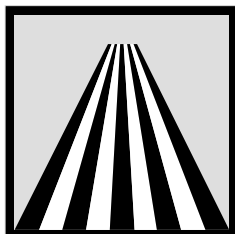


*This announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the Company and will contain detailed information about the Company and management, as well as financial statements. The Company does not intend to register any part of the Notes Issue in the United States.*



# **ASIA ALUMINUM HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 930)**

## **(1) PROPOSED ISSUE OF APPROXIMATELY US\$425 MILLION FIXED RATE SENIOR NOTES (2) PROPOSED FINANCIAL ASSISTANCE AND CONNECTED TRANSACTION**

### **The Proposed Notes Issue**

The Company proposes to conduct an international offering of approximately US\$425 million fixed rate senior notes with bullet repayment and will commence a roadshow this week to international institutional investors in Asia, Europe and the United States. In connection with the offering, the Company will provide certain institutional investors with recent corporate information regarding the Group, which information has not previously been made public. An extract of such recent information can be viewed at the Company's website [www.asiaalum.com/recentinfo](http://www.asiaalum.com/recentinfo). The pricing of the Notes, including the aggregate principal amount, the Offer Price and interest rate, will be determined through a book building exercise conducted by MSIL. Upon finalising the terms of the Notes, MSIL and the Company will enter into the Purchase Agreement. If the Notes are issued, it is the present intention of the Company to use the proceeds of the Notes as follows: (i) to fully repay the existing syndicated loan of the Company of approximately US\$75 million; (ii) to purchase, upgrade and install aluminum rolled products equipment and for the construction of the new aluminum rolled products manufacturing facility in the "Asia Aluminum Industrial City" in Zhaoqing, Guangdong Province; and (iii) part of the proceeds to be maintained in an escrow account, to satisfy the Company's obligation in the event that a minority shareholder of a subsidiary of the Company exercises a put option to require the Company to purchase such minority shareholder's interest in that subsidiary.

The Company has applied for in principle approval from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes.

**Proposed Financial Assistance and connected transaction**

CSD is indirectly owned as to 60% by the Company and is the sole owner of AAC. The Company intends to apply certain proceeds from the Notes Issue as a shareholder's loan to CSD.

As at the date of this announcement, Mr. Kwong, a Director and the controlling shareholder of the Company, is interested in 20% of the issued share capital of CSD. Accordingly, the Financial Assistance, if provided, will constitute a connected transaction for the Company under Rule 14A.63 of the Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval by poll requirements under Rule 14A.17 of the Listing Rules.

**The Board wishes to emphasise that no binding agreement in relation to the proposed Notes Issue has been entered into as at the date of this announcement. As the proposed Notes Issue may or may not be entered into, investors and shareholders of the Company are urged to exercise caution when dealing in the Shares. A further announcement in respect of the proposed Notes Issue will be made by the Company should the Purchase Agreement be signed or the proposed Financial Assistance is provided.**

**Suspension and resumption of trading**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 8 December 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 9 December 2004.

**THE PROPOSED NOTES ISSUE**

**Introduction**

The Company proposes to offer of approximately US\$425 million fixed rate senior notes and will commence a roadshow this week to international institutional investors in Asia, Europe and the United States. In connection with the offering, the Company will provide certain institutional investors with recent corporate information regarding the Group, which information has not previously been made public. An extract of such recent information can be viewed at the Company's website [www.asiaalum.com/recentinfo](http://www.asiaalum.com/recentinfo). The pricing of the Notes, including the aggregate principal amount, the Offer Price and interest rate, will be determined through a book building exercise conducted by MSIL. The Notes, if issued, will have bullet repayment, unless earlier redeemed pursuant to their terms. The Notes will be interest bearing and will carry fixed rate. The terms and conditions of the Notes are still being determined and will likely include guarantees to be provided by certain of the Group's subsidiaries, including CSD, as well as pledges of shares held by such guarantors in certain of their respective subsidiaries. Upon finalising the terms of the Notes, MSIL and the Company will enter into the Purchase Agreement. The Company will make a further announcement upon the execution of the Purchase Agreement.

MSIL will be the sole bookrunner and lead manager in respect of the offer and sale of the Notes. Pursuant to the terms of the Purchase Agreement, MSIL will purchase the Notes at the Offer Price, which will be determined through a book building exercise.

The Notes will only be offered by MSIL (i) in the United States, (a) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) to a limited number of institutional accredited investors in transactions exempt from the registration requirements of the Securities Act and (ii) outside the United States, in compliance with Regulations S under the Securities Act. None of the Notes will be offered to the public in Hong Kong and none of the Notes will be placed to any connected persons of the Company.

