

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 a 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 to the purchaser or transferee or to the bank, stockbroker 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)

DISCLOSEABLE TRANSACTIONS

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DEFINITIONS

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

“AAC”	Asia Aluminum (China) Company Limited, a wholly-foreign-owned enterprise incorporated in the PRC, is wholly-owned by CSD and has been set up for the purposes of operating the aluminum sheet production facilities, which obtained its business licence on 4 September 2003;
“AAG”	Asia Aluminum Group Limited, a company incorporated in the British Virgin Islands with limited liability, is owned as to 69.05% by the Company, 25.01% by Indalex UK Limited and the remaining 5.94% by two Independent Third Parties, which together with its subsidiaries including PRC operating subsidiaries are engaged in, amongst other activities, the manufacture and sale of aluminum and stainless steel products;
“AAM”	Asia Aluminum Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability, is wholly-owned by AAG and its principal activities include investment holding and trading of aluminum and stainless steel products;
“ACRM Contract”	the contract for aluminum cold rolling mill dated 7 June 2004 entered into between CSD, TMGE and SMS;
“ACRM Purchase”	the purchase of equipment, parts, engineering, application software, technical services and other materials by CSD from the Sellers under the ACRM Contract;
“associate”	has the meaning ascribed to it under 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 Stock Exchange;
“CSD”	China Steel Development Company Limited, a company incorporated in Samoa, is a 60%-owned subsidiary of the Company;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Independent Third Party”	an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules;

DEFINITIONS

“Latest Practicable Date”	25 June 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Kwong”	Mr. Kwong Wui Chun, a Director and the controlling shareholder of the Company who together with his associates hold approximately 36.05% interests in the Company;
“PRC”	the People’s Republic of China;
“Record Break Investments Limited”	Record Break Investments Limited, a company incorporated in the British Virgin Islands that is an Independent Third Party. It is an investment vehicle wholly-owned by one of the Group’s suppliers, which is engaged in the trading of non-ferrous metals;
“Sellers”	SMS and TMGE;
“SFO”	the Securities and Future Ordinance (Cap 571, the laws of Hong Kong);
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholders”	holders of the Shares;
“SMS”	SMS Demag Inc., a limited liability company incorporated in Pittsburgh, PA, USA, which is a wholly-owned subsidiary of SMS Demag AG, Germany whose principal businesses include plant construction and mechanical engineering relating to the processing of steel, non-ferrous metals and plastics;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TCS”	Trevisan Cometal SPA, a limited liability company incorporated in Italy, which shares are listed on the Borsa Italiana whose principal businesses include the production of systems used to treat aluminum surfaces and the engineering and production of extrusion plants and foundry for aluminum;
“TCS Contracts”	the three contracts all dated 11 June 2004 entered into between AAM and TCS for the purchase and supply of certain aluminum extrusion facilities including equipment;

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“TCS Purchase”	the purchase of aluminum extrusion facilities including equipment by AAM from TCS under the TCS Contracts;
“Think Success Industries Limited”	Think Success Industries Limited, a company incorporated in the British Virgin Islands that is an Independent Third Party. It is an investment vehicle wholly-owned by one of the Group’s distributors for the aluminum products of the Group; and
“TMGE”	TMGE Automation Systems LLC, a limited liability company incorporated in Delaware, USA, which is a joint venture company of Toshiba Mitsubishi Electric Industrial Company and General Electric Company and who principal works in the area of industrial control systems for the metals, paper, material handling and general industry markets on a global basis.

For the purpose of this circular, the following exchange rates shall be adopted for information purposes only:–

1 Euro = 9.529 Hong Kong dollars

1 US\$ = 7.775 Hong Kong dollars

LETTER FROM THE BOARD



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 930)

Executive 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

30 June 2004

To the Shareholders

Dear Sir and Madam,

DISCLOSEABLE TRANSACTIONS

INTRODUCTION

The Directors referred to the Company's announcements dated 10 June 2004 and 15 June 2004 respectively.

The Directors announced that:

- (i) On 7 June 2004, CSD entered into the ACRM Contract with the Sellers for the supply of certain equipment and services in respect of aluminum cold rolling mill to the aluminum sheets division of the Group; and
- (ii) On 11 June 2004, AAM entered into the TCS Contracts with TCS for the supply of certain aluminum extrusion facilities including equipment to the aluminum extrusion division of the Group.

The purpose for this circular is to provide you with further information concerning the above transactions of the Group.

