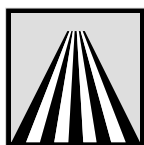


THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Aluminum Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser, transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**DISCLOSEABLE AND
CONNECTED TRANSACTION**

Proposed Establishment of a New Aluminum Manufacturing Facility

Independent financial adviser to the Independent Board Committee



A letter from the Board is set out on pages 4 to 13 of this circular and a letter from the Independent Board Committee is set out on page 14 of this circular. A letter from Access Capital containing its advice to the Independent Board Committee is set out on pages 15 to 22 of this circular.

A notice convening the Special General Meeting to be held at 11:00 a.m. on 18 August, 2003 at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong is set out on pages 28 to 29 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

1 August, 2003

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
The Subscription Agreement	5
Background to and reasons for the Subscription and the Shareholders' Loans	8
Conditions for Completion	11
Connection between the parties to the Subscription	11
Board composition of CSD and WFOE	12
General	12
The Special General Meeting	12
Recommendation	13
Letter from the Independent Board Committee	14
Letter from Access Capital	15
Appendix – General information	23
Notice of the Special General Meeting	28

DEFINITIONS

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

“Access Capital”	Access Capital Limited, a deemed licensed corporation under the SFO and engaged in Types 1, 4, 6 and 9 regulated activities, and the independent financial adviser to the Independent Board Committee
“associate”	has the meaning ascribed to it under the Listing Rules
“Board ”	the board of Directors
“CSD”	China Steel Development Company Limited, a company incorporated in Samoa that is currently an indirect 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 shareholders 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 independent board committee of the Directors comprising Mr. Ma Tsz Chun and Mr. Yau Wing Keung, Frankie, both being independent non-executive Directors which is formed to advise the Independent Shareholders in respect of the Subscription Agreement

DEFINITIONS

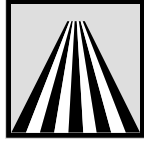
“Latest Practicable Date”	30 July, 2003, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kwong”	Mr. Kwong Wui Chun, a Director and the controlling shareholder who together with his associates holds approximately 41.4% interests in the Company
“New Manufacturing Facility”	the premium 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
“Record Date”	13 August, 2003, being the date for determining the Shareholders who are entitled to attend and vote at the Special General Meeting
“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 shareholders of the Company, its subsidiaries or any of their respective associates
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 shareholders’ 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 direct wholly-owned subsidiary of the Company

DEFINITIONS

“Special General Meeting”	a special general meeting of the Company to be held at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong at 11:00 a.m. on 18 August, 2003 (or at any adjournment thereof) to consider and approve, among others, the Subscription Agreement, notice of which is set out on pages 28 to 29 of this circular
“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
“Warrants”	warrants entitling the holder(s) thereof to subscribe for new Shares at an initial subscription price of HK\$0.77 per Share (subject to adjustments) from 10 April, 2002 to 9 April, 2004, both days inclusive (or such earlier date as provided in the instrument constituting the warrants)
“WFOE”	a wholly foreign-owned enterprise to be set up by CSD in the PRC under the proposed name of “亞洲鋁業(肇慶)有限公司 (Asia Aluminum (Zhaoqing) Limited)”, the registered capital of which will be 100% owned by CSD
“%”	per cent.

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

LETTER FROM THE BOARD



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Mr. Kwong Wui Chun (*Chairman*)
Mr. Hung Pann Yi (*Deputy Chairman*)
Dr. Chan Yiu Tsuan, Benby (*Managing Director*)
Mr. Zhong Jianqiu
Mr. Ma Tsz Chun[#]
Mr. Yau Wing Keung, Frankie[#]

[#] *Independent non-executive Director*

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal
place of business:*

12th Floor
Railway Plaza
39 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

1 August, 2003

*To the Shareholders and for information only, the holders
of Warrants and share options issued by the Company*

Dear Sir or Madam,

**DISCLOSEABLE AND
CONNECTED TRANSACTION**

Proposed Establishment of a New Aluminum Manufacturing Facility

INTRODUCTION

The Directors announced on 11 July, 2003 that the Subscription Agreement was entered into between CSD, 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 at US\$1.00 per share and the provision of a total of HK\$1.35 billion Shareholders' Loans to CSD.

LETTER FROM THE BOARD

The primary purpose of this circular is:

- (i) to provide the Shareholders with details of the Subscription Agreement in compliance with Chapter 14 of the Listing Rules;
- (ii) to set out the opinion of Access Capital in respect of the transaction contemplated under the Subscription Agreement;
- (iii) to set out the recommendation of the Independent Board Committee in respect of the transaction contemplated under the Subscription Agreement; and
- (iv) to give you notice of the Special General Meeting to consider and, if thought fit, to approve the Subscription Agreement.

