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ASIA ALUMINUM HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Stock code: 930

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Summary

Reference is made to the Connected Transaction Announcement issued by the Company in respect of the sale by the Group of Aluminum Products to the Indalex Group.

On 29 April 2004, AAG entered into the Supply Agreement with Indalex, Inc. pursuant to which the Indalex Group agrees to purchase and the Group agrees to supply, on a non-exclusive basis, Aluminum Products for the period from 1 January 2004 to 31 December 2006.

Indalex is a substantial shareholder of and currently holding approximately 25.01% interest in AAG. AAG is a non wholly-owned subsidiary of the Company. Accordingly, Indalex is a connected person of the Company under the Listing Rules. Transactions between the Indalex Group and the Group constitute connected transactions for the Company under the Listing Rules. The Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval at the Special General Meeting.

An independent board committee comprising independent non-executive Directors will be appointed to consider the terms of the Supply Agreement and an independent financial adviser will be appointed to advise the independent board committee of the Company on the terms of the Supply Agreement. A circular containing, among others, further details of the Supply Agreement, a letter from the independent board committee, a letter of advice from the independent financial adviser to the independent board committee and a notice for convening the Special General Meeting to approve the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions will be sent to the Shareholders as soon as practicable, in any event not later than 21 days from the date of this announcement.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

The Supply Agreement

Date of agreement: 29 April 2004

Parties: (1) Indalex, Inc.

(2) AAG

- Subject:** Pursuant to the Supply Agreement, Indalex, Inc. or other members of the Indalex Group will purchase and AAG will, and/or will procure other members of the Group to, supply, on a non-exclusive basis, the Aluminum Products to the Indalex Group.
- Term:** The Supply Agreement shall be deemed to have commenced on 1 January 2004 and will continue until 31 December 2006 (both dates inclusive). Both parties may renew the Supply Agreement in writing during the three-month period prior to the expiry on 31 December 2006 subject to compliance with the Listing Rules.
- Price:** To be determined by reference to the aluminum ingot price per metric ton in US\$ as quoted on the London Metal Exchange plus a processing fee based on the level and complexity of the processing work in accordance with the specifications of the Aluminum Products. The processing work undertaken by the Group pursuant to the Supply Agreement includes, but not limited to, the application of mill finish, anodizing, brite-dip, powder-coating and polyester-coating of the Aluminum Products in accordance with the specification given by the Indalex Group. The said basis for determination of the consideration is also applied by the Company to all other customers who are not connected persons of the Company (as defined in the Listing Rules).

Under the Supply Agreement, the quantity of the Aluminum Products estimated to be purchased by the Indalex Group from the Group for the six-month period ending 30 June 2004, the financial year ending 30 June 2005, the financial year ending 30 June 2006 and the six-month period ending 31 December 2006 will be 4,500 metric tons, 20,000 metric tons, 30,000 metric tons and 18,000 metric tons respectively.

For each of the two financial years ended 30 June 2003 and for the six-month period from 1 July 2003 to 31 December 2003, the volume of the Aluminum Products that the Indalex Group had purchased from the Group amounted to approximately 3,139 metric tons, 3,455 metric tons and 2,057 metric tons respectively, and the value of which amounted to approximately HK\$57,576,000, HK\$65,247,000 and HK\$39,019,000 respectively. The sales to the Indalex Group for the two years ended 30 June 2003 represented approximately 3.4% and 3.6% of the aggregate sales of the Aluminum Products by the Group for the financial years ended 30 June 2002 and 30 June 2003 respectively.

Based on the information provided by Indalex, Inc, the substantial increase in the estimated purchase volume of Aluminum Products by the Indalex Group from the Group for the period from 2004 to 2006 is due to the anticipated substantial growth of the aluminum industry of North America and in particular, in the residential, transportation and consumer durables sectors after a sluggish in the North American aluminum market over the two and a half years ended 30 June 2003 which recorded negative growth during most of the period. Such trend is evidenced by the increasing sales of aluminum extrusion products in the North American market since the last quarter of calendar year 2003, which is also in line with the sales made by the Group to the North American market over the said period.

For the period from 1 January 2004 to 31 March 2004 (the "Reference Period"), the Group has confirmed sales orders placed by the Indalex Group to purchase in aggregate approximately 1,657 metric tons of the Aluminum Products at a total consideration of approximately US\$4,475,000 (equivalent to approximately HK\$34,748,000), representing an average sale price of approximately US\$2,700 (equivalent to approximately HK\$21,000) per metric ton and approximately half of the sales made by the Group to the Indalex Group during the financial year ended 30 June 2003.

