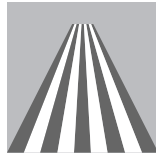

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

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



ASIA ALUMINUM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 930)

DISCLOSEABLE TRANSACTION

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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 and is 100% owned by CSD and which has been set up for the purposes of operating the aluminum rolled products production facilities, which has been set up and obtained its business licence on 4 September 2003;
“Announcement”	the announcement of the Company dated 11 July 2005 which sets out the details of, inter alia, the Contract;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Company”	Asia Aluminum Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange;
“Contract”	the contract for aluminum six-high cold rolling mill dated 9 July 2005 entered into between CSD, TMGE and SMS;
“CSD”	China Steel Development Company Limited, a company incorporated in Samoa and is a 60% indirectly-owned subsidiary of the Company;
“Directors”	the directors of the Company;
“€”	Euros;
“Group”	the Company and its subsidiaries;
“Independent Third Party” or “Independent Third Parties”	persons who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its subsidiaries and its connected persons as defined in the Listing Rules;
“Latest Practicable Date”	26 July 2005, 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 35.41% interests in the Company;

DEFINITIONS

“Notes”	the 8% senior notes due 2011 in the principal amount of US\$450 million (approximately HK\$3,494 million) issued by the Company on 23 December 2004 pursuant to the Indenture dated 23 December 2004 among the Company, the Subsidiary Guarantors (as defined in the circular of the Company dated 7 January 2005) and Citibank, N.A. as trustee;
“PRC”	the People’s Republic of China;
“Purchase”	the purchase of equipment, parts, engineering, application software, technical services and other materials by CSD from the Seller under the Contract;
“Record Break”	Record Break Investments Limited, a company incorporated in the British Virgin Islands and a 10% shareholder of CSD;
“Seller”	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;
“SMS”	SMS Demag Aktiengesellschaft, a limited liability company incorporated in Germany, whose holding company is SMS Demag GmbH and its 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;
“Think Success”	Think Success Industries Limited, a company incorporated in the British Virgin Islands and a 10% shareholder of CSD;
“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 which principal works in the area of industrial control systems for the metals, paper, material handling and general industry markets on a global basis; and
“US\$”	US dollars.

For the purpose of this circular, the exchange rates between HK\$, US\$ and € are as follows:

US\$1 = HK\$7.765
€1 = HK\$9.404

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**

Chou Shun, Alan**

Principal place of business in

Hong Kong:

12th Floor

Railway Plaza

39 Chatham Road South

Tsimshatsui

Kowloon

Hong Kong

** *Independent non-executive Director*

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

1 August 2005

To the shareholders of the Company

Dear Sir and Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

The Directors referred to the Announcement. This circular gives more detailed information, amongst other things, on the Contract to the shareholders of the company.

THE CONTRACT

References are made to the announcements dated 11 July 2003, 10 June 2004 and 17 December 2004 and circulars dated 1 August 2003 and 7 January 2005 issued by the Company in relation to the Group's plan of setting up aluminum rolled products production facilities in the "Asia Aluminum Industrial City" in Zhaoqing, the PRC.

LETTER FROM THE BOARD

On 9 July 2005, CSD entered into the Contract for aluminum six-high cold rolling mill with the Seller pursuant to which CSD agreed to buy and the Seller agreed to sell certain equipment, parts, engineering, application software, technical services and other materials to CSD to facilitate the manufacturing of aluminum rolled products by AAC.

The Seller comprises of SMS and TMGE. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SMS and TMGE are Independent Third Parties.

SMS is principally engaged in plant construction and mechanical engineering relation to the processing of steel, non-ferrous metals and plastics, and TMGE principal works in the area of industrial control systems for the metals, paper, material handling and general industry markets on a global basis.

The Purchaser of the Contract, CSD, is a company incorporated in Samoa, which is a 60% indirectly-owned subsidiary of the Company. The remaining interest is owned as to 20% by Mr. Kwong, 10% by Record Break and 10% by Think Success, the details of which were set out in the Company's announcement dated 11 July 2003 and 17 December 2004 and the Company's circulars dated 1 August 2003 and 7 January 2005.

The total consideration payable by CSD under the Contract is approximately HK\$184,841,125 of which (i) an amount of US\$9,614,225 (equivalent to approximately HK\$74,654,457) is to be paid to TMGE, (ii) an amount of €11,717,000 (equivalent to approximately HK\$110,186,668) is to be paid to SMS. Approximately HK\$154,854,333 out of the total consideration is attributable to the price for equipment under the Contract. Approximately HK\$29,986,792 out of the total consideration is attributable to the price for services under the Contract. Since the equipment required by the Company is highly specific and needs to be tailored-made, the total consideration was determined as a result of a series of technical exchanges and negotiation between technical personnel of the Company and various potential suppliers (including the Seller) on specifications of equipment and services required by the Company. Having considered the respective quotations offered by these various potential suppliers and their capabilities to satisfy the Company's specifications, the Company considered the price quoted by the Seller as the most suitable and reasonable for the Company.