### **Reason for the Proposed Notes Issue**

The Group is the largest manufacturer of aluminum extrusion products in the PRC and one of largest aluminum extruders in Asia as measured by capacity, with an annual extrusion capacity of approximately 150,000 metric tons and output of approximately 123,000 metric tons for the fiscal year ended June 30, 2004. It designs, manufactures and sells customized aluminum extrusion products and processes aluminum panels and provides testing services for aluminum products.

In October 2003, the Group, through AAC, commenced construction of a large-scale expansion project in the “Asia Aluminum Industrial City” in Zhaoqing, Guangdong Province, designed to produce high-quality aluminum rolled products and to increase the Group’s aluminum extrusion capacity. It is estimated that the annual capacity of the Group to produce aluminum rolled products and aluminum extrusion products will be approximately 400,000 metric tons and 300,000 metric tons, respectively, by 2006. The Group currently operates five factories, primarily producing aluminum extrusion products in Foshan, Guangdong Province. The total annual production capacity of these facilities amounted to approximately 150,000 metric tons. As part of the Group’s expansion plan, the Group intends to consolidate its aluminum extrusion operations at the Zhaoqing facility. Further information on AAC is set out below.

The proposed Notes Issue is effected to satisfy the funding requirements for the Group’s expansion and growth plan and to take advantage of the favourable conditions in the international debt market and for long-term fixed rate bonds in an increasing interest rate environment and against the tightening of PRC domestic financing as a result of the austerity measures implemented in the PRC. The proposed structuring of the Notes with fixed rate will improve and enhance the matching of the Group’s expansion plan with its cashflow requirements and debt maturity profile. The proposed Notes Issue will transform the Company’s financial strategy by broadening the Company’s international profile and increasing access and flexibility to international debt capital market to support the growth of the Company. Moreover, through the proposed Notes Issue, and the stringent requirements in the offer of the Notes to qualified institutional buyers and institutional accredited investors in the United States, the corporate governance and transparency of the Company will be improved.

### **Proposed use of proceeds**

The Company intends to apply the net proceeds arising from the Notes to fund the Group’s operations as follows:

- (1) to fully repay the existing syndicated loan of the Company of approximately US\$75 million;
- (2) to purchase, upgrade and install aluminum rolled products equipment and for the construction of the new aluminum rolled products manufacturing facility in the “Asia Aluminum Industrial City” in Zhaoqing, Guangdong Province; and
- (3) part of the proceeds to be maintained in an escrow account, to satisfy the Company’s obligation in the event that a minority shareholder of a subsidiary of the Company exercises a put option to require the Company to purchase such minority shareholder’s interest in that subsidiary.

## Listing

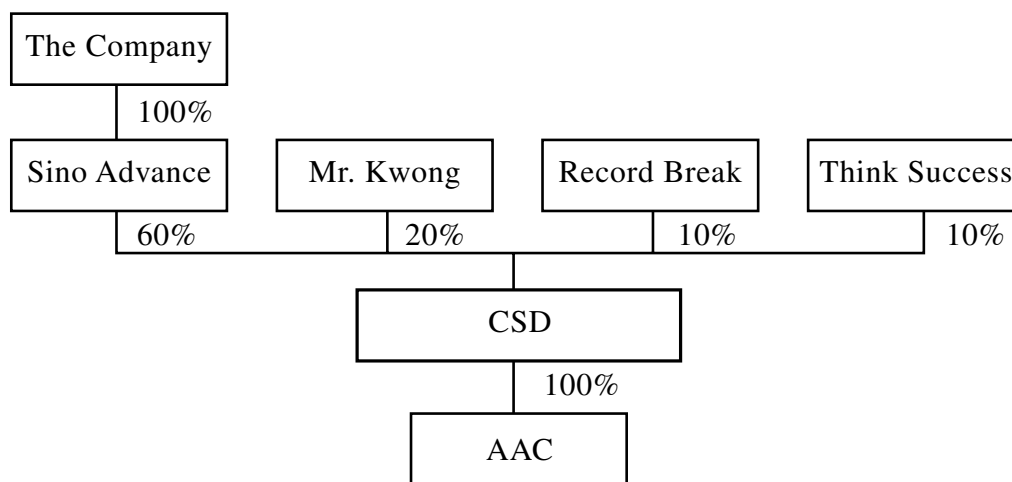
The Company has applied for in-principle approval from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes. Save for the SGX-TX, no listing of the Notes has been sought in Hong Kong.

