

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 (the "HKSA"), and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") of the Stock Exchange of Hong Kong Limited (the "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 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA, which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 2.109 (Revised)	Events after the balance sheet date
SSAP 2.126	Segment reporting
SSAP 2.127	Accounting for group reconstructions
SSAP 2.128	Provisions, contingent liabilities and contingent assets
SSAP 2.129	Intangible assets
SSAP 2.130	Business combinations
SSAP 2.131	Impairment of assets
SSAP 2.132	Consolidated financial statements and accounting for investments in subsidiaries

Comparative amounts for the prior year have been restated in order to achieve a consistent presentation. The major impact on the financial statement after the adoption of the above SSAPs are as follows:-

(a) Dividends proposed or declared after the balance sheet date

In accordance with SSAP 2.109 (Revised), dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior year adjustment which increases shareholders' funds at 30 June 2001 by HK\$100,509,000.

(b) Goodwill

In the current period, the Group has adopted SSAP 2.130 and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1 January 2001 is capitalized and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

With the exception of SSAP 2.109 (Revised), the adoption of the above accounting standards has no material effect on amounts reported in prior years.

3. TURNOVER AND REVENUE

Turnover represents the aggregate of net invoiced amounts, after allowances for returns and trade discounts, from the sale of goods, the provision of design and testing services for aluminum products and the operation of web sites and related e-commerce business.

An analysis of the Group's turnover by principal activity and geographical area of operations for the six months ended 31 December 2001 pursuant to the requirements of the Listing Rules is as follows:

By principal activity

	Six months ended	
	31/12/01	31/12/00
	HK\$'000	HK\$'000
Manufacture and sale of aluminium extrusion products	780,431	868,821
Manufacture and sale of stainless steel products	82,113	128,252
Manufacture, processing and sale of aluminium panels	64,285	96,301
Provision of design and testing services for aluminium products	12,627	17,712
E-commerce business operation	2,862	5,199
	942,318	1,116,285

By geographical area

	Six months ended	
	31/12/01	31/12/00
	HK\$'000	HK\$'000
The People's Republic of China (the "PRC"), excluding Hong Kong	700,041	804,622
Asia, excluding the PRC and Hong Kong	87,638	210,963
Hong Kong	116,601	66,028
North America	29,526	30,007
Others	8,512	4,665
	942,318	1,116,285

4. PROFIT FROM OPERATING ACTIVITIES

	Six months ended	
	31/12/01 HK\$'000	31/12/00 HK\$'000
Profit from operating activities is arrived at after charging the following:		
Depreciation of		
Owned fixed assets	26,928	26,347
Leased fixed assets	2,303	434
	29,231	26,781

An analysis of the Group's profit from operating activities by principal activity and geographical area of operations for the six months ended 31 December 2001 pursuant to the requirements of the Listing Rules is as follows:

By principal activity

	Six months ended	
	31/12/01 HK\$'000	31/12/00 HK\$'000
Continuing operations		
Manufacture and sale of aluminium extrusion products	148,225	119,574
Manufacture and sale of stainless steel products	1,207	3,974
Manufacture, processing and sale of aluminium panels	29,544	39,712
Provision of design and testing services for aluminium products	10,452	15,741
E-commerce business operation	(1,720)	576
	187,708	179,577
Discontinued operation		
Development of designs and technologies for applications in environmental protection products	(250)	(3,685)
	187,458	175,892

By geographical area

	Six months ended	
	31/12/01 HK\$'000	31/12/00 HK\$'000
The PRC	157,779	140,373
Asia, excluding the PRC and Hong Kong	17,775	18,938
Hong Kong	8,976	4,941
North America	2,273	10,872
Others	655	768
	187,458	175,892

5. FINANCE COSTS

	Six months ended	
	31/12/01 HK\$'000	31/12/00 HK\$'000
Interest on		
Bank loans, overdrafts and other loans wholly repayable within five years	23,269	20,592
Finance leases	1,571	301
	24,840	20,893

6. PROFIT 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.

7. TAX

	Six months ended	
	31/12/01 HK\$'000	31/12/00 HK\$'000
Current period provision outside Hong Kong	40,866	28,898
Deferred tax	-	(650)
	40,866	28,248

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 period ended 31 December 2001 (2000: 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 2001, 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 HK 1.0 cent (2000: HK 1.0 cent) per share to be paid to the shareholders of the Company whose names appear on the Company's Register of Members on 8 April 2002.

