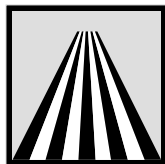


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ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE AND CONNECTED TRANSACTION

Proposed Establishment of a New Aluminum Manufacturing Facility

The board of Directors wishes to announce that on 11 July 2003, the Subscription Agreement was entered into between CSD, currently a wholly-owned subsidiary of the Company, Sino Advance, Mr. Kwong, the First Subscriber and the Second Subscriber pursuant to which Sino Advance, Mr. Kwong, the First Subscriber and the Second Subscriber have conditionally agreed to subscribe for a total of 999,999 new CSD Shares for a total cash consideration of US\$999,999 payable at Completion.

Under the Subscription Agreement and simultaneously upon Completion, each of Sino Advance, Mr. Kwong, the First Subscriber and the Second Subscriber has also agreed to provide the Shareholders' Loans of a total amount of HK\$1.35 billion to CSD in proportion to their respective interests in CSD.

The aggregate of the total cash consideration under the Subscription and the maximum amount of the Shareholders' Loans to be provided will be approximately HK\$1.358 billion and will be used to fund the contribution to the registered capital of the WFOE, which will be established for the sole purpose of operating the New Manufacturing Facility.

The proposed subscription of new CSD Shares by Sino Advance for a cash consideration of US\$599,999 together with the commitment of Sino Advance to provide its portion of the Shareholders' Loans for an amount of HK\$810,000,000 to CSD constitutes a discloseable transaction for the Company under Rule 14.12(1) of the Listing Rules.

The Subscription by Mr. Kwong, a connected person (as defined in the Listing Rules) of the Company, of 200,000 CSD Shares constitutes a connected transaction for the Company under Rule 14.26(3) of the Listing Rules.

A circular containing, amongst other things, a notice convening the Special General Meeting for approving the Subscription Agreement and further details relating to the Subscription Agreement and a letter from an independent financial adviser to be appointed to advise the Independent Board Committee on the Subscription Agreement will be despatched to the Shareholders as soon as practicable and in any event within 21 days of the date of this announcement.

THE SUBSCRIPTION AGREEMENT

Date of the Subscription Agreement

11 July 2003

Parties to the Subscription Agreement

Issuer: CSD, currently an indirect wholly-owned subsidiary of the Company.

Subscribers: Sino Advance, a wholly-owned subsidiary of the Company.

Mr. Kwong, a Director and the controlling shareholder of the Company.

The First Subscriber, a party independent of and not connected with the directors, chief executive, substantial shareholders of the Company, its subsidiaries, or any of their respective associates. It is an investment vehicle wholly-owned by one of the Group's suppliers, which is engaged in the trading of non-ferrous metals.

The Second Subscriber, a party independent of and not connected with the directors, chief executive, substantial shareholders of the Company, its subsidiaries, or any of their respective associates. It is an investment vehicle wholly-owned by one of the Group's distributors for the aluminum products of the Group.

Subscription Price per CSD Share

US\$1.00 per CSD Share, which is equivalent to the par value of the CSD Shares.

Number of CSD Shares to be subscribed

Prior to Completion, CSD has one share in issue and is an indirect wholly-owned subsidiary of the Company. Pursuant to the Subscription Agreement, CSD has agreed to allot and issue to Sino Advance, Mr. Kwong, the First Subscriber and the Second Subscriber a total of 999,999 new CSD Shares. The shareholding structure of CSD immediately after Completion will be as follows:

Shareholder	No. of Shares to be subscribed	Shareholding in CSD immediately after Completion		Amount of consideration US\$
		No. of Shares	%	
Sino Advance	599,999	600,000*	60	599,999
Mr. Kwong	200,000	200,000	20	200,000
First Subscriber	100,000	100,000	10	100,000
Second Subscriber	100,000	100,000	10	100,000
Total	<u>999,999</u>	<u>1,000,000</u>	<u>100</u>	<u>999,999</u>

* Sino Advance currently owns one share in CSD.