The proposed subscription by Sino Advance of 599,999 new CSD Shares for a cash consideration of US\$599,999 together with the commitment 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.

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 constitutes a connected transaction for the Company under the Listing Rules and is conditional upon the approval by the Independent Shareholders at the Special General Meeting.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the transaction contemplated under the Subscription Agreement. An independent financial adviser, Access Capital, has been appointed to advise the Independent Board Committee as to whether or not the terms of the transaction contemplated under the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Your attention is hereby drawn to pages 28 to 29 of this circular where you will find a notice of the Special General Meeting to be held on 18 August, 2003.

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.

LETTER FROM THE BOARD

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 share consideration US\$
		<i>No. of Shares</i>	%	
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
	999,999	1,000,000	100	999,999

* *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 pursuant to the Subscription Agreement, 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.

LETTER FROM THE BOARD

Kwong 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 <i>No. of Shares</i>	%	Amount of share consideration <i>US\$</i>
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	999,999	1,000,000	100	999,999

* *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 of the Group.

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 <i>HK\$</i>
Sino Advance	60%	810,000,000
Mr. Kwong	20%	270,000,000
First Subscriber	10%	135,000,000
Second Subscriber	10%	135,000,000

LETTER FROM THE BOARD

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 its working capital requirements, 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.

Pursuant to the Subscription Agreement, it is also the intention of the First Subscriber and the Second Subscriber to take up Mr. Kwong's commitment to provide his portion of the Shareholders' Loans to CSD, on an equal basis as set forth above in the event that the Independent Shareholders do not approve the subscription by Mr. Kwong for the 200,000 CSD Shares. Under such event, 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 of the Group.

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' LOAN

The Group is principally engaged in the manufacture and sale of aluminum and stainless steel products and the provision of design and testing services for aluminum 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 premium aluminum panels/plates in the PRC due to the increasing applications by the packaging industry, the aluminum can manufacturing industry, the automobile industry, the construction industry, the printing industry and the aero-space industry.

LETTER FROM THE BOARD

However, these industries currently rely heavily on imports to satisfy this growing demand for premium aluminum panels/plates. The Directors expect that the demand exceeds supply and net import situation will not be rectified in the next few years. One of the key issues is the equipment and production technology applied by the existing aluminum plants in the PRC lag behind its international peers in terms of scale, production efficiency, product range and product quality.

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. In addition, taking into account (i) the experience of Mr. Kwong in the aluminum industry in the PRC and (ii) the participation by the controlling shareholder in a new project (which demands for substantial investments) may be positively received by the investment community as a vote of confidence in the new project, the Directors believe that it would be reasonable and appropriate for the Company to invite Mr. Kwong, the First Subscriber and the Second Subscriber to jointly invest in 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.

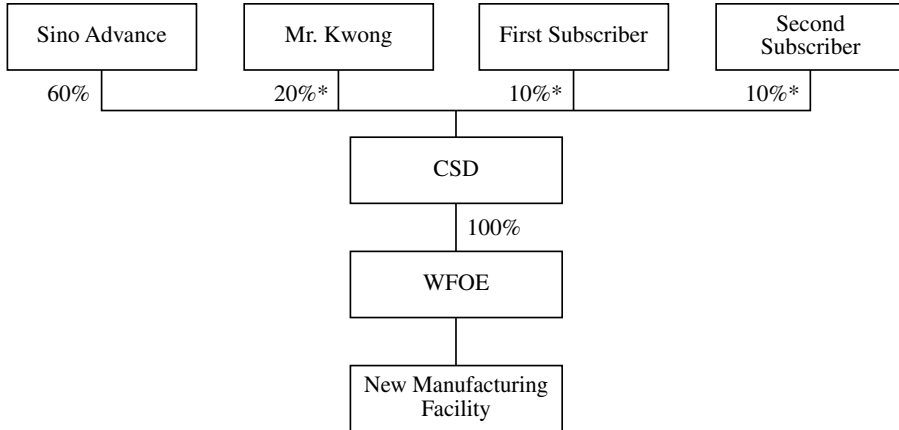
Immediately after the execution of the Subscription Agreement, CSD will proceed to establish a WFOE in Zhaoqing, Guangdong Province, the PRC with the sole purpose of operating the New Manufacturing Facility. The New Manufacturing Facility is expected to be completed and commence production during 2005. 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.