	Six months ended	
	31/12/01 HK\$'000	31/12/00 HK\$'000
Proposed interim dividend of HK1.0 cent (2000: HK1.0 cent) per share	22,804	11,113

9. EARNINGS PER SHARE

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

	Six months ended	
	31/12/01 HK\$'000	31/12/00 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (net profit for the period) calculation	96,750	110,781
Effect of dilutive convertible bonds	2,102	1,022
Earnings for the purpose of diluted earnings per share	98,852	111,803
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	2,239,455,046	2,133,048,970
Effect of dilutive share options	12,091,540	-
Effect of dilutive warrants	-	17,366,805
Effect of dilutive convertible bonds	199,284,712	78,922,634
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,450,831,298	2,229,338,409

10. TRADE AND BILLS RECEIVABLE

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

	31/12/01 HK\$'000	30/06/01 HK\$'000
Within 3 months	281,761	307,670
4 to 6 months	97,659	81,407
7 to 12 months	15,845	26,083
More than 1 year	54,354	47,686
Provision for bad and doubtful debts	449,619 (58,556)	462,846 (51,543)
	391,063	411,303

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.

11. TRADE AND BILLS PAYABLE

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

	31/12/01	30/06/01
	HK\$'000	HK\$'000
Within 3 months	125,700	181,238
4 to 6 months	38,760	3,075
7 to 12 months	4,481	918
More than 1 year	3,084	3,391
	172,025	188,622

12. SHARE CAPITAL

	31/12/01	30/06/01
	HK\$'000	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>		
2,260,478,115 ordinary shares of HK\$0.10 each		
(30/06/01: 2,233,514,129 ordinary shares of HK\$0.10 each)	226,048	223,351

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

- (a) During the interim period, a total of 5,000,000 ordinary shares of HK\$0.10 each were issued and credited as fully paid on exercise of share options granted to certain directors and employees at an exercise price of HK\$0.4312 per share.
- (b) During the interim period, 2,600 ordinary shares of HK\$0.10 each in the Company were issued for cash at a subscription price of HK\$0.69 per share pursuant to the exercise of the Company's warrants for a total cash consideration before issue expenses, of HK\$1,794.
- (c) During the interim reporting period, the convertible bondholders exercised their rights of conversion and principal portion of the convertible bonds in the amount of US\$1,200,000 (approximately HK\$9,360,000) were converted at conversion prices ranging from HK\$0.4185 to HK\$0.43245 into 21,961,386 ordinary shares of HK\$0.10 each in the Company.
- (d) Subsequent to the end of the interim reporting period, 900,000 ordinary shares of HK\$0.10 each were issued and credited as fully paid on exercise of share options granted to certain directors and employees at an exercise price of HK\$0.4312 per share.
- (e) Subsequent to the end of the reporting period and up to the date of this report, 371,600 ordinary shares of HK\$0.10 each at subscription price of HK\$0.69 per share pursuant to the exercise of the Company's warrants for a total cash consideration before issue expenses, of HK\$256,404.
- (f) Subsequent to the end of the interim reporting period and up to the date of this report, the convertible bondholders exercised their rights of conversion and principal portion of the convertible bonds in the amount of US\$1,200,000 (approximately HK\$9,360,000) were converted at conversion prices ranging from HK\$0.44175 to HK\$0.5084 into 19,335,040 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 HK\$'000
At 1 July 2001	2,233,514,129	223,351
Exercise of share options (a)	5,000,000	500
Exercise of warrants (b)	2,600	1
Conversion of convertible bonds (c)	21,961,386	2,196
At 31 December 2001	2,260,478,115	226,048