As Mr. Kwong is a connected person (as defined in the Listing Rules) of the Company, his subscription for the 200,000 CSD Shares pursuant to the Subscription Agreement is conditional upon the approval by the Independent Shareholders at the Special General Meeting. The parties to the Subscription intend that if the Independent Shareholders do not approve the subscription by Mr. Kwong for the 200,000 CSD Shares, CSD, Sino Advance, the First Subscriber and the Second Subscriber will enter into a separate document to enable the First Subscriber and the Second Subscriber to assume the rights of Mr. Kwong under the Subscription Agreement and take up such CSD Shares originally to be subscribed by Mr. Kwong, as well as Mr. Kwong's commitment to provide his portion of the Shareholders' Loans to CSD, in each case on an equal basis. The Company will comply with the requirements of the Listing Rules for such transaction. In such an event, the shareholding structure of CSD will be as follows:

Shareholder	No. of Shares to be subscribed	Shareholding in CSD immediately after Completion		Amount of share consideration US\$
		No. of Shares	%	
Sino Advance	599,999	600,000*	60	599,999
First Subscriber	200,000	200,000	20	200,000
Second Subscriber	200,000	200,000	20	200,000
Total	<u>999,999</u>	<u>1,000,000</u>	<u>100</u>	<u>999,999</u>

* Sino Advance currently owns one share in CSD.

Ranking

The new CSD Shares, when fully paid and issued, will rank pari passu in all respects with the existing CSD Share.

Consideration for the Subscription

The total amount to be raised by CSD pursuant to the Subscription Agreement will be US\$999,999 and will be satisfied by cash upon Completion. The amount payable by Sino Advance for 599,999 CSD Shares will be funded by internal resources.

Shareholders' Loans

Pursuant to the Subscription Agreement, the parties will at Completion also provide to CSD the Shareholders' Loans as follows:

Shareholder	Shareholding in CSD immediately after Completion	Maximum amount of Shareholders' Loans to be provided HK\$
Sino Advance	60%	810,000,000
Mr. Kwong	20%	270,000,000
First Subscriber	10%	135,000,000
Second Subscriber	10%	135,000,000

The terms of the Shareholders' Loans will be as follows:–

- (i) unsecured;
- (ii) non-interest bearing (unless otherwise agreed in writing by all parties to the Subscription Agreement);
- (iii) repayable by instalments from time to time with the unanimous approval of the board of directors of CSD. On determining the amount of the Shareholders' Loans to be repaid, CSD should consider its financial capability as well as the working capital requirements of CSD, provided that:–
 - (a) No dividend will be declared by CSD before the Shareholders' Loans are fully repaid; and
 - (b) The amount of the Shareholders' Loans to be repaid to each shareholder of CSD from time to time will be made in proportion to their respective interests in CSD.

It is the intention of the parties that if the Independent Shareholders do not approve the subscription by Mr. Kwong for the 200,000 CSD Shares, the First Subscriber and the Second Subscriber will assume the rights of Mr. Kwong under the Subscription Agreement and will take up such CSD Shares originally to be subscribed by Mr. Kwong, as well as Mr. Kwong's commitment to provide his portion of the Shareholders' Loans to CSD, in each case on an equal basis as set forth above, the Shareholders' Loans to be provided by each of the First Subscriber and the Second Subscriber will be increased on a pro rata basis to HK\$270,000,000. Sino Advance will fund its portion of the Shareholders' Loans by internal resources.

The aggregate of the total cash consideration to be raised by CSD pursuant to the Subscription and the maximum amount of the Shareholders' Loans to be provided will be approximately HK\$1.358 billion and will be used to fund the registered capital of the WFOE (as described in the section headed "Background to and reasons for the Subscription and the Shareholders' Loans" below).

Background to and reasons for the Subscription and the Shareholders' Loans

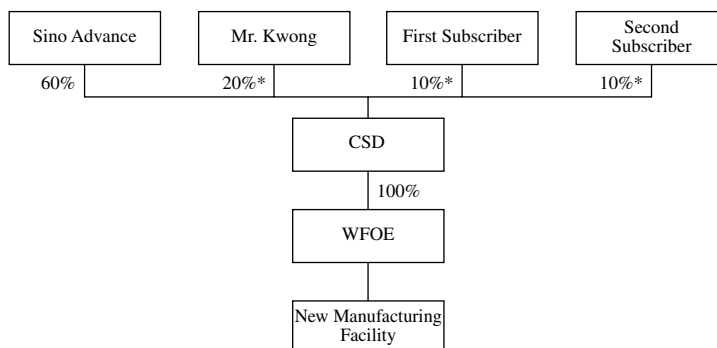
The Group is principally engaged in the manufacture and sale of aluminium and stainless steel products and the provision of design and testing services for aluminium products.