In order to secure sufficient debt financing for the New Manufacturing Facility in the future, the Directors are of the view that it is important and necessary to contribute a sizable amount of initial investment to the WFOE as its registered capital.

According to CSD's plan, approximately HK\$0.1 billion will be applied immediately following the establishment of the WFOE for the construction of the New Manufacturing Facility, approximately HK\$1.1 billion will be applied within the next 18 months in project construction and the balance of approximately HK\$0.1 billion will be maintained as a contingency fund for any additional construction costs.

LETTER FROM THE BOARD

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 pursuant to the Subscription Agreement, 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.

Based on the current financial position and the profit track record of the Group as set out in the latest published consolidated financial statements of the Group, the Directors consider that the Company has sufficient internal resources to finance the cash consideration of the Subscription and the provision of the Shareholders' Loans. In addition, there is no material capital expenditure requirement anticipated for the existing operation of the Group in the coming 12 months. The Group also has other banking and/or credit facilities to finance the working capital of its business. Hence, the Subscription of the 599,999 new CSD Shares by the Company and the provision of its portion of the Shareholders' Loans will not have any material adverse impact on the working capital position of the Group.

The Subscription of the CSD Shares would be recorded as a long-term investment at cost in the financial accounts of the Company, there would not be any effect on the assets and liabilities of the Company immediately following the completion of the Subscription Agreement. The provision of the Shareholders' Loans will be accounted for (as and when it is provided) as other receivables from CSD. As CSD does not have any operation prior to the Subscription, there would not be any effect on the earnings of the Company immediately following the completion of the Subscription Agreement. Once the operation of the New Manufacturing Facility has commenced, the operating results of CSD and the WFOE will be reflected in the Group's consolidated financial statements. If the New Manufacturing Facility commences operation as scheduled in 2005, the Directors believe that it will contribute positively to the earnings of the Group.

LETTER FROM THE BOARD

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 200,000 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 41.4% 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.

LETTER FROM THE BOARD

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 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. If the Independent Shareholders do not approve the Subscription by Mr. Kwong of the CSD Shares pursuant to the Subscription Agreement, 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 board of directors of CSD will comprise two directors appointed by Sino Advance, two directors appointed by the First Subscriber and one director appointed by the Second Subscriber. It is currently intended that the same board will make up the board of directors of the WFOE. Given such board composition and that certain management issues (such as those relating to change of board members, application of funds, raise new funds by means of equity capital and change of business strategy) shall require unanimous approval of all the directors of CSD, CSD will not be considered or treated as a subsidiary of the Company in the Company's financial statements.

GENERAL

The proposed subscription by Sino Advance of 599,999 new CSD Shares for a cash consideration of US\$599,999 together with the commitment 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.

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.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the transaction contemplated under the Subscription Agreement.

SPECIAL GENERAL MEETING

A notice convening the Special General Meeting to be held at 11:00 a.m. on 18 August, 2003 at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong at which an ordinary resolution will be proposed to approve the Subscription Agreement is set out on pages 28 to 29 of this circular.

Only Shareholders whose names appear on the Register of Members of the Company on the Record Date are entitled to attend and vote at the Special General Meeting. Mr. Kwong and his associates, who, together hold about 41.4% of the issued share capital of the Company, will abstain from voting in respect of the ordinary resolution to approve the transaction contemplated under the Subscription Agreement.

LETTER FROM THE BOARD

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and (as the case may be) voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular which contains its recommendation to the Independent Shareholders on the terms of the transaction contemplated under the Subscription Agreement. Your attention is also drawn to the letter of advice received from Access Capital which contains, amongst other matters, its advice to the Independent Board Committee in relation to the terms of the transaction contemplated under the Subscription Agreement and the principal factors and reasons considered by it in concluding its advice. The letter from Access Capital is set out on pages 15 to 22 of this circular.

Your attention is also drawn to the general information set out in the appendix of this circular.

Yours faithfully,
By Order of the Board
Asia Aluminum Holdings Limited
Kwong Wui Chun
Chairman



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

1 August, 2003

To the Independent Shareholders

**DISCLOSEABLE AND
CONNECTED TRANSACTION**

Proposed Establishment of a New Aluminum Manufacturing Facility

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 1 August, 2003 (the "Circular"), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been authorised by the Board to establish the Independent Board Committee to advise the Shareholders on whether the terms of the transaction contemplated under the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Access Capital as set out on pages 15 to 22 of the Circular and the letter from the Board set out on pages 4 to 13 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Access Capital as stated in its letter of advice, we consider that the terms of the transaction under the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the transaction contemplated under the Subscription Agreement to be proposed at the Special General Meeting.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Asia Aluminum Holdings Limited

Ma Tsz Chun

Yau Wing Keung, Frankie

Independent non-executive Directors

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter from Access Capital, the independent financial adviser, setting out their advice to the Independent Board Committee in relation to the Subscription Agreement.



