

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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, together with the enclosed form of proxy, to the purchaser or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 930)

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser to the Independent Board Committee



A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 11 of this circular. A letter from Access Capital Limited containing its advice to the Independent Board Committee is set out on pages 12 to 21 of this circular.

A notice convening the special general meeting of Asia Aluminum Holdings Limited to be held at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong on 14 June 2004 at 11:30 a.m. is set out on pages 26 to 27 of this circular. Whether or not you are able to attend the special general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrars of Asia Aluminum Holdings Limited in Hong Kong, Hong Kong Registrars Limited of 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 special general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish.

28 May 2004

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

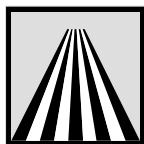
“AAG”	Asia Aluminum Group Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to approximately 69.05% by the Company, as to approximately 25.01% by Indalex and the remaining approximately 5.94% by two independent third parties
“Access Capital”	Access Capital Limited, independent financial adviser to the Independent Board Committee in relation to the Continuing Connected Transactions. It is a deemed licensed corporation under the SFO and engaged in types 1, 4, 6 and 9 regulated activities
“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 ascribed thereto in the Listing Rules
“Board”	the board of Directors
“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 person”	has the meaning as given in the Listing Rules
“Continuing Connected Transactions”	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”	the 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 Group”	Indalex, Inc. and its subsidiaries
“Indalex, Inc.”	Indalex, Inc., a company incorporated under the laws of Delaware and an associate of Indalex

DEFINITIONS

“Independent Board Committee”	the independent board committee comprising the two independent non-executive Directors, formed specifically to consider and to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than Indalex and its associates who are entitled to vote at the Special General Meeting
“Latest Practicable Date”	25 May 2004, the latest practicable date prior to the issue of this circular for the purpose of ascertaining certain information contained therein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Previous Supply Agreement”	the supply agreement dated 6 September 2000 entered into between, inter alia, the Company and Indalex, Inc. pursuant to which the Indalex Group would purchase Aluminum Products from the Group for the three years ended 31 December 2003, which was novated to AAG under a deed of novation and amendment dated 8 June 2001 entered into between, inter alia, the Company, AAG and Indalex, Inc.
“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 the Shares
“Special General Meeting”	the special general meeting of the Company to be held to consider and, if thought fit, to approve the Supply Agreement and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the supply agreement dated 29 April 2004 entered into between AAG and Indalex, Inc.
“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.

For the purpose of this circular, conversion of Hong Kong dollars into United States dollars is calculated at an approximate exchange rate of HK\$7.765 to US\$1.00, for the purpose of illustration only, and does not constitute a representation that any amount have been, or may be, exchanged at this or any other rate.

LETTER FROM THE BOARD



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 930)

Directors:

Kwong Wui Chun (*Chairman*)
Chan Yiu Tsuan, Benby (*Deputy Chairman*)
Zhong Jianqiu
Ma Tsz Chun**
Yau Wing Keung, Frankie**

** *Independent non-executive Director*

Principal place of business in

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

28 May 2004

To the Shareholders

Dear Sir/Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

The Board announced on 7 May 2004 that on 29 April 2004, AAG, a 69.05%-owned subsidiary of the Company, entered into the Supply Agreement with Indalex, Inc. (a connected person of the Company under the Listing Rules), 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.

Details of the Supply Agreement are set out below under the paragraph headed "The Supply Agreement".

Given that Indalex is a substantial shareholder of and currently holding approximately 25.01% interest in AAG, Indalex is therefore a connected person of the Company under the Listing Rules and transactions between the Indalex Group and the Group would 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. Accordingly, 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. Shareholders other than Indalex and its associates will be entitled to vote at the Special General Meeting.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information on the Supply Agreement, the Continuing Connected Transactions and the respective caps in relation to the Continuing Connected Transactions. At the Special General Meeting, resolution will be proposed to seek the requisite Independent Shareholders' approval in relation to the aforesaid matters.

A notice convening the Special General Meeting to be held at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong on 14 June 2004 at 11:30 a.m. is set out on pages 26 to 27 of this circular. The meeting is going to be held for the purpose of considering and, if thought fit, passing the relevant ordinary resolution by way of a poll.

The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Ma Tsz Chun and Mr. Yau Wing Keung, Frankie, has been established to consider whether the terms of the Continuing Connected Transactions and the respective caps related thereto are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company as a whole. Access Capital, the independent financial adviser, has been appointed to advise the Independent Board Committee with respect to the Continuing Connected Transactions and the respective caps related thereto.