13. SHARE PREMIUM

	31/12/01 HK\$'000	30/06/01 HK\$'000
At 1 July 2001	816,488	484,342
Arising on exercise of share options (<i>note 12(a)</i>)	1,656	35,856
Arising on exercise of warrants (<i>note 12(b)</i>)	1	4,703
Arising on conversion of convertible bonds (<i>note 12(c)</i>)	7,164	35,019
Arising on issue of new shares credited as fully paid as part of the consideration for the acquisition of subsidiaries	-	257,040
Amount applied on offsetting against share issue expenses	-	(472)
At 31 December 2001	825,309	816,488

14. RESERVES

	Contributed surplus	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Statutory public welfare fund	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2000	115,356	101,151	51,989	(5,213)	12,840	321,416	597,539
Goodwill arising from acquisition of subsidiaries	-	(456,470)	-	-	-	-	(456,470)
Goodwill and statutory surplus reserve arising from acquisition of additional equity interests in subsidiaries	-	(26,685)	-	-	-	-	(26,685)
Capitalisation of contributed surplus for bonus issue of new shares	(111,205)	-	-	-	-	-	(111,205)
Release/transfer of reserves upon partial disposal of interests in subsidiaries	-	(19,510)	(13,621)	1,365	(3,364)	16,985	(18,145)
Net profit for the year	-	-	-	-	-	195,450	195,450
Dividends	-	-	-	-	-	(111,630)	(111,630)
Transfer to statutory surplus reserve and public welfare fund	-	-	24,362	-	-	(24,362)	-
At 30 June 2001 and 1 July 2001	4,151	(401,514)	62,730	(3,848)	9,476	397,859	68,854
Underaccrual of prior year's final dividends	-	-	-	-	-	(1,050)	(1,050)
Release of reserves upon disposal of discontinued operation	-	456,470	-	-	-	-	456,470
Net profit for the period	-	-	-	-	-	96,750	96,750
Proposed interim dividend	-	-	-	-	-	(22,804)	(22,804)
Transfer to statutory surplus reserve and public welfare fund	-	-	15,463	-	-	(15,463)	-
At 31 December 2001	4,151	54,956	78,193	(3,848)	9,476	455,292	598,220

15. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2001. The contingent liabilities of HK\$5,760,000 as at 30 June 2001 represented the bills discounted with recourse.

16. COMMITMENTS

- (a) At 31 December 2001, the Group had commitments in respect of future minimum rentals under operating leases as follows:

	31/12/01	30/06/01
	HK\$'000	HK\$'000
Within one year	6,916	9,187
In the second to fifth years, inclusive	24,750	29,408
After five years	58,235	43,285
	89,901	81,880

- (b) At 31 December 2001, the Group had capital commitments not provided for in the financial statements as follows:

	31/12/01	30/06/01
	HK\$'000	HK\$'000
Authorised, but not contracted for in respect of the acquisition of certain business information and assets from third parties (<i>Note</i>)	141,000	214,000
Contracted for in respect of acquisition of fixed assets	-	3,113
	141,000	217,113

Note: These principally represent commitments in relation to the Group's proposed acquisition of certain business and assets of each of Nanhai Hongjia Aluminum Materials & Stainless Steel Co. Ltd. ("Hongjia Factory") and Guangdong Nanhua Aluminum Factory Co. Ltd. ("Nanhua Factory"), in the amount of HK\$141 million. The transaction was completed subsequent to the period end.

- (c) At 31 December 2001, 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\$99,988,000 (30/06/01: HK\$172,507,000).