3rd Floor
No. 8 Queen's Road Central
Hong Kong

1 August, 2003

*To: The Independent Board Committee of
Asia Aluminum Holdings Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ESTABLISHMENT OF A NEW ALUMINUM MANUFACTURING FACILITY

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee of the Company as regards the terms of the transaction contemplated under the Subscription Agreement. Details of the Subscription Agreement are contained in the "Letter from the Board" set out on pages 4 to 13 of the circular to the Shareholders dated 1 August, 2003 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

Mr. Kwong is a Director and the controlling shareholder of the Company who together with his associates holds an approximate 41.4% interest in the Company. The subscription by Mr. Kwong of 200,000 CSD Shares pursuant to the Subscription Agreement constitutes a connected transaction (the "Transaction") for the Company under Rule 14.26(3) of the Listing Rules and is subject to the approval by the Independent Shareholders at the Special General Meeting.

The Special General Meeting will be convened at which an ordinary resolution will be proposed to the Independent Shareholders for approval of the Subscription Agreement. Messrs. Ma Tsz Chun and Yau Wing Keung, Frankie, the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Subscription Agreement. We have been appointed to advise the Independent Board Committee on whether the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM ACCESS CAPITAL

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

II. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background to and reasons for the Transaction

(a) In relation to entering into the Subscription Agreement

As stated in the “Letter from the Board” set out in the Circular, 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 introducing new inventions and/or advanced production technologies into the PRC, extending its product range, expanding its production capacity and enhancing its product quality and service standards. It is also stated in the “Letter from the Board” of the Circular that there has been a growing demand for premium aluminum panels/plates in the PRC due to the increasing applications by various industries that currently rely heavily on imports to satisfy the growing demand for premium aluminum panels/plates.

According to China Non-ferrous Metal Processing Industry Association (2000 Statistics), the average annual aluminum consumption for the United States is 27.4 kg per capita; whilst the average annual aluminum consumption in the PRC is only 2.0 kg per capita. One of the reasons for the huge gap in aluminum consumption between the PRC and developed western countries such as the United States is the

LETTER FROM ACCESS CAPITAL

difference in the economic situation of those developed countries compared with that in developing countries like the PRC.

The table below illustrates the annual demand and supply of aluminum panels/plates in the PRC since 2000 as well as the estimated demand and supply up to 2010.

	2000	2001	2002*	2005*	2007*	2010*
	('000	('000	('000	('000	('000	('000
	tonnes)	tonnes)	tonnes)	tonnes)	tonnes)	tonnes)
Demand	591	762	960	1250	1510	2000
Supply	344	519	650	600	–	–
Shortage/Import	247	243	310	650	–	–

Source: China Non-ferrous Metal Processing Industry Association (2001)

** Estimated figures*

Although domestic supply of aluminum has grown substantially in recent years, the increase in supply still cannot keep pace with the growth in demand for aluminum panels/plates and the PRC still has had to rely heavily on the importation of premium aluminum panels/plates. The Directors expect that the excess demand and net import situation will not be rectified in the next few years. One of the key issues is the equipment and technology applied by the existing aluminum plants in the PRC lag behind their international peers in terms of scale, production efficiency, product range and product quality.

Following the successful accession to the World Trade Organisation (“WTO”) by the PRC, and the successful bid to host the 2008 Olympic Games and the 2010 World Expo, the Directors believe that the number of large-scale infrastructure projects is expected to increase. This trend is likely to concurrently increase the demand for and consumption of quality aluminum panels/plates by the packaging industry, construction industry, printing industry and automobile industry. In addition, as the quality of living in the PRC continues to rise, consumers’ demand for trendy and value-for-money products is expected to increase. Hence, the Directors are of the view that uses of premium aluminum panels/plates will continue to expand and, consequently, enhance the average annual per capita consumption of aluminum in the PRC as a whole.