Shareholders should note that Indalex Group began to purchase Aluminum Products from the Group in late 1999 and they mainly distribute Aluminum Products in the United States of America and Canada. The Group initiated a strategic alliance with the Indalex Group when the parties entered into the Previous Supply Agreement (under similar terms of the Supply Agreement) in September 2000. Under the Previous Supply Agreement, the Indalex Group would act as distributor of the Group by distributing the Aluminum Products in the United States of America and Canada for a period of three years ended 31 December 2003.

Indalex became a connected person of the Company under the Listing Rules when it acquired from the Company a 26.2% interest in AAG in April 2001, and the Previous Supply Agreement was at the same time, novated to AAG pursuant to a deed of novation and amendment dated 8 June 2001 entered into between, inter alia, the Company, AAG and Indalex, Inc. The interest of Indalex was subsequently diluted to 25.01% when two independent third parties invested in AAG in March 2002.

Upon Indalex becoming a connected person of the Company, the Previous Supply Agreement was accordingly subject to approval of the Shareholders which was duly obtained at the special general meeting of the Company held on 5 June 2001. The Company had then simultaneously applied to the Stock Exchange for a waiver, and the Stock Exchange has granted such waiver, from strict compliance with the disclosure requirements under the Listing Rules for the three years ended 31 December 2003 in relation to the transactions contemplated under the Previous Supply Agreement. The waiver was expired in concurrence with the expiry of the Previous Supply Agreement at 31 December 2003. Following the expiry of the Previous Supply Agreement on 31 December 2003, AAG entered into the Supply Agreement with Indalex, Inc. on 29 April 2004 (as described below).

LETTER FROM THE BOARD

2. 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.

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.

LETTER FROM THE BOARD

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 the North America, in particular, in the residential, transportation and consumer durables sectors after a sluggish environment in the North America 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.

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 15 January 2004, the net proceeds of HK\$506.6 million received by the Company from its placing and subscription of new Shares conducted in January 2004 would be applied to finance the Company's expansion of aluminum extrusion facilities. As at the Latest Practicable Date, HK\$110.4 million of the proceeds have been utilised for the construction of such facilities and HK\$396.2 million remained unused. No change in the proposed use of funds has been made by the Company. As at the Latest Practicable Date, the Group has obtained all necessary approvals relating to the operation of the aluminum extrusion facilities from the relevant PRC authorities. With the implementation of the new aluminum extrusion facilities, the Company's total aluminum extrusion production capacity will be increased from 140,000 metric tons to 300,000 metric tons by 2005. The Directors expect that more orders from the Indalex Group can be efficiently handled by the Group in light of such expansion of production capacity.

3. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The previous transactions conducted between the Group and the Indalex Group in accordance with the Previous Supply Agreement were entered into in the usual and ordinary course of businesses of the Group and the Directors consider that such transactions had been negotiated on an arm's length basis and on normal commercial terms between the Group and the Indalex Group. The Continuing Connected Transactions to be conducted in accordance with the Supply Agreement will be entered into in the usual and ordinary course of businesses of the Group and 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, 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.

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:

LETTER FROM THE BOARD

- (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 an arm's length basis and 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 Supply Agreement and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (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) The Company will, and will procure the Indalex Group 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.

LETTER FROM THE BOARD

- (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 two announcements dated 2 March 2004 and 7 May 2004 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 and the details of the Continuing Connected Transactions respectively. 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 Latest Practicable Date.

4. SPECIAL GENERAL MEETING

A notice convening the Special General Meeting to be held at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong on 14 June 2004 at 11:30 a.m. is set out on pages 26 to 27 of this circular for the purpose of considering and, if thought fit, passing the relevant ordinary resolution by way of a poll whereby every Independent Shareholder present in person or by proxy or, in the case of an Independent Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share held.

A form of proxy for use by the Shareholders at the Special General Meeting is enclosed. Whether or not you are able to attend the meeting in person, you are requested return the form of proxy in accordance with the instructions printed thereon to the branch share registrars of the Company in Hong Kong, Hong Kong Registrars Limited, of 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 Special General Meeting or any adjourned meeting (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 Special General Meeting or any adjourned meeting (as the case may be) should you so wish.

5. PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-law 73 of the Company's Bye-laws, a resolution put to the vote of a general meeting of the Shareholders shall be decided on a show of hands unless a poll is (before the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

In accordance with Rule 13.39(4) of Listing Rules, the Chairman will demand a poll in relation to the ordinary resolution for approving the Continuing Connected Transaction and the respective caps related thereto at the Special General Meeting.

6. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular which contains its recommendation to the Independent Shareholders as to the voting at the Special General Meeting regarding the Continuing Connected Transactions under the Supply Agreement.

Your attention is also drawn to the letter from Access Capital set out on pages 12 to 21 of this circular, which contains, among others, its advice to the Independent Board Committee in relation to the Continuing Connected Transactions under the Supply Agreement and the principal factors and reasons considered by it in concluding its advice.

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

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



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 930)

28 May 2004

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 28 May 2004 of the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company as a whole. Access Capital, the independent financial adviser, has been appointed to advise the Independent Board Committee with respect to the Continuing Connected Transactions and the respective caps related thereto.

We wish to draw your attention to the “Letter from the Board” set out on pages 3 to 10 of the Circular which contains, inter alia, information of the Continuing Connected Transactions and the Supply Agreement, as well as the “Letter from Access Capital” set out on pages 12 to 21 of the Circular which contains its advice in respect of the Continuing Connected Transactions.

Having taken into account the advice of Access Capital, we consider the terms of the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Special General Meeting in respect of the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions.

Yours faithfully,

For and on behalf of

Independent Board Committee

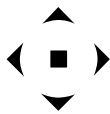
Ma Tsz Chun

Yau Wing Keung, Frankie

Independent non-executive Directors

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter of advice to the Independent Board Committee from Access Capital prepared for incorporation in this circular.



ACCESS
CAPITAL

Suite 606
6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

28 May 2004

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

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee with regard to the terms of the Continuing Connected Transactions contemplated under the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions. Details of the Continuing Connected Transactions are contained in the "Letter from the Board" set out on pages 3 to 10 of a circular to the Shareholders dated 28 May 2004 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meaning as defined in the Circular, unless the context otherwise specifies.

Given that Indalex is a substantial shareholder of and currently holding approximately 25.01% interest in AAG, and AAG is a non-wholly-owned subsidiary of the Company; Indalex is a connected person of the Company under the Listing Rules. Accordingly, any 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.

As stated in the "Letter from the Board", the Company will seek approval from the Independent Shareholders at the Special General Meeting for the Continuing Connected Transactions and the respective caps in relation to the Continuing Connected Transactions. No one is required to abstain from voting at the Special General Meeting.

II. THE INDEPENDENT BOARD COMMITTEE

The Board is currently comprised of (i) three executive directors, namely Mr. Kwong Wui Chun, Dr. Chan Yiu Tsuan, Benby and Mr. Zhong Jianqiu; and (ii) two independent non-executive directors, namely Mr. Ma Tsz Chun and Mr. Yau Wing Keung, Frankie.

LETTER FROM ACCESS CAPITAL

An Independent Board Committee comprising Mr. Ma Tsz Chun and Mr. Yau Wing Keung, Frankie has been established to consider the terms of the Continuing Connected Transactions and the respective caps related thereto.

We have been appointed by the Independent Board Committee to advise them as to whether the terms of the Continuing Connected Transactions and the respective caps related thereto are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion in relation to the Continuing Connected Transactions and the respective caps for the Independent Board Committee's consideration in making their recommendation to the Independent Shareholders.

III. BASES OF THE OPINION

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 its senior management staff 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.

IV. 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 Continuing Connected Transactions

1.1 *Background to the Continuing Connected Transactions*

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.

LETTER FROM ACCESS CAPITAL

As stated in the "Letter from the Board", Indalex is an associate of Indalex, Inc., which is engaged in the manufacture and supply of soft alloy extrusion products in North America. The ultimate parent 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.

The Indalex Group began to purchase Aluminum Products from the Group in late 1999 and they mainly distribute Aluminum Products in the United States of America and Canada. The Group initiated a strategic alliance with the Indalex Group when the parties entered into the Previous Supply Agreement in September 2000. Under the Previous Supply Agreement, the Indalex Group would act as the distributor of the Group by distributing Aluminum Products in the United States of America and Canada for a period of three years ended 31 December 2003.

