shareholders of the Company whose names appear on the Company's Register of Members on 7 April 2003.

	Six months ended	
	31/12/02	31/12/01
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proposed interim dividend of HK 1.5 cents (2001: HK 1.0 cent) per share	37,566	22,804
Proposed special dividend of HK 1.0 cent (2001: Nil) per share	25,044	–
	62,610	22,804
Underaccrual of final dividend for 2002 due to conversion of convertible bonds and exercise of share options before dividend record date	1,073	–
	63,683	22,804

10. EARNINGS PER SHARE

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

	Six months ended	
	31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) 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	347	2,102
	178,128	98,852
Earnings for the purpose of diluted earnings per share		
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	69,048,361	199,284,712
	2,505,079,104	2,450,831,298
Weighted average number of ordinary shares for the purpose of diluted earnings per share		

11. TRADE RECEIVABLE

The ageing of the Group's trade receivable at the respective balance sheet dates is analysed as follows:

	31/12/02 (Unaudited) HK\$'000	30/06/02 (Audited) HK\$'000
Within 3 months	350,742	335,999
4 to 6 months	83,360	100,578
7 to 12 months	72,810	75,983
More than 1 year	57,753	53,219
	564,665	565,779
Provision for bad and doubtful debts	(67,581)	(60,933)
	497,084	504,846

It is the general policy of the Group to allow a credit period of two to three months. In addition, for certain customers with long established relationships and good repayment histories, a longer credit period may be granted.

12. TRADE PAYABLE

The ageing of the Group's trade payables at the respective balance sheet dates is analysed as follows:

	31/12/02 (Unaudited) HK\$'000	30/06/02 (Audited) HK\$'000
Within 3 months	243,224	180,379
4 to 6 months	26,602	9,866
7 to 12 months	7,641	6,041
More than 1 year	3,781	3,763
	281,248	200,049

13. SHARE CAPITAL

	31/12/02 (Unaudited) HK\$'000	30/06/02 (Audited) HK\$'000
<i>Authorised:</i>		
6,000,000,000 ordinary shares of HK\$0.10 each	600,000	600,000
<i>Issued and fully paid:</i>		
2,453,252,212 ordinary shares of HK\$0.10 each (30/06/02: 2,371,726,484 ordinary shares of HK\$0.10 each)	245,325	237,173

During the period, the following changes in the Company's issued share capital took place:

- (a) During the period, a total of 4,000,000 ordinary shares and 16,900,000 ordinary shares of HK\$0.10 each were issued upon exercise of share options granted to certain employees at an exercise price of HK\$0.4312 and HK\$0.56 per share respectively, for a total cash consideration before related issue expenses of approximately HK\$11,189,000.
- (b) During the period, a convertible bondholder exercised its right of conversion and a principal portion of the convertible bonds in the amount of US\$4,000,000 (approximately HK\$31,200,000) was converted at conversion price of HK\$0.5146 per share into 60,625,728 ordinary shares of HK\$0.10 each in the Company.
- (c) Subsequent to the end of the period, a total of 4,200,000 ordinary shares and 30,100,000 ordinary shares of HK\$0.10 each were issued upon exercise of share options granted to certain employees at an exercise price of HK\$0.4312 per share and HK\$0.56 per share respectively, for a total cash consideration before related issue expenses of approximately HK\$18,667,000.
- (d) Subsequent to the end of the period, a total of 2,000 ordinary shares of HK\$0.10 each in the Company were issued at a subscription price of HK\$0.77 per share pursuant to the exercise of the Company's warrants for a total cash consideration before related issue expenses of HK\$1,540.

13. SHARE CAPITAL (Cont'd)

- (e) Subsequent to the end of the period, the convertible bondholders exercised their rights of conversion and principal portion of the convertible bonds in the amount of US\$1,250,000 (approximately HK\$9,750,000) was converted at conversion prices ranging from HK\$0.5735 to HK\$0.6324 into 16,872,819 ordinary shares of HK\$0.10 each in the Company.

A summary of the above movement in the issued and fully paid share capital of the Company is as follows:

	Number of ordinary shares of HK\$0.10 each	Amount <i>HK\$'000</i>
At 1 July 2002 (Audited)	2,371,726,484	237,173
Exercise of share options (a)	20,900,000	2,090
Conversion of convertible bonds (b)	60,625,728	6,062
	<u>2,453,252,212</u>	<u>245,325</u>
At 31 December 2002 (Unaudited)	<u>2,453,252,212</u>	<u>245,325</u>

14. SHARE PREMIUM ACCOUNT

	31/12/02 (Unaudited) <i>HK\$'000</i>	30/06/02 (Audited) <i>HK\$'000</i>
At beginning of period	876,448	816,488
Arising on exercise of share options (note 13(a))	9,099	15,430
Arising on exercise of warrants	–	8,646
Arising on conversion of convertible bonds (note 13(b))	25,138	35,884
	<u>910,685</u>	<u>876,448</u>
At end of period	<u>910,685</u>	<u>876,448</u>