In view of the current market environment and the potential growth in demand for premium aluminum panels/plates as described above, the Directors believe that (i) the current project (i.e. the proposed investment in, and establishment of, the New Manufacturing Facility) is an opportunity for the Company to enhance its production capability, extend its product range to capture a greater market share and reinforce its leading position in the aluminum industry in the PRC and (ii) the entering of the Subscription Agreement (which will facilitate the Company’s participation in the New Manufacturing Facility) is in the interests of the Company and its Shareholders as a whole. Given the potential growth in demand for premium aluminum panels/

LETTER FROM ACCESS CAPITAL

plates in the PRC as described above and the PRC market currently has no comparable facility like the planned New Manufacturing Facility, we are of the view that it is reasonable for the Directors to believe that this project represents an opportunity for the Group to expand its product range and capability and we concur with the views of the Directors that the entering of the Subscription Agreement is in the interests of the Company and its Shareholders as a whole.

Mr. Kwong is the Chairman and the founder of the Group, and he had over 30 years of experience in the trading of non-ferrous metals and the manufacturing of non-ferrous metal products in Hong Kong and the PRC. The Directors believe that Mr. Kwong's extensive understanding and experience on the non-ferrous metal business and regulatory framework in the PRC and the participation of Mr. Kwong (being a key management and the controlling shareholder of the Company) in this project which requires a substantial investment may be seen as his vote of confidence in the new project.

Taking into account (i) the experience of Mr. Kwong in the aluminum industry in the PRC and (ii) the fact that his participation in a new project (which requires substantial investment) may be positively viewed by the investment community and be seen as a vote of confidence in the new project, the Directors believe that it would be reasonable and appropriate for the Company to invite Mr. Kwong to invest jointly in the New Manufacturing Facility, and we concur with the view of the Directors. Since Mr. Kwong is a Director and the controlling shareholder of the Company who together with his associates holds an approximate 41.4% interests in the Company, the subscription by Mr. Kwong of 200,000 CSD Shares constitutes a connected transaction for the Company under Rule 14.26(3) of the Listing Rules and the Subscription Agreement is, therefore, subject to the approval by the Independent Shareholders at the Special General Meeting.

(b) In relation to the size of the Subscription and the Shareholders' Loans

As described in the "Letter from the Board", immediately after the execution of the Subscription Agreement, CSD will proceed to establish a WFOE in Zhaoqing, Guangdong Province, in 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. 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 (being the aggregate of the total cash proceeds derived from the Subscription and the Shareholders' Loans) will be in the form of registered capital for the WFOE. The balance of the investment is to be funded by loans from banks and financial institutions in the PRC.

In order to secure sufficient debt financing for the New Manufacturing Facility in the future, the Directors are of the view that it is important and necessary to make a sizeable initial investment in the WFOE as part of its registered capital.

LETTER FROM ACCESS CAPITAL

We also understand from the Directors that according to CSD's plan, the registered capital of WFOE will be used as follows:

- (i) approximately HK\$0.1 billion will be applied immediately following the establishment of the WFOE in preparing for the construction of the New Manufacturing Facility;
- (ii) approximately HK\$1.1 billion will be applied within the next 18 months in project construction; and
- (iii) the balance of approximately HK\$0.1 billion will be maintained as a contingency fund for any additional construction costs.

CSD is a special purpose vehicle established to hold the entire share capital of the WFOE. The Directors informed us that the subscribers of CSD Shares believe a minimum capital structure (in this case US\$1,000,000) will be sufficient; and any future funding requirements will be financed by shareholders' loans. In particular, the construction of the New Manufacturing Facility may take a period of approximately 18 months, the Directors are of the view that the minimum capital structure of CSD and any future funding requirements to be financed by shareholders' loans provide a reasonable basis for CSD to contribute to the registered capital of the WFOE as and when necessary.

Taking into account the factors mentioned above, in particular, the size of the total investment for the New Manufacturing Facility, the size of the registered capital of the WFOE that will enable it to secure sufficient debt financing for the New Manufacturing Facility in the future, the proposed timing of the use of funds from the registered capital by the WFOE, we consider that it is reasonable for CSD to maintain a minimum capital structure (i.e. US\$1,000,000) and provides flexibility for the shareholders of CSD to contribute any future funding requirements by means of shareholders' loans (which in turn are to be used to contribute to the registered capital of the WFOE) as and when necessary.

In addition, on the basis of the minimum capital structure requirement and the flexibility for the shareholders of CSD to contribute further as and when necessary, we consider that it is fair and reasonable for each of the subscribers under the Subscription Agreement (that includes Sino Advance, a wholly-owned subsidiary of the Company) to subscribe new CSD Shares at a price equivalent to the par value and to provide the Shareholders' Loans based on their proportionate interests in CSD.