Indalex became a connected person of the Company under the Listing Rules when it acquired from the Company a 26.2% interest in AAG in April 2001, and the Previous Supply Agreement was at the same time novated to AAG under a deed of novation and amendment dated 8 June 2001 entered into between, inter alia, the Company, AAG and Indalex, Inc. The interest of Indalex was subsequently diluted to 25.01% when two independent third parties invested in AAG in March 2002.

Upon Indalex becoming a connected person of the Company, the Previous Supply Agreement was accordingly subject to approval of the Shareholders, which was duly obtained at the special general meeting of the Company held on 5 June 2001. The Company had then simultaneously applied to the Stock Exchange for a waiver, and the Stock Exchange has granted such waiver, from strict compliance with the disclosure requirements under the Listing Rules for the three years ended 31 December 2003 in relation to the transactions contemplated under the Previous Supply Agreement. The waiver was expired in concurrence with the expiry of the Previous Supply Agreement at 31 December 2003.

Following the expiry of the Previous Supply Agreement on 31 December 2003, AAG entered into the Supply Agreement with Indalex, Inc. on 29 April 2004. 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.

As mentioned above, since Indalex is a connected person of the Company under the Listing Rules, the transactions between the Indalex Group and the Group contemplated under the Supply Agreement therefore constitute Continuing Connected Transactions and are subject to reporting, announcement and Independent Shareholders' approval at the Special General Meeting.

Also stated in the "Letter from the Board", the Company has 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 Latest Practicable Date. In addition, prior to obtaining 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.

LETTER FROM ACCESS CAPITAL

1.2 *Reasons for the Continuing Connected Transactions*

The Indalex Group is North America's second largest supplier of Aluminum Products and the largest producer of soft alloy extrusions for the building and construction, information technology, machinery and equipment, consumer durables, transportation, electrical and other industry sector. It has a well established market network, and is operating 16 extrusion manufacturing facilities, in North America. According to the Directors, the formation of the strategic alliance between the Indalex Group and the Group in September 2000 enabled the Group to secure sale orders and at the same time, took advantage of the Group's ability to maximize economies of scale. In addition, such strategic alliance also enhances the Group's sales in the North America via the distribution network of the Indalex Group in the territory.

In view of the synergies mentioned above, upon the expiry of the Previous Supply Agreement at 31 December 2003, Indalex, Inc. and AAG continue the strategic alliance by entering into the Supply Agreement on 29 April 2004, pursuant to which the Indalex Group will purchase and the Group will sell Aluminum Products for another three-year period ending 31 December 2006. 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.

As stated in the "Letter from the Board", 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 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 year ended 30 June 2002 and 30 June 2003 respectively.

Although sales to the Indalex Group for the two years ended 30 June 2003 represented less than 4% of the total sales of Aluminum Products by the Group for the financial year ended 30 June 2002 and 2003 respectively, the Directors believe that such relatively low percentage of sales to the Indalex Group was principally due to the sluggish North American aluminum extrusion market during the calendar year 2001 up to the first half of the calendar year 2003.

We have had discussed with the Board and noted that they believe that, after having, (i) consulted the senior management of the Indalex Group; (ii) based on their observation to the recent market trend, in particular, with respect to the anticipated growth in demand for aluminum products apply in the residential, transportation and consumer durables sectors in North America as evidenced by the increasing sales of aluminum extrusion products in the North American market since the late fourth quarter of calendar 2003; (iii) noted in view of the increasing trend to out-source supply of Aluminum Products from Asian suppliers (such as the Group); and (iv) taken into account the anticipated expansion of production capacity by the Group in the calendar year 2004, believed that sales to the Indalex Group would increase and the Board expects to capture more sales through the Indalex Group.

LETTER FROM ACCESS CAPITAL

We also noted from the “Letter from the Board” that (i) the previous transactions conducted between the Group and the Indalex Group in accordance with the Previous Supply Agreement were entered into in the usual and ordinary course of businesses of the Group and the Directors consider that such transactions had been negotiated on an arm’s length basis and on normal commercial terms between the Group and the Indalex Group; (ii) the Continuing Connected Transactions to be conducted under the Supply Agreement will continue to be entered into in the usual and ordinary course of businesses of the Group; and (iii) the executive Directors consider the terms of the Supply Agreement, which have been negotiated on an arm’s length basis and on normal commercial terms between the Group and the Indalex Group, are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

Having considered the background to and reasons stated above, we are of the view that it is reasonable normal and natural for the Group to continue to deal with its equity partner (i.e. the Indalex Group) with an aim to leveraging on the market network of the Indalex Group (ultimately owned by Novar Plc) so as to increase its market share in North America and eventually to extend on a global basis. Accordingly, we believe that it is reasonable for the Group to enter into the Supply Agreement and the transactions contemplated thereunder with the Indalex Group.