In order to secure the Group's leading position in the manufacture and sale of aluminum and stainless steel products in the PRC, the Group is committed to introduce new inventions and/or advanced production technologies into the PRC, extend its product range, expand its production capacity, and enhance its product quality and service standards.

There has been growing demand for "high grade" aluminum panels/plates in the PRC due to the increasing applications by the aluminum can manufacturing industry, the automobile industry, the construction industry, the printing industry and the aero-space industry. However, these industries currently rely heavily on imports to satisfy this growing demand for "high grade" aluminum panels/plates. In view of this, the Company together with Mr. Kwong, the First Subscriber and the Second Subscriber have decided to pool their funds together to establish the New Manufacturing Facility. As a result, the Company, Mr. Kwong, the First Subscriber and the Second Subscriber have conditionally agreed to subscribe the new CSD Shares pursuant to the Subscription Agreement and, subject to Completion, have also agreed to provide the Shareholders' Loans to CSD up to a maximum amount of HK\$1.35 billion in proportion to their respective interests in CSD.

Immediately after the execution of the Subscription Agreement, CSD will proceed to establish a WFOE in Zhaoqing, Guangdong Province, the PRC with the sole purpose of operating the New Manufacturing Facility. The New Manufacturing Facility is expected to be completed and commence production during 2005. The New Manufacturing Facility is designed for a maximum production capacity of 400,000 tonnes per annum. According to the feasibility study prepared by CSD in respect of the New Manufacturing Facility, the total cost of investment of the project will amount to approximately HK\$3.15 billion, of which approximately HK\$1.358 billion will be in the form of registered capital. The remaining amount is to be funded by loans from banks and financial institutions in the PRC.

The following chart sets out the shareholding structures of CSD and the WFOE:



* *Note – If the Independent Shareholders do not approve the subscription by Mr. Kwong of the CSD Shares, and the First Subscriber and the Second Subscriber have taken up the CSD Shares originally to be subscribed by Mr. Kwong on an equal basis, the shareholding of the First Subscriber and the Second Subscriber in CSD will be 20% respectively.*

The Directors consider that the subscription for the CSD Shares and the subsequent investment by CSD in the WFOE have been made on normal commercial terms, that such terms are fair and reasonable so far as the Company and its shareholders are concerned and that the transaction is in the interest of the Company and its shareholders.

Conditions for Completion

Completion is conditional upon fulfillment of the following conditions:

- (1) In relation to Mr. Kwong:
 - (a) the establishment of the WFOE (for the purpose of the conditions of the Subscription Agreement, the WFOE is considered established when the Administrative Bureau for Industry and Commerce issues the WFOE with its business license); and
 - (b) the approval of Mr. Kwong's subscription for the CSD Shares by the Independent Shareholders at the Special General Meeting.
- (2) In relation to Sino Advance, the First Subscriber and the Second Subscriber: the establishment of the WFOE (for the purpose of the conditions of the Subscription Agreement, the WFOE is considered established when the Administrative Bureau for Industry and Commerce issues the WFOE with its business license).

If the condition set out in paragraph (1)(b) above is not fulfilled at the Special General Meeting, the Subscription Agreement in relation to Mr. Kwong will automatically terminate and the rights and obligations of the parties thereto in respect of Mr. Kwong will cease and be of no further effect. In such an event, CSD, Sino Advance, the First Subscriber and the Second Subscriber will enter into a separate document to enable the First Subscriber and the Second Subscriber to assume the rights of Mr. Kwong under the Subscription Agreement and take up the CSD Shares originally to be subscribed by Mr. Kwong on an equal basis. The Company will comply with the requirements of the Listing Rules for such transaction.

If the conditions set out in paragraph 1(a) and (2) above are not fulfilled by 31 October 2003, the Subscription Agreement will automatically terminate and the rights and obligations of the parties will cease and be of no further effect.

Completion will take place at the later of (i) three business days after the conditions set out in paragraphs (1) and (2) above have been satisfied, or (ii) three business days after the date of the Special General Meeting.