2. Terms of the Subscription Agreement

(a) In relation to the Subscription

Pursuant to the Subscription Agreement, Sino Advance, Mr. Kwong, the First Subscriber and the Second Subscriber will subscribe for 599,999 new CSD Shares, 200,000 new CSD Shares, 100,000 new CSD Shares and 100,000 new CSD Shares

LETTER FROM ACCESS CAPITAL

respectively at the subscription price of US\$1.00 per CSD Share (which is equivalent to the par value of the CSD Shares).

Given the factors mentioned in the sub-section b) “In relation to the size of the Subscription and the Shareholders’ Loans” of section 1 “Background to and reasons for the Transaction” above, we consider that, on the basis of fulfilling a minimum capital structure (i.e. US\$1,000,000) requirement, it is fair and reasonable for each of the subscribers under the Subscription Agreement (that includes Sino Advance, a wholly-owned subsidiary of the Company) to subscribe new CSD Shares at the lowest price permissible by the applicable law to issue any new CSD Shares (i.e. at a price equivalent to the par value of the CSD Shares).

It is further stated in the “Letter from the Board” of the Circular that it is the intention of the parties to the Subscription Agreement that if the Independent Shareholders do not approve the subscription by Mr. Kwong for the 200,000 CSD Shares pursuant to the Subscription Agreement, CSD, Sino Advance, the First Subscriber and the Second Subscriber will enter into a separate agreement 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 on an equal basis.

Taking into consideration (i) the subscription price per CSD Share for each party to the Subscription Agreement is identical; and (ii) the Company’s intention to hold only a 60% interest in CSD regardless of whether the subscription by Mr. Kwong is approved by the Independent Shareholders (as the First Subscriber and the Second Subscriber are to assume the rights of Mr. Kwong under the Subscription Agreement and take up such CSD Shares originally to be subscribed by Mr. Kwong if the subscription by Mr. Kwong was not approved by the Independent Shareholders), we are of the view that the subscription of 200,000 CSD Shares by Mr. Kwong will not affect the interests of the Company in CSD.

In addition, the participation by Mr. Kwong, as the controlling shareholder, in a new project (which requires substantial investment) may be positively received by the investment community and be seen as a vote of confidence in the new project.

(b) In relation to the provision of the Shareholders’ Loans

Pursuant to the Subscription Agreement, the parties to the Subscription Agreement will also provide CSD with the Shareholders’ Loans up to a total maximum amount of approximately HK\$1.35 billion (in proportion to their respective interests in CSD) at Completion.

Given the factors mentioned in the sub-section b) “In relation to the size of the Subscription and the Shareholders’ Loans” of section 1 “Background to and reasons for the Transaction” above, we consider that, on the basis of fulfilling a minimum capital structure requirement and the flexibility for the shareholders of CSD to contribute any future funding requirements by means of shareholders’ loans (which in

LETTER FROM ACCESS CAPITAL

turn are to be used to contribute to the registered capital of the WFOE), it is fair and reasonable for each of the subscribers under the Subscription Agreement (that includes Sino Advance, a wholly-owned subsidiary of the Company) to provide Shareholders' Loans as and when necessary based on their proportionate interests in CSD.

The Shareholders' Loans are repayable by instalments from time to time with the unanimous approval of the board of directors of CSD, and 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 also stated in the "Letter from the Board" in the Circular that it is the intention of the parties to the Subscription Agreement that if the Independent Shareholders do not approve the subscription by Mr. Kwong of the 200,000 CSD Shares pursuant to the Subscription Agreement, and if the First Subscriber and the Second Subscriber assume the rights of Mr. Kwong under the Subscription Agreement to take up such CSD Shares originally to be subscribed by Mr. Kwong on an equal basis, the First Subscriber and the Second Subscriber will also take up Mr. Kwong's commitment to provide his portion of the Shareholders' Loans to CSD on an equal basis.

Taking into consideration (i) the Shareholders' Loans to be provided to CSD are shared by the parties to the Subscription Agreement in proportion to their respective interests in CSD; and (ii) the maximum amount of the Shareholders' Loans to be provided by the Company will not be affected by Mr. Kwong's subscription of 200,000 CSD Shares, since Mr. Kwong's portion of the Shareholders' Loans will be taken up by the First Subscriber and the Second Subscriber if the subscription by Mr. Kwong was not approved by the Independent Shareholders, we are of the view that the subscription of 200,000 CSD Shares by Mr. Kwong and the provision of a shareholder loan in accordance with his proportionate interests in CSD will not affect the interests of the Company in CSD.