2. Terms of the Continuing Connected Transactions and the commercial justification for determining the caps

2.1 Terms of the Continuing Connected Transactions

According to the Supply Agreement, the price of the Aluminum Products is to be determined by reference to the following:

- (i) the aluminum ingot price per metric ton in US\$ as quoted on the London Metal Exchange (“LME”); and
- (ii) 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 is 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 Board confirms that the aforesaid basis of determination of the price is applied by the Company to all other customers who are not connected persons of the Company. The Board also confirms 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.

As stated in the “Letter from the Board”, the executive Directors are of the opinion that the terms of the Supply Agreement are fair and reasonable and in the best interests of the Group and the Shareholders as a whole. We have reviewed on a random basis some confirmations of orders and/or invoices issued by the Group to the Indalex Group and other customers during the period between 1 July 2002 to the Latest Practicable Date and noted the following:

- (i) the prices of the Aluminum Products offered by the Group to the Indalex Group were calculated in accordance with the aforesaid formula; and

LETTER FROM ACCESS CAPITAL

- (ii) the terms (including prices, credit periods, payment schedule, freight charges, insurance and etc.) of the Aluminum Products offered by the Group to the Indalex Group were no less favourable than the terms offered by the Group to other customers who are not connected persons of the Company.

We have also discussed with the Board about the selling prices per metric tons of all aluminum products with different levels of complexity of processing work offered by the Group to the Indalex Group and obtained confirmation that they were/are no less favourable than those prices offered to independent third parties who purchase Aluminum Products on comparable terms.

Taking into account the aforesaid background and confirmation from the Directors, we concur with the view of the Directors that the sales to be made under the Continuing Connected Transactions are normal commercial arrangements between the Group and the Indalex Group, the terms of which are reasonable and in the interests of the Independent Shareholders and will continue to be conducted on terms no less favourable than terms offered by the Group to independent third parties.

2.2 For the respective caps of the Continuing Connected Transactions

According to the Company, the respective caps of the Continuing Connected Transactions were determined with reference to the following factors:

- the historical sales made between the Group and the Indalex Group for the two years ended 30 June 2003 and the six months ended 31 December 2003;
- discussions between with the Group and the Indalex Group with regard to their estimated growth in demand for Aluminum Products in the North American market in order to enable the Group to ascertain the estimated future demand for the Group's products in coming years;
- the historical production capacity of the Group and the expected increase in capacity of the Group to accommodate the increase in demand of Aluminum Products;
- assessment of the market trend and the overall demand and the expectation of the growth for Aluminum Products by customers of the Group; and
- the average sale price per metric ton of Aluminum Products during the period from 1 January 2004 to 31 March 2004, the average aluminum ingot price quoted on the LME for the two years and six months ended 31 December 2003 and for the period from 1 January 2004 to the Latest Practicable Date, and the possible price adjustment buffer.

The table below sets out the historical sales of Aluminum Products between the Group and the Indalex Group, the pricing, the expected sales of Aluminum Products between the Group and the Indalex Group and the Group's production capacity for the Aluminum Products.