## PROPOSED FINANCIAL ASSISTANCE

### Background

As announced by the Company on 11 July 2003, Sino Advance, Mr. Kwong, Record Break and Think Success entered into the Subscription Agreement pursuant to which the parties agreed to form CSD for the purpose of establishing AAC to engage in the new aluminum rolled products manufacturing operations. On 4 September 2003, AAC was established as a wholly foreign owned enterprise in the PRC held by CSD for the production of rolled products.

As at the date of this announcement, the shareholding structure of CSD and AAC is as follows:



Record Break and Think Success are not connected persons of the Company.

### Provision of the Financial Assistance

The Company intends to apply part of the proceeds from the Notes Issue as a shareholder's loan to CSD which will be on-lent to AAC to partially fund its purchase, upgrade and installation of aluminum rolled products equipment and for the construction of the facility as stated in the section headed "Proposed use of proceeds" of this announcement. The other shareholders of CSD will not contribute shareholder loans on a pro-rata basis. It is the present intention of the Company that the proposed Financial Assistance will be provided on the following restrictive terms and conditions: (1) the proposed Financial Assistance will be repayable on demand and will bear interest at a rate which is equivalent to the cost of funds to the Company under the Notes, plus a spread and CSD may be required to repay from time to time principal amounts of the Financial Assistance in amounts equal to the aggregate principal amount of any Notes which the Company is required to repurchase, redeem or repay under the terms of the Notes; (2) the other shareholders in CSD will undertake not to sell and transfer or otherwise dispose of their shares in CSD for a certain period of time after project completion; and (3) CSD will not distribute dividends to its shareholders until and unless the Financial Assistance has been repaid in full, a restriction which will be required of CSD under the proposed terms of the Notes.

### Listing Rules implication

As Mr. Kwong is a Director and is interested in approximately 36.05% of the existing issued share capital of the Company as at the date of this announcement, the Financial Assistance, if provided, will constitute a connected transaction for the Company

under Rule 14A.63 of the Listing Rules and will therefore be subject to the reporting, announcement and Independent Shareholders' approval by poll requirements under Rule 14A.17 of the Listing Rules.

## **GENERAL**

**The Board wishes to emphasise that no binding agreement in relation to the proposed Notes Issue has been entered into as at the date of this announcement. As the proposed Notes Issue may or may not be entered into, investors and shareholders of the Company are urged to exercise caution when dealing in the Shares. Further announcement in respect of the proposed Notes Issue will be made by the Company should the Purchase Agreement be signed or the proposed Financial Assistance is provided.**

### **Suspension and resumption of trading**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 8 December 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 9 December 2004.

As at the date of this announcement, Mr. Kwong Wui Chun, Dr. Chan Yiu Tsuan, Benby and Mr. Zhong Jianqiu are executive Directors and Mr. Ma Tsz Chun, Mr. Yau Wing Keung, Frankie and Mr. Chou Shun, Alan are independent non-executive Directors.

## **DEFINITIONS**

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

“AAC”	Asia Aluminum (China) Company Limited, a wholly foreign-owned enterprise incorporated in the PRC and is wholly-owned by CSD
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Asia Aluminum Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“CSD”	China Steel Development Company Limited, a company incorporated in Samoa, and is indirectly owned as to 60% by the Company
“Directors”	the directors of the Company
“Financial Assistance”	the application of part of the proceeds from the Notes Issue as a shareholder's loan by the Company to CSD
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Shareholders”	in respect of the Financial Assistance, the shareholders of the Company other than Mr. Kwong and his associates
“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 holds approximately 36.05% interests in the Company
“MSIL”	Morgan Stanley & Co. International Limited, the sole bookrunner and lead manager in respect of the offer and sale of the Notes
“Notes”	the fixed rate senior notes to be issued by the Company
“Notes Issue”	the issue of the Notes by the Company
“Offer Price”	the final price at which the Notes will be sold
“PRC”	the People’s Republic of China
“Purchase Agreement”	the agreement proposed to be entered into between, among others, the Company and MSIL in relation to the Notes Issue, which is expected to be about the middle of December, 2004 and pursuant to which, MSIL will act as the initial purchaser of the Notes
“Record Break”	Record Break Investments Limited, a company incorporated in the British Virgin Islands, a 10% shareholder of CSD and is an independent third party and not a connected person of the Company
“Securities Act”	the United States Securities Act of 1933, as amended
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Sino Advance”	Sino Advance Investments Limited, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 11 July 2003 entered into between Sino Advance, CSD, Record Break and Think Success in relation to the setting up of CSD
“Think Success”	Think Success Industries Limited, a company incorporated in the British Virgin Islands wholly owned by one of the Group’s distributors for the Group’s aluminum products, a 10% shareholder of CSD and is an independent third party and not a connected person of the Company
“US\$”	US dollar, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 8 December 2004

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