LETTER FROM THE BOARD

THE ACRM CONTRACT

On 7 June 2004, CSD entered into the ACRM Contract with the Sellers whereby CSD agreed to purchase and the Sellers agreed to supply certain equipment, parts, engineering, application software, technical services and other materials to CSD to facilitate the construction and establishment of facilities for the manufacturing of “premium” aluminum sheets by AAC.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, SMS and TMGE are Independent Third Parties. CSD is a company incorporated in Samoa, which is a 60%-owned subsidiary of the Company. The remaining interest is owned as to 20% by Mr. Kwong, 10% by Record Break Investments Limited, 10% by Think Success Industries Limited, the details of which were set out in the Company’s announcement dated 11 July 2003 and the Company’s circular dated 1 August 2003.

The equipment to be provided by the Sellers to CSD under the ACRM Contract are tailor-made, highly specialised equipment necessary for the manufacture of “premium” aluminum sheets by AAC.

The services to be provided by the Sellers to CSD under the ACRM Contract include the engineering, software and technical services that are used for implementation and operation to these equipment to manufacture aluminum sheets.

The total consideration payable by CSD under the ACRM Contract is US\$17,589,500 (equivalent to approximately HK\$136,758,000). The consideration is based on the total aggregate value of the equipment and the services that are to be supplied/provided by each of TMGE and SMS to CSD under the ACRM Contract. The payment of the consideration will be made as to US\$11,867,350 (equivalent to approximately HK\$92,268,600) to TMGE and as to US\$5,722,150 (equivalent to approximately HK\$44,489,700) to SMS and will be paid in accordance with the payment schedule contained in the ACRM Contract. The payment schedule is based on the schedule of delivery of equipment and/or title documents for the equipment and/or services by the Sellers to CSD in accordance with the terms of the ACRM Contract.

The price for equipment under the ACRM Contract is approximately US\$13,548,000 (equivalent to approximately HK\$105,335,700) and the price for services under the ACRM Contract is approximately US\$4,041,500 (equivalent to approximately HK\$31,422,700).

The sums payable under the ACRM Contract will be paid out of the shareholders’ loan contributed by the shareholders of CSD as detailed in the Company’s circular dated 1 August 2003. Out of the total amount of shareholders’ loan of HK\$1,350,000,000 to be contributed by the shareholders of CSD in proportionate to their respective shareholdings in CSD, an aggregate amount of approximately HK\$900,000,000 has been duly contributed by the shareholders to CSD as shareholders’ loan. This amount of shareholders’ loan was contributed at different stages in the course of the construction and establishment of the aluminum sheets manufacturing facilities to be operated by AAC. In respect of the total amount of contributed shareholders’ loan (i.e. approximately HK\$900,000,000), each of (i) Sino Advance Investments Ltd., (a direct wholly-owned subsidiary of the Company) (ii) Mr. Kwong, (iii) Record Break Investments Limited and (iv) Think Success Industries Limited has contributed approximately 54% (i.e. HK\$433,805,000), 85% (i.e. HK\$230,794,000), 87% (i.e. HK\$117,128,000) and 85% (i.e. HK\$115,397,000) of their respective committed amounts of shareholders’ loan into CSD.

LETTER FROM THE BOARD

As at the Latest Practicable Date, approximately HK\$892,000,000 of contributed shareholders' loan has been utilised for the construction and establishment of the aluminum sheets manufacturing facilities to be operated by AAC. The balance of HK\$458,000,000 remains unutilised. It is intended that this amount of shareholders' loan will also be used for the construction and establishment of the aluminum sheets manufacturing facilities.

The Directors consider that the entering into the ACRM Contract provides a good cooperation opportunity for the Group, TMGE and SMS. The Directors are of the view that entering into the ACRM Contract is in the interest of the Company and the terms of the ACRM Contract are on normal commercial terms, which are fair and reasonable so far as the Shareholders of the Company are concerned.

BACKGROUND TO AND REASONS FOR THE ACRM CONTRACT

The ACRM Contract is entered into by CSD, TMGE and SMS to facilitate the construction and establishment of aluminum sheets production facilities in the "Asia Aluminum Industrial City" in Zhaoqing, the PRC, the details of which have been set out in the Company's announcement dated 11 July 2003 and the Company's circular dated 1 August 2003.

As the ACRM Contract is to be funded by the shareholders' loan of CSD as mentioned above, the ACRM Purchase will not have significant effect on the assets and liabilities of the Group and the Group will have sufficient working capital after the ACRM Purchase.

THE TCS CONTRACTS

On 11 June 2004, AAM entered into the TCS Contracts with TCS whereby AAM agreed to purchase and TCS agreed to supply certain aluminum extrusion facilities including equipment for the purposes of strengthening and expanding the aluminum extrusion facilities of the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, TCS is an Independent Third Party. TCS is a limited liability company incorporated in Italy, which shares are listed on the Borsa Italiana whose principal businesses include the production of systems used to treat aluminum surfaces and the engineering and production of extrusion plants and foundry for aluminum.