3. Source of financing available to the Company for the Subscription and the Shareholders' Loans

It is stated in the "Letter from the Board" in the Circular that the Company intends to finance the cash consideration of US\$599,999 (equivalent to approximately HK\$ 4.7 million) for subscription of 599,999 CSD Shares and the provision of its portion of Shareholders' Loans from internal resources.

Based on the latest published audited consolidated financial statements of the Company, the Group had a liquid cash balance of approximately HK\$1,527 million as at 31 December, 2002. For the years ended 30 June, 2001 and 2002 and the six months ended 31 December, 2002, the Group had recorded an audited consolidated net profit of approximately HK\$195 million and HK\$131 million, and an unaudited consolidated net profit of approximately HK\$178 million respectively.

LETTER FROM ACCESS CAPITAL

We are informed by the Directors that 15% of the Shareholders' Loans is payable within three months of the issue of the business license of the WFOE. The balance is payable by instalments within 24 months from the issue date of the business license of the WFOE.

We also note that the Company was granted a three-year syndicated term loan facility amounting to US\$75,000,000 which, according to the announcement of the Company dated 9 July, 2003, will be used to refinance the original syndicated term loan facility and as general working capital of the Group.

Based on the above information, the Directors believe that the Company has sufficient internal resources to finance the cash consideration of the Subscription and the provision of the Shareholders' Loans of approximately HK\$814.7 million from internal resources. In addition, the Group also has other banking and/or credit facilities to finance the working capital of its business, the Directors believe that the Subscription of 599,999 new CSD Shares by Sino Advance and the provision of its portion of the Shareholders' Loans will not have any material adverse impact on the working capital position of the Group.

We have taken into account the current financial position of the Group as stated in the latest published financial statements of the Group, the profit track record of the Group as mentioned above, the Directors' statement in the "Letter from the Board" that no material capital expenditure requirement is anticipated for the existing operation of the Group in the coming 12 months and the payment schedule of the Shareholders' Loans as described above and consider the bases of belief of the Directors as mentioned above are reasonable and concur with the view of the Directors that the Subscription of 599,999 new CSD Shares by Sino Advance and the provision of its portion of the Shareholders' Loans will not have any material adverse impact on the working capital position of the Group.

III. RECOMMENDATION

Having considered the above principal factors including, inter alia, (i) the background to and reasons for the Transaction; (ii) the terms of the Subscription Agreement; and (iii) the sources of financing available to the Company for the subscription of 599,999 CSD Shares and its portion of the Shareholders' Loans, we are of the view that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution in relation to the Subscription Agreement which will be proposed at the Special General Meeting.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Jeanny Leung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>6,000,000,000</u> ordinary shares of HK\$0.10 each	<u>600,000,000.00</u>
<i>Issued and fully paid or credited as fully paid shares:</i>	
<u>2,584,527,231</u> ordinary shares of HK\$0.10 each	<u>258,452,723.10</u>

3. DISCLOSURE OF INTERESTS

(a) Disclosure of interests by the Directors

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Nature of interest	Number of Shares/ underlying Shares held	Notes	Total	Approximately percentage of interest
Mr. Kwong Wui Chun	Personal	211,432,836	(a)	1,128,954,836	43.68%
	Corporate	908,622,000	(b)		
	Family	8,900,000	(c)		
Mr. Hung Pann Yi	Personal	53,620,000	(d)	53,620,000	2.07%
Mr. Zhong Jianqiu	Personal	24,434,800	(e)	24,434,800	0.94%

Notes:

- (a) The interest disclosed represents the interest in 193,593,488 Shares and 17,839,348 underlying Shares in respect of 17,839,348 Warrants held by Mr. Kwong personally.
- (b) The interest disclosed represents the corporate interest in 876,030,000 Shares and 32,592,000 underlying Shares in respect of 32,592,000 Warrants held by Viewlink Assets Limited, which is a corporation controlled by Mr. Kwong by virtue of Section 344(3) of the SFO.
- (c) The interest disclosed represents the family interest in 8,900,000 underlying Shares in respect of the 8,900,000 share options granted by the Company to Ms. Li Chuk Kuan, spouse of Mr. Kwong by virtue of Section 344(1) of the SFO. These share options were granted on 25 January, 2002 and are exercisable during the period from 25 January, 2002 to 24 January, 2005 at an exercise price of HK\$0.56 per Share.
- (d) The interest disclosed represents the interest in 28,200,000 Shares held Mr. Hung Pann Yi personally and 25,420,000 underlying Shares in respect of the 2,820,000 Warrants and 22,600,000 share options granted by the Company to Mr. Hung Pann Yi. These share options were granted on 25 January, 2002 and are exercisable during the period from 25 January, 2002 to 24 January, 2005 at an exercise price of HK\$0.56 per Share.
- (e) The interest disclosed represents the interest in 1,668,000 Shares held Mr. Zhong Jianqiu personally and 22,766,800 underlying Shares in respect of the 166,800 Warrants and 22,600,000 share options granted by the Company to Mr. Zhong Jianqiu. Out of the total share options granted, 17,200,000 share options were granted on 26 January, 2001 and are exercisable during the period from 26 February, 2001 to 25 February, 2004 at an exercise price of HK\$0.4312 per Share. The balance of 5,400,000 share options were granted on 25 January, 2002 and are exercisable during the period from 25 January, 2002 to 24 January, 2005 at an exercise price of HK\$0.56 per Share.