LETTER FROM ACCESS CAPITAL

	For the year ended 30 June 2002 (Actual)	For the year ended 30 June 2003 (Actual)	For the six months ended 31 December 2003 (Actual)	For the six months ending 30 June 2004 (Estimate)	For the year ending 30 June 2005 (Estimate)	For the year ending 30 June 2006 (Estimate)	For the six months ending 31 December 2006 (Estimate)
Production capacity of the Group – <i>metric ton</i>	110,000	120,000	70,000	75,000	200,000	260,000	150,000
Rate of utilisation of the production capacity of the Group	85-90%	85-90%	90-95%	n.a.	n.a.	n.a.	n.a.
Total sales of the Group – <i>HK\$'000</i>	1,698,222	1,828,000	1,104,032	n.a.	n.a.	n.a.	n.a.
Sales to the Indalex Group/cap of the respective period/ year under review – <i>metric tones</i>	3,139	3,455	2,057	4,500	20,000	30,000	18,000
– <i>HK\$'000</i>	57,576	65,247	39,019	113,214	503,172	754,758	452,855
Percentage of the sales to the Indalex Group to total sales (<i>HK\$</i>) of the Group for the period/year	3.4%	3.6%	3.5%	n.a.	n.a.	n.a.	n.a.
Percentage of sales (<i>metric tons</i>) to the Indalex Group to the production capacity of the Group	2.9%	2.9%	2.9%	6.0%	10%	11.5%	12.0%
Average aluminum ingot price quoted on LME during the period/ year under review (<i>US\$/metric ton</i>)	1,388	1,364	1,441	2,040	2,040	2,040	2,040
Processing fee (<i>US\$/metric ton</i>)	968	1,063	1,001	1,069 for the 3-months ended 31 March 2004	n.a.	n.a.	n.a.
Average sale price during the period/ year under review (<i>US\$/metric ton</i>)	2,356	2,427	2,442	3,240	3,240	3,240	3,240

LETTER FROM ACCESS CAPITAL

2.2.1 Production capacity

As stated in the "Letter from the Board", the net proceeds raised by the Company from the recent placing and subscription of new Shares exercise will enable the Group to extend its production capacity to 300,000 metric tons by 2005. The placing exercise has been completed on 29 January 2004, HK\$110.4 million of the proceeds have been utilised for the construction of such facilities and HK\$396.2 million remained unused. No change in the proposed use of funds has been made by the Company. We have obtained confirmation from the Board that the construction work of the production facilities is progressing according to plan. Accordingly, we have no reason to doubt the view of the Directors that the enlarged production capacity will be delivered according to plan and on schedule.

The Group's production capacity is currently 90% to 95% utilised and additional production capacity is imminently required to satisfy customers' demand as shown in the table above. As a result of the expansion in production capacity by the Group and the increasing demand for Aluminum Products from the North America market as anticipated by the Board and the management of the Indalex Group, we have no reason to doubt the increasing amount of orders (being 4,500 metric tons for the six-month period ending 30 June 2004, 20,000 metric tons for the financial year ending 30 June 2005, 30,000 metric tons for the financial year ending 30 June 2006 and 18,000 metric tons the six-month ending 31 December 2006 respectively) expected to be placed by the Indalex Group.

2.2.2 Total sales of the Group

It is noted from the table above that the Group has recorded moderate growth in sales of Aluminum Products from the year ended 30 June 2002 to the year ended 30 June 2003. It is also noted that sales of the Group for the six months ended 31 December 2003 already exceeded 50% of the sales of the Group for the year ended 30 June 2003. We have also been advised by the Board that for the period from 1 January 2004 to 31 March 2004, 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.

Given the constraint of the production capacity of the Group and the current utilisation rate of the production facilities of the Group, we believe that any future increase in sales depends principally on (i) the speed of enhancing the production capacity of the Group; (ii) the extension and development of more sophisticated and high margin Aluminum Products; and (iii) the sale price of the Aluminum Products.

As described in paragraph "2.2.1 Production capacity" above and this paragraph, we concluded that we have no reason to doubt that (i) the enlarged production capacity will not be delivered according to plan; and (ii) the customers of the Group (including the Indalex Group) will not increase their amount of orders. Hence, we turn to consider the sale price of the Aluminum Products below to justify the respective caps of the Continuing Connected Transactions.

2.2.3 Sales to the Indalex Group

Shareholders should note that sales to the Indalex Group by the Group for the two years ended 30 June 2003 and the six months ended 31 December 2003 represented less than 4% of the Group's total sales (in terms of both monetary value and tonnage) of the respective periods.

LETTER FROM ACCESS CAPITAL

The Directors explained that such relatively low figures were due to the sluggish North American aluminum extrusion market during the calendar year 2001 up to the first half of calendar year 2003.

Shareholders should also note that the projected sales of Aluminum Products (in terms of tonnage, i.e. 4,500 metric tons for the six-months ending 31 December 2004 represents approximately 6.0% of the total estimated production capacity of the Group; 20,000 metric tons for the year ending 30 June 2005 represents approximately 10.0% of the total estimated production capacity of the Group, 30,000 metric tons for the year ending 30 June 2006 represents approximately 11.5% of the total estimated production capacity of the Group and 18,000 metric tons for the six-month ending 31 December 2006 represents approximately 12.0% of the total estimated production capacity of the Group) represents no more than 12.0% of the Group's estimated production capacity.