AAM is a company incorporated in Hong Kong with limited liability and is wholly-owned by AAG which is in turn as to 69.05% owned by the Company, 25.01% owned by Indalex UK Limited and the remaining 5.94% owned by two Independent Third Parties, and its principal activities include investment holding and trading of aluminum and stainless steel products. AAG and its subsidiaries including the PRC operating subsidiaries are engaged in, amongst other activities, the manufacture and sale of aluminum and stainless steel products.

The equipment to be provided by TCS to AAM under the TCS Contracts are mainly auxiliary parts of the press and production lines for the processing work of the aluminum extrusion products. The total consideration payable by AAM to TCS under the TCS Contracts also includes ancillary services to be provided by TCS to AAM under the TCS Contracts which include the engineering and technology that are used for implementation and operation of these equipment and the supervision of specialists to assist in the erection and the start-up of the equipment.

LETTER FROM THE BOARD

The total consideration payable by AAM under the TCS Contracts is Euro 22,332,000 (equivalent to approximately HK\$212,801,600). The consideration is based on the total aggregate value of the equipment that are to be supplied/provided by TCS to AAM under the TCS Contracts. The consideration will be paid in accordance with the payment schedule contained in the TCS Contracts. The payment schedule is based on the schedule of delivery of equipment and/or title documents for the equipment by TCS to AAM in accordance with the terms of the TCS Contracts. According to the terms of the TCS Contracts, the equipment are to be delivered by TCS to AAM in stages starting from December 2004 to August 2005.

As referred to in the Company's announcement dated 15 January 2004 and the Company's circular dated 28 May 2004, the net proceeds of HK\$506.6 million from the placing and subscription of new shares in the Company conducted in January 2004 would be applied to finance the Company's expansion of aluminum extrusion facilities which includes the construction of the new aluminum extrusion plant in "Asia Aluminum Industrial City" in Zhaoqing City, Guangdong Province, and the purchase of equipment and ancillary services for aluminum extrusion. Details of the expansion plan were disclosed in the Company's announcements dated 11 July 2003 and 15 January 2004 and the Company's circular dated 28 May 2004. As at the Latest Practicable Date, approximately HK\$110.4 million of the proceeds from the share placement has been utilised for expansion of aluminum extrusion facilities.

It is the current intention of the Directors that out of the total consideration of Euro 22,332,000 (equivalent to approximately HK\$212,801,600) under the TCS Contracts, 20% (i.e. Euro 4,466,400, equivalent to approximately HK\$42,560,300) of it will be funded from the proceeds of the share placement with the remaining balance of Euro 17,865,600 (equivalent to approximately HK\$170,241,300) will be funded by borrowings with banks or financial institutions. After using approximately HK\$42,560,300 to pay part of the total consideration of the TCS Contracts, the remaining HK\$353.6 million of the proceeds from the share placement will then remain unutilised.

The Directors consider that the entering into the TCS Contracts provided a good cooperation opportunity for the Group and TCS. The Directors are of the view that entering into the TCS Contracts is in the interest of the Company and the terms of the TCS Contracts are normal commercial terms, which are fair and reasonable so far as the Shareholders of the Company are concerned.

BACKGROUND TO AND REASONS FOR THE TCS CONTRACTS

The TCS Contracts are entered into by AAM with TCS for the acquisition of certain aluminum extrusion facilities including equipment for the purposes of strengthening and expanding the aluminum extrusion facilities of the Group.

As the TCS Contracts are to be funded by the proceeds from the share placement of the Company as mentioned above, the TCS Purchase will not have significant effect on the assets and liabilities of the Group and the Group will have sufficient working capital after the TCS Purchase.

LETTER FROM THE BOARD

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.

The purchase of equipment and services under the ACRM Contract constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The purchase of equipment under the TCS Contracts constitutes another discloseable transactions of the Company under Chapter 14 of the Listing Rules.

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

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

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

(a) Directors' Interests and Short Positions

As at the Latest Practicable Date, the interests and short positions 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 the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered into 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	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, 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, 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 or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or, which were required, to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO to be entered into the register referred to therein or, which 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.

(b) Interests of 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 is known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group and the amount of each of such person's interest in such securities, together with particular of any options in respect of such capital.

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		220,743,191 (Long position) 220,743,191 (Lending pool)	6.95% 6.95%
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 as disclosed under "Directors' Interests and Short Positions" above.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of 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 is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or in any option, in respect of such capital.

COMPETING INTERESTS

None of the Directors (as defined in the Listing Rules) and their respective associates have any interests in a business, which competes or may compete with the business of the Group.

SERVICE CONTRACTS

None of the Directors has entered into 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)).

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is at 12th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Ms. Yee Kit Lin, Anita, who is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.
- (c) The qualified accountant of the Company is Mr. Lau Yu Ching, Gilbert, who is a fellow member of Association of the Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.
- (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 version of this circular shall prevail over the Chinese text.