15. RESERVES

	Contributed surplus	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Statutory public welfare fund	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2001 (Audited)	4,151	(401,514)	62,730	(3,848)	9,476	397,859	68,854
Release of reserves upon partial disposal of interests in a subsidiary	-	(3,537)	-	248	-	-	(3,289)
Release of reserves upon disposal of discontinued operation	-	456,470	-	-	-	-	456,470
Net profit for the year	-	-	-	-	-	131,409	131,409
Dividends	-	-	-	-	-	(59,766)	(59,766)
Transfer to statutory surplus reserve	-	-	25,066	-	-	(25,066)	-
At 30 June 2002 and 1 July 2002 (Audited)	4,151	51,419	87,796	(3,600)	9,476	444,436	593,678
Underaccrual of prior year's final dividends	-	-	-	-	-	(1,073)	(1,073)
Net profit for the period	-	-	-	-	-	177,781	177,781
Dividends (Note 9)	-	-	-	-	-	(62,610)	(62,610)
Transfer to statutory surplus reserve	-	-	18,914	-	-	(18,914)	-
At 31 December 2002 (Unaudited)	4,151	51,419	106,710	(3,600)	9,476	539,620	707,776

16. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2002. The contingent liabilities of HK\$2,059,000 as at 30 June 2002 represented the bills discounted with recourse.

17. COMMITMENTS

- (a) At 31 December 2002, the Group had commitments in respect of future minimum rentals under operating leases as follows:

	31/12/02 (Unaudited) HK\$'000	30/06/02 (Audited) HK\$'000
Within one year	11,016	10,167
In the second to fifth years, inclusive	30,893	31,655
After five years	76,004	72,333
	117,913	114,155

- (b) At 31 December 2002, the Group had capital commitments not provided for in the financial statements as follows:

	31/12/02 (Unaudited) HK\$'000	30/6/02 (Audited) HK\$'000
Contracted for (Note)	104,891	119,404

Note: The Group was committed to make a capital injection to three subsidiaries in the PRC of approximately HK\$98,904,000 (30/06/02: HK\$98,904,000). In addition, the Group had contracted capital commitments in respect of the acquisition of fixed assets of approximately HK\$5,987,000 (30/06/02: HK\$20,500,000).

- (c) At 31 December 2002, the Group has a commitment in respect of a forward contract for the delivery of raw materials of aluminum ingots in the amount of HK\$61,290,000 (30/06/02: HK\$112,758,000).

18. PLEDGE OF ASSETS

Certain of the Group's borrowings as at 31 December 2002 were secured by fixed assets, mainly buildings in the PRC and plant and machinery, with a net book value of approximately HK\$5,984,000 (30/06/2002: HK\$6,202,000).

19. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the period:

		31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) HK\$'000
	<i>Note</i>		
Sales to group companies of a minority shareholder			
Indalex Aluminum Solution Group	(a)	28,818	29,754
Rental expenses paid to a related company			
Harbour Talent Limited	(b)	1,673	1,655
Sales to minority shareholders of subsidiaries			
Nanhai Hongjia Aluminium Materials & Stainless Steel Co Ltd	(c)	–	165
Guangdong Nanhua Aluminium Factory Co Ltd	(c)	–	163
Sub-contracting fee paid to minority shareholders of subsidiaries			
Nanhai Hongjia Aluminium Materials & Stainless Steel Co Ltd	(c)	–	1,142
Guangdong Nanhua Aluminium Factory Co Ltd	(c)	–	2,396
Purchases from minority shareholder of a subsidiary			
Nanhai Hongjia Aluminium Materials & Stainless Steel Co Ltd	(c)	–	987

Notes:

- (a) Indalex Aluminum Solution Group are companies associated with Indalex, a minority shareholder of AAG. The directors considered that these transactions were made according to prices similar to those offered to unrelated customers of the Group.
- (b) The rentals were paid in respect of the Group's leased office premises and staff quarters situated in Hong Kong to Harbour Talent Limited, a company in which Mr. Kwong has a beneficial interest. The directors of the Company confirmed that the monthly rentals were calculated by reference to open market rental value of the office premises and staff quarters.

19. RELATED PARTY TRANSACTIONS (Cont'd)

- (c) The directors considered that these transactions were made according to prices similar to those offered to unrelated customers of the Group.

20. POST BALANCE SHEET EVENTS

Subsequent to the interim reporting date, the following significant events took place:

- (a) The Group received the final instalment in relation to the disposal of the discontinued operation of HK\$155,000,000 due on 23 February 2003.
- (b) The Group received the consideration of HK\$52,400,000 from Indalex in relation to the partial disposal of its equity interest in AAG.

21. COMPARATIVE AMOUNTS

Certain of the comparative figures for the six months ended 31 December 2001 have been restated to conform with the current period's presentation.

ON BEHALF OF THE BOARD

Dr. Benby Chan

Managing Director

Hong Kong
18 March 2003