Based on the estimated average sale price of US\$3,240 per metric ton (equivalent to approximately HK\$25,160), the Directors projected that the cap value of the sales of the Aluminum Products from the Group to the Indalex Group under the Supply Agreement for each of the 6-month period ending 30 June 2004, the financial year ending 30 June 2005, the financial year ending 30 June 2006 and the 6-month period ending 31 December 2006 will not exceed US\$14,580,000 (equivalent to approximately HK\$113,214,000), US\$64,800,000 (equivalent to approximately HK\$503,172,000), US\$97,200,000 (equivalent to approximately HK\$754,758,000) and US\$58,320,000 (equivalent to approximately HK\$452,855,000) respectively. The average sale price per metric ton applied for the calculation of the cap value is determined with reference to: (i) the average sale price of approximately US\$2,700 (equivalent to approximately HK\$21,000) per metric ton for the Reference Period; and (ii) a buffer of 20% upward adjustment of the average sale price in respect of the Reference Period after taking into account of (a) an approximately 20% increase in the aluminum ingot price from US\$1,400 per metric ton in September 2003 to US\$1,700 per metric ton in March 2004; and (b) the higher-end type of Aluminum Products to be purchased by the Indalex Group from the Group which would attract a higher processing fee.

The projected sales value of the Aluminum Products from the Group to the Indalex Group of US\$14,580,000 (equivalent to approximately HK\$113,214,000) for the 6-month period ending 30 June 2004, US\$64,800,000 (equivalent to approximately HK\$503,172,000) for the financial year ending 30 June 2005, US\$97,200,000 (equivalent to approximately HK\$754,758,000) for the financial year ending 30 June 2006 and US\$58,320,000 (equivalent to approximately HK\$452,855,000) for the 6-month period ending 31 December 2006 represent 6.2%, 27.5%, 41.3% and 24.8% of the aggregate sales of the Aluminum Products by the Group of HK\$1,828,000,000 for the financial year ended 30 June 2003 respectively.

REASON FOR THE CONTINUING CONNECTED TRANSACTIONS

Indalex, Inc. is engaged in the manufacture and supply of soft alloy extrusion products in North America. The ultimate holding company of both Indalex and Indalex, Inc. is Novar Plc, a public company listed on the London Stock Exchange which is engaged in the manufacture of a wide range of aluminum extrusion products, electrical products, software components and the provision of security printing and other specialised services to financial institutions. Indalex, Inc. is therefore an associate of Indalex.

Given the Indalex Group's well established market network in North America, the Directors consider that the Continuing Connected Transactions with the Indalex Group would enhance the Group's penetration into the North American market. The executive Directors consider that the terms of the Supply Agreement have been negotiated on an arm's length basis and on normal commercial terms between the Group and the Indalex Group and are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

Indalex is a substantial shareholder of and currently holding approximately 25.01% interest in AAG. AAG is a non wholly-owned subsidiary of the Company. Accordingly, Indalex is a connected person of the Company under the Listing Rules. Transactions between the Indalex Group and the Group therefore constitute connected transactions for the Company under the Listing Rules. The Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval at the Special General Meeting.

The Company will seek the approval of the Independent Shareholders at the Special General Meeting of the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions on the following conditions:

- (a) The value of sales of the Aluminum Products from the Group to the Indalex Group will not exceed HK\$113,214,000 for the 6-month period ending 30 June 2004, HK\$503,172,000 for the financial year

ending 30 June 2005, HK\$754,758,000 for the financial year ending 30 June 2006 and HK\$452,855,000 for the 6-month period ending 31 December 2006.

- (b) (i) The Continuing Connected Transactions will be negotiated on normal commercial terms and entered into in the usual and ordinary course of businesses of the Group; and
- (ii) The Continuing Connected Transactions will be entered into in accordance with the terms of the Supply Agreement.
- (c) Brief details of the Continuing Connected Transactions will be disclosed in the Company's next and each successive annual report, each accompanied with a statement of opinion of the independent non-executive directors of the Company in such manner as referred to in paragraph (d) below.
- (d) The independent non-executive directors of the Company will review annually the Continuing Connected Transactions, and they will confirm in the Company's annual report for the year in question that such Continuing Connected Transactions under their review were conducted in the manner as stated in paragraphs (a) and (b) above.
- (e) The auditors of the Company will review annually the Continuing Connected Transactions, and confirm in a letter to the Directors (a copy of which letter will be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) in respect of each relevant period, during which the Continuing Connected Transactions were conducted, stating that:
 - (i) the Continuing Connected Transactions have been approved by the Directors;
 - (ii) the Continuing Connected Transactions have been entered into in accordance with the terms of the Supply Agreement;
 - (iii) the value of the Continuing Connected Transactions has not exceeded their respective annual limits set out in paragraph (a) above; and
 - (iv) the Continuing Connected Transactions have been entered into in accordance with the pricing policy of the Group,