The total consideration will be paid in accordance with the payment schedule of delivery and/or services provided by the Seller to CSD in accordance with the terms of the Contract.

The sums payable under the Contract will be paid out of the shareholders' loan of US\$300 million (approximately HK\$2,329.5 million, derived from the net proceeds of the Notes) issued by the Company to CSD as detailed in the Company's circular dated 7 January 2005. The shareholder's loan constituted financial assistance and connected transaction for the Company under the Listing Rules and had been approved by the independent shareholders of the Company at a special general meeting of the Company held on 24 January 2005.

The equipment is required for the Group's plan of production of aluminium rolled products and the Directors consider that the entering into the Contract provided a good cooperation opportunity for the Group, TMGE and SMS. Both TMGE and SMS are well-reputed manufacturers of specialised

LETTER FROM THE BOARD

equipment for the manufacture of aluminium products. The co-operation will bring the Group's manufacturing technology to the best of the international standard. The Directors are of the view that entering into the Contract is in the interest of the Company and the terms of the Contract are on normal commercial terms, which are fair and reasonable as far as the shareholders of the Company are concerned.

BACKGROUND TO AND REASONS FOR THE CONTRACT

The Contract is entered into by CSD, TMGE and SMS to facilitate the construction and establishment of aluminum rolled products production facilities in the Asia Aluminum Industrial City in Zhaoqing, the PRC. The Asia Aluminum Industrial City is a large-scale expansion project that the Group has commenced construction since October 2003. The project is designed to produce high-quality aluminum rolled products and to increase the Group's aluminum extrusion capacity. The project concerning rolled products entails the construction of a new purpose-built plant for the production of aluminum rolled products. With a designed annual production capacity of 400,000 metric tons, it is part of the expansion project of the Group. Further details of the Asia Aluminum Industrial City and the expansion plan of the Group have been set out in the Company's announcements dated 11 July 2003, 10 June 2004 and 17 December 2004 and circulars dated 1 August 2003 and 7 January 2005.

As the Contract is to be funded by the shareholders' loan of CSD as mentioned above, the Purchase will not have significant effect on the earning, assets and liabilities of the Group and the Group will have sufficient working capital after the Purchase. The equipment is not yet in operation and does not affect the earning of the Group. The equipment also does not affect the liabilities of the Group, as the consideration for purchasing the equipment was funded by the US\$300 million shareholders' loan derived from the net proceeds of the Notes issued in 2004. The consideration for purchasing the equipment does not come from and will not affect the working capital and assets of the Group.

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 consideration for the Purchase exceeds 5% but less than 25% of the relevant percentage ratios (as defined in the Listing Rules). Hence, the Purchase constitutes a discloseable transaction 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 and 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 Position**

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 or any associated corporation (within the meaning of Part XV of the SFO) 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), 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 were as follows:

(i) The Company

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	35.41%
	Corporate	(1)	908,622,000	—	908,622,000	
	Family	(2)	8,900,000	—	8,900,000	
					<u>1,149,452,836</u>	
Dr. Chan Yiu Tsuan, Benby	Personal	(3)	—	5,000,000	5,000,000	0.16%
Mr. Zhong Jianqiu	Personal		24,434,800	—	24,434,800	0.91%
	Family	(4)	—	5,000,000	5,000,000	
					<u>29,434,800</u>	

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 respect of 8,900,000 Shares held by Ms. Li Chuk Kuan, spouse of Mr. Kwong, by virtue of Section 344(1) of SFO.
- (3) The interest disclosed represents 5,000,000 underlying shares in respect of 5,000,000 share options granted by the Company to Dr. Chan Yiu Tsuan, Benby. These share options were granted on 6 July 2004 and are exercisable during the period from 6 July 2004 to 5 July 2007 at an exercise price of HK\$0.81 per share.
- (4) The interest disclosed represents the family interest in 5,000,000 underlying shares in respect of 5,000,000 share options granted by the Company to Ms. Kuang Shun Feng, spouse of Mr. Zhong Jianqiu, by virtue of Section 344(1) of SFO. These share options were granted on 6 July 2004 and are exercisable during the period from 6 July 2004 to 5 July 2007 at an exercise price of HK\$0.81 per share.
- (5) All the interests disclosed above represent long position in the shares of the Company.

(ii) Associated corporation of the Company

Mr. Kwong also has beneficial interest in his personal capacity in 200,000 shares of US\$1.00 each in CSD, representing a 20% interest of CSD.

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) 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), 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

- (i) 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:

Name of Shareholder	Capacity	Number of Shares and underlying Shares held	Long/Short Position in shares	Approximate percentage of total issued Shares as at the