On the basis of the increase in production capacity as planned to fulfil customers' demand, and the reasons and factors mentioned above, we believe that the projected sales of Aluminum Products (in by metric tons) for the period under review (as mentioned in the table above) are acceptable and justifiable.

2.2.4 Aluminum ingot price

The average aluminum ingot price quoted on LME adopted for the period from 1 January 2004 to 31 December 2006 as mentioned in the table above was based on the average aluminum ingot price of approximately US\$1,700 per metric ton as quoted on LME during the period from 1 January 2004 to 31 March 2004.

It is noted that an approximately 20% increase in the aluminum ingot price from approximately US\$1,400 per metric ton in September 2003 to approximately US\$1,700 per metric ton in March 2004 was recorded. In view of such volatility in the sale price of aluminum ingots and to allow the Board to form a view on the price of the aluminum ingots over the next three years so as to allow the Group to compute the projected sales (in monetary terms) to the Indalex Group over the next three years (i.e. the caps of the Continuing Connected Transactions), a buffer of an additional 20% is included in the average sale price of the aluminum ingots.

Taking into account the historical aluminum ingot prices and the reasons mentioned above, we believe that it is reasonable to include a buffer of an additional 20% to the sale price of the aluminum ingots, and to enable the Group to transfer (if not all) the price fluctuation risks to its customers.

2.2.5 Processing fee

Although the processing fees charged by the Group over the last two years ended 30 June 2003 and the six months ended 31 December 2003 (as stated in the table above) were quite stable and have been maintained at the level of US\$1,000 per metric ton, the Board expects that the increasing production capacity and the extended product range of Aluminum Products (as described in paragraphs 2.2.1 and 2.2.2 above) may enable the Group to charge a higher processing fees due to the complexity and the quality demanded for such products. On the basis of this reason, we believe that it is not unreasonable to expect an increase in the processing fees to be charged on the Aluminum Products of the Group in the years to come.

LETTER FROM ACCESS CAPITAL

2.2.6 Sale price of the Aluminum Products of the Group

Shareholders should note that sale price of Aluminum Products of the Group is simply derived by adding the projected sale price of aluminum ingot and the processing fee. In view of the reasons mentioned in paragraphs 2.2.4 and 2.2.5 above, we are of the view that it is justifiable and acceptable to include a buffer to the sale price of Aluminum Products of the Group.

2.2.7 Projected sales to the Indalex Group – the respective caps for the Continuing Connected Transactions

The projected sales to the Indalex Group is the multiple of the projected sales (in metric tons as described in paragraph 2.2.3 above) and the sale price of the Aluminum Products of the Group (as described in paragraph 2.2.6 above).

Having considered the abovementioned factors, the data set out in the table above and our discussion with the Directors, we are of the view that the respective caps of the Continuing Connected Transactions for each of the period mentioned above is justifiable and reasonable. Accordingly, we consider that the basis of determining the respective caps for the Continuing Connected Transactions is fair and reasonable so far as the Independent Shareholders are concerned.

V. RECOMMENDATION

Having considered the above principal factors being (i) the background to and reasons for the Continuing Connected Transactions; and (ii) the terms of the Continuing Connected Transactions and the commercial justification for determining the respective caps of the Continuing Connected Transactions, we are of the view that the terms of the Supply Agreement and the Continuing Connected Transactions contemplated thereunder as well as the respective caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company.

Furthermore, in relation to compliance with the conditions set out in the section headed “Reasons for the Continuing Connected Transactions” in the “Letter from the Board”, the Directors confirm that the auditors of the Company shall review the Continuing Connected Transactions and confirm that the terms of the Continuing Connected Transactions have received the approval of the Board, have been entered into in accordance with the terms of the Supply Agreement as well as the pricing policy of the Group, and that the value of the Continuing Connected Transactions have not exceeded the respective caps. In addition, in order to comply with this condition, the Directors confirm that the auditors of the Company will have sufficient access to the books and records of the Company for the purpose of the auditors’ review of the Continuing Connected Transactions. On this basis, we believe that the aforesaid condition and right to access have been given in the interests of the Shareholders and provide additional safeguards to the Company.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to accept and approve the Supply Agreement and the Continuing Connected Transactions contemplated thereunder, as well as the respective caps in relation to the Continuing Connected Transactions.