and where for whatever reasons, if the auditors of the Company decline to accept the engagement or are unable to provide the auditors' letter, the Directors will contact the Listing Division of the Stock Exchange immediately.

- (f) So long as its shares are listed on the Stock Exchange, the Company will provide to the Stock Exchange an undertaking that the Company will, and will procure the Company to, provide auditors of the Company with full access to the relevant records of the Continuing Connected Transactions for the purpose of auditors' review as referred to in (e) above.
- (g) The Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of any of the Continuing Connected Transactions exceeds their respective caps, or that there is any material amendment to the terms of the Supply Agreement.

Prior to the obtaining by the Company of the Independent Shareholders' approval at the Special General Meeting, the Directors will ensure that the amount of the confirmed sales orders since 1 January 2004 up to the date of the Special General Meeting will not exceed 2.5% of the applicable percentage ratios under the Listing

Rules. In addition, the Company has issued the Connected Transaction Announcement disclosing, among others, details of the sales by the Group of Aluminum Products to the Indalex Group during the period from 1 January 2004 to 21 February 2004. The Company has therefore complied with all the requirements of the Listing Rules in respect of the sale by the Group of Aluminum Products to the Indalex Group conducted up to the date of this Announcement.

GENERAL

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.

An independent board committee comprising the independent non-executive Directors will be appointed to consider the terms of the Supply Agreement and an independent financial adviser will be appointed to advise the independent board committee of the Company on the terms of the Supply Agreement. A circular containing, among others, further details of the Supply Agreement, a letter from the independent board committee, a letter of advice from the independent financial adviser to the independent board committee and a notice for convening the Special General Meeting to approve the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions on the basis set out above will be sent to the Shareholders as soon as practicable, in any event not later than 21 days from the date of this announcement.

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr. Kwong Wui Chun, Dr. Chan Yiu Tsuan, Benby, Mr. Zhong Jianqiu and two independent non-executive directors, namely Mr. Ma Tsz Chun and Mr. Yau Wing Keung, Frankie.

DEFINITIONS

“AAG”	Asia Aluminum Group Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to approximately 69.05% by the Company, as to approximately 25.01% by Indalex and the remaining approximately 5.94% by two independent third parties
“Aluminum Products”	aluminum extrusion products, which are formed by placing heated aluminum alloy billets in an extrusion presser and forcing them through a mould
“associate”	has the meaning as given in the Listing Rules
“Company”	Asia Aluminum Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Connected Transaction Announcement”	the announcement dated 2 March 2004 issued by the Company in respect of the connected transaction constituted by the sale by the Group of Aluminum Products to the Indalex Group for the period from 1 January 2004 to 21 February 2004
“connected person”	has the meaning as given in the Listing Rules

“Continuing Connected Transaction”	the sale of the Aluminum Products by the Group to the Indalex Group to be conducted from time to time on a regular basis pursuant to the Supply Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Indalex”	Indalex UK Limited, a company incorporated under the laws of England and a substantial shareholder of AAG
“Indalex, Inc.”	Indalex, Inc., a company incorporated under the laws of Delaware and an associate of Indalex
“Indalex Group”	Indalex, Inc. and its subsidiaries
“Independent Shareholders”	the Shareholders other than Indalex and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shares”	shares in the capital of the Company
“Shareholders”	holders of the Shares
“Special General Meeting”	the special general meeting of the Shareholders to be convened to consider and, if thought fit, to approve the Supply Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the supply agreement entered into between AAG and Indalex, Inc. on 29 April 2004
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board of
Asia Aluminum Holdings Limited
Dr. Chan Yiu Tsuan, Benby
Deputy Chairman and Chief Executive Officer

Hong Kong, 6 May 2004

For reference purposes, the exchange rate of US\$1.00 to HK\$7.765 is used in this announcement.

“Please also refer to the published version of this announcement in SCMP”.