CONNECTION BETWEEN THE PARTIES TO THE SUBSCRIPTION

CSD is a newly incorporated company established for the sole purpose of setting up the WFOE. CSD is currently a wholly-owned subsidiary of the Company. Given Mr. Kwong is a Director and the controlling shareholder of the Company holding an approximate 41.6% interest in the Company, the Subscription by Mr. Kwong constitutes a connected transaction for the Company under Rule 14.26(3) of the Listing Rules and the Subscription Agreement is subject to the approval of the Independent Shareholders at the Special General Meeting.

The First Subscriber, the Second Subscriber and their respective beneficial owners are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates.

BOARD COMPOSITION OF CSD AND THE WFOE

At Completion, the board of directors of CSD will comprise five directors, Sino Advance will have the right to appoint two directors and Mr. Kwong, the First Subscriber and the Second Subscriber will each have the right to appoint a director. It is currently intended that the same board will make up the board of directors of the WFOE. Given such board composition, CSD will not be considered a subsidiary of the Company in the Company's financial statements.

GENERAL

The proposed subscription of new CSD Shares for a cash consideration of US\$599,999 together with the commitment of Sino Advance to provide its portion of the Shareholder's Loans for an amount of HK\$810,000,000 to CSD constitutes a discloseable transaction for the Company under Rule 14.12 (1) of the Listing Rules.

An Independent Board Committee will be formed to advise the Independent Shareholders on the Subscription Agreement.

A circular containing, amongst other things, a notice convening the Special General Meeting for approving the Subscription Agreement and further details relating to, amongst other things, the Subscription Agreement and a letter from an independent financial adviser to be appointed to advise the Independent Board Committee on the Subscription Agreement will be despatched to the Shareholders as soon as practicable and in any event within 21 days of the date of this announcement.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless otherwise requires:

“associate”	has the meaning ascribed to it under the Listing Rules
“CSD”	China Steel Development Company Limited, a company incorporated in Samoa that is currently a wholly-owned subsidiary of the Company
“CSD Share(s)”	share(s) of US\$1.00 each in the share capital of CSD
“Company”	Asia Aluminum Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Completion”	completion of the Subscription in accordance with the Subscription Agreement
“Director(s)”	the director(s) of the Company
“First Subscriber”	Record Break Investments Limited, a company incorporated in the British Virgin Islands that is an independent third party not connected with the directors, chief executive or substantial shareholder of the Company, its subsidiaries or any of their respective associates
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Shareholders”	the Shareholders other than Mr. Kwong and his associates
“Independent Board Committee”	the committee of the Directors comprising the independent non-executive Directors which will be formed to advise the Independent Shareholders in respect of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kwong”	Mr. Kwong Wui Chun, a Director and the controlling shareholder who holds approximately 41.6% interests in the Company
“New Manufacturing Facility”	the “high grade” aluminum panel/plate manufacturing facility to be established by CSD through the WFOE in Zhaoqing, Guangdong Province, the PRC
“PRC”	The People’s Republic of China

“Second Subscriber”	Think Success Industries Limited, a company incorporated in the British Virgin Islands that is an independent third party not connected with the directors, chief executive or substantial shareholder of the Company, its subsidiaries or any of their respective associates
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholders’ Loans”	the aggregate of the respective amounts of the shareholder’s loans to be provided by each of Sino Advance, Mr. Kwong, the First Subscriber and the Second Subscriber pursuant to the Subscription Agreement
“Sino Advance”	Sino Advance Investments Limited, a company incorporated in the British Virgin Islands that is a wholly-owned subsidiary of the Company
“Special General Meeting”	the special general meeting of the Company to be convened to approve the Subscription Agreement
“Subscription”	the subscription of 999,999 CSD Shares at a total consideration of US\$999,999 pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 11 July 2003 entered into between CSD, Sino Advance, Mr. Kwong, the First Subscriber and the Second Subscriber in relation to the subscription of 999,999 CSD Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States of America dollar, the lawful currency of the United States of America
“WFOE”	a wholly foreign-owned enterprise to be set up by CSD in the PRC under the proposed name of “亞洲鋁業(中國)有限公司” (Asia Aluminum (China) Limited), the registered capital of which will be 100% owned by CSD
“%”	per cent.

For illustration purposes, amounts in US\$ in this announcement have been translated into HK\$ at US\$1 = HK\$7.80.

By Order of the Board
Asia Aluminum Holdings Limited
Dr. Chan Yiu Tsuan, Benby
Managing Director

Hong Kong, 11 July 2003

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