17. PLEDGE OF ASSETS

Certain of the Group's borrowings as at 31 December 2001 were secured by fixed assets, mainly buildings in the PRC and plant and machinery, with a net book value of approximately HK\$6,420,000 (30/06/2001: HK\$17,436,000).

18. RELATED PARTY TRANSACTIONS

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

	<i>Note</i>	31/12/01 HK\$'000	31/12/00 HK\$'000
Sales to group companies of a minority shareholder			
Indalex Aluminum Solutions	(a)	29,754	–
Rental expenses paid to a related company			
Harbour Talent Limited	(b)	1,655	1,956
Sales to minority shareholders of subsidiaries			
Hongjia Factory	(c)	165	–
Nanhua Factory	(c)	163	–
Sub-contracting fee paid to minority shareholders of subsidiaries			
Hongjia Factory	(c)	1,142	–
Nanhua Factory	(c)	2,396	–
Purchases from minority shareholder of a subsidiary			
Hongjia Factory	(c)	987	–

Notes:

- (a) Indalex Aluminum Solutions is a company associated with Indalex UK Limited, the minority shareholder of a subsidiary of the Group. 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.
- (c) The directors considered that these transactions were made according to prices similar to those offered to unrelated customers of the Group.

In addition to the foregoing, the Group has made advances to Indalex Aluminum Solutions and received advances from Nanhua Factory and Hongjia Factory as at 31 December 2001.

19. POST BALANCE SHEET EVENTS

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

- (a) On 25 January 2002, share options were granted under the share option scheme approved and adopted by the shareholders of the Company on 7 December 2001, to certain employees of the Group for the subscription of a maximum of 220,200,000 new shares in the Company at a subscription price of HK\$0.56 per share. The share options are exercisable during the period from 25 January 2002 to 24 January 2005. None of these options were exercised as of the date of this report.
- (b) On 12 March 2002, the Company and Indalex UK Limited subscribe for 215,805 shares and 76,614 shares of US\$0.01 each in AAG ("AAG shares") respectively, each subscription being pro-rata to the Company's and of Indalex UK Limited's shareholdings as at the date of subscription. The subscription monies are used for AAG's general working capital purposes.
- (c) On 14 March 2002, the Company transferred 45,803 AAG shares and 66,450 AAG shares to Xing Yu Aluminum Company Limited ("Xing Yu") and Jia Hong Aluminum Company Limited ("Jia Hong") respectively for a total consideration of approximately HK\$85,903,000. The shareholding of the Company on AAG after the completion of the above transaction is 69.05%.

Jia Hong and Xing Yu are companies incorporated in Samoa with limited liability and an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

- (d) On 14 March 2002, the Company entered into an option agreement (the "Option Agreements") with each of Jia Hong and Xing Yu pursuant to which the Company has agreed to grant a put option to each of Jia Hong and Xing Yu (together the "Put Options"). Details of the Option Agreements are set out below.

The Put Options are not assignable but exercisable on any business day within a six-month period falling immediately after the third anniversary of the date of the Option Agreements if AAG or the substituted listing company shall fail to seek a listing status in any quoted stock exchange at or before the expiry of a three-year period from the date of the Option Agreements. Upon exercise of the rights attaching to the Put Options, the Company will be required to acquire from Jia Hong and/or Xing Yu (as the case may be) the AAG Shares owned by Jia Hong and/or Xing Yu (as the case may be), the consideration for which is to be satisfied by the allotment and issue of new shares of the Company to Jia Hong and/or Xing Yu (as the case may be) on terms set out in the Option Agreements.

Details of the above transaction were set out in the announcement of the Company dated 15 March 2002.

20. COMPARATIVE AMOUNTS

Certain of the comparative figures for the six months ended 31 December 2000 and as at 30 June 2001 have been restated to conform with the current period's presentation.

ON BEHALF OF THE BOARD

Kwong Wui Chun

Chairman

Hong Kong
15 March 2002