In addition to the above, certain directors have non-beneficial personal interests in certain subsidiaries incorporated in Hong Kong held for the benefit of the Company solely for the purposes of complying with the minimum shareholder requirement under the Hong Kong Companies Ordinance.

(b) Particulars of Directors' other interests

As at the Latest Practicable Date, no Director has a service contract with any member of the Group which is not determinable by the Company within one year without the payment other than statutory compensation.

(c) Save as disclosed above, as at the Latest Practicable Date:

- (i) none of the Directors and chief executive of the Company hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries;
- (iii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (iv) none of the Directors has entered or is proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following person (other than a Director or chief executive of the Company) who has interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Number of Shares held	Approximate percentage of interest
Allianz Aktiengesellschaft	131,858,000	5.11%

Save as disclosed herein, so far as was known to the Directors, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company and 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company or in any options in respect of such capital.

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June, 2002, the date to which the latest published audited accounts of the company were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

The qualification of the expert who has provided its advice which are contained in this circular is set out as follows:

Name	Qualification
Access Capital	A deemed licensed corporation under the SFO and engaged in types 1, 4, 6 and 9 regulated activities.

Save as disclosed in this circular, Access Capital is not interested in any Shares or any shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or any shares in any member of the Group.

8. MISCELLANEOUS

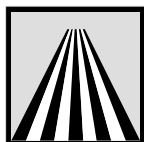
- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Hong Kong Registrars Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Ms. Anita Yee who is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.
- (e) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the offices of Sidley Austin Brown & Wood, the legal advisors to the Company as to Hong Kong law at 49th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong from the date of this circular up to and including 18 August, 2003:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 30 June, 2002;
- (c) the "Letter from Access Capital" as set out on in this circular;
- (d) the written consent from Access Capital referred to in paragraph 7 of this Appendix;
and
- (e) the Subscription Agreement.

NOTICE OF THE SPECIAL GENERAL MEETING



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Asia Aluminum Holdings Limited (the “**Company**”) will be held at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong on 18 August, 2003 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (1) the conditional agreement (the “**Subscription Agreement**”) dated 11 July, 2003 entered into between China Steel Development Limited (“**CSD**”), Sino Advance Investments Limited (“**Sino Advance**”), Mr. Kwong Wui Chun (“**Mr. Kwong**”), Record Break Investments Limited (the “**First Subscriber**”) and Think Success Industries Limited (“**the Second Subscriber**”), a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of the meeting for identification purposes, pursuant to which, among others, Sino Advance, Mr. Kwong, the First Subscriber and the Second Subscriber shall subscribe for a total of 999,999 new shares in CSD (“**CSD Shares**”) subject to the terms and conditions of the Subscription Agreement be and is hereby ratified, confirmed and approved;
- (2) the directors of the Company be and are hereby authorised to cause CSD to allot and issue the CSD Shares on and subject to the terms and conditions of the Subscription Agreement; and
- (3) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the Subscription Agreement.”

By Order of the Board
Asia Aluminum Holdings Limited
Anita Yee
Company Secretary

Hong Kong, 1 August, 2003

NOTICE OF THE SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal office:

12th Floor,
Railway Plaza
39 Chatham Road South
Tsimshatsui
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. Only those Shareholders whose names appear on the register of members of the Company on 13 August, 2003, being the record date determined by the Directors, are entitled to attend and vote at the meeting or any adjourned meeting thereof (as the case may be).
5. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the offices of the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
6. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
7. Where there are joint registered holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the Share shall be accepted to the exclusion of the votes of the other registered holders.