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

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

DIRECTORS' INTERESTS AND SHORT POSITION

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 which (a) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were 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, to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Nature of interest	Note	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of total issued Shares as at the Latest Practicable Date
Mr. Kwong Wui Chun	Personal		231,930,836	–	231,930,836	
	Corporate	(1)	908,622,000	–	908,622,000	
	Family	(2)	4,000,000	4,900,000	8,900,000	
					<u>1,149,452,836</u>	36.20%
Mr. Zhong Jianqiu	Personal		24,434,800	–	24,434,800	0.77%

Notes:

- (1) The interest disclosed represents the corporate interest in respect of 908,622,000 Shares held by Viewlink Assets Limited, which is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Kwong Wui Chun, by virtue of Section 344(3) of the SFO.
- (2) The interest disclosed represents the family interest in 4,000,000 Shares and 4,900,000 underlying Shares in respect of 4,900,000 share options granted by the Company to Ms. Li Chuk Kuan, spouse of Mr. Kwong Wui Chun, by virtue of Section 344(1) of 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.
- (3) All the interests disclosed above represent long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company held 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 were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which 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.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, the following are details of the persons (other than a director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares in the Company 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 were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Name of Shareholder	Capacity	Note	Number of Shares and underlying Shares held	Approximate percentage of total issued Shares as at the Latest Practicable Date
Viewlink Assets Limited	Beneficial Owner	(1)	908,622,000 (Long position)	28.62%
Morgan Stanley	Interest of controlled corporations		290,248,000 (Long position) 1,644,000 (Short position)	9.14% 0.05%
J.P. Morgan Chase & Co	Interest of controlled corporation – Custodian Corporation		246,406,191 (Long position) 246,406,191 (Leading pool)	7.76% 7.76%
Delaware International Advisers Limited	Investment Manager		167,126,000 (Long position)	5.26%

Note:

- (1) Such interest had been included as corporate interest of Mr. Kwong Wui Chun as disclosed under “Directors’ Interests and Short Position” above.

According to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, other than the interest disclosed herein, 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 or 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 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.

MATERIAL CHANGES

Save as shown in the unaudited interim results of the Group for the six months ended 31 December 2003, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 30 June 2003, the date to which the latest published audited consolidated accounts for the Group have been made up.

OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (i) 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 any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group.

DIRECTORS' INTEREST IN SERVICE CONTRACTS

None of the Directors has entered or is proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

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

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

Access Capital is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

MISCELLANEOUS

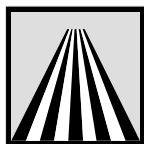
- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.
- (c) The company secretary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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong during the normal business hours on any weekday, except public holidays, from the date of this circular up to and including the date of the Special General Meeting:

- the memorandum of association and bye-laws of the Company;
- the annual reports of the Company for the two years ended 30 June 2002 and 2003;
- the interim report of the Company for six months ended 31 December 2002 and 2003;
- the Supply Agreement;
- the letter from the Independent Board Committee set out on page 11 of this circular;
- the letter from Access Capital set out on pages 12 to 21 of this circular; and
- the written consent referred to in the paragraph "Expert and consent" to this Appendix.

NOTICE OF THE SPECIAL GENERAL MEETING



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 930)

NOTICE IS HEREBY GIVEN that a special general meeting of Asia Aluminum Holdings Limited (the "Company") will be held at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong on 14 June 2004 at 11:30 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:

- (a) the Supply Agreement (as defined in the circular of the Company dated 28 May 2004 (the "**Circular**")), a copy of which is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved;
- (b) the proposed caps in relation to the Continuing Connected Transactions (as defined in the Circular), being 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, be and are hereby approved; and
- (c) 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 or relating to the Supply Agreement and/or the Continuing Connected Transactions as he may consider necessary, desirable or expedient."

By order of the Board
Yee Kit Lin, Anita
Company Secretary

Hong Kong, 28 May 2004

NOTICE OF THE SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

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

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. To be valid, the proxy form, together with the notarially certified power of attorney or other authority (if any) under which it is signed must be deposited at the Company's branch share registrar, Hong Kong Registrars Limited of 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 of the meeting or any adjournment thereof.
3. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holder be present at the meeting in person or by proxy, the person so present whose name stands first in the register of member of the Company in respect of such share shall alone be entitled to vote in respect of it.
4. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjourned meeting if he so desires. If a member attends the meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.
5. The votes to be taken at the meeting will be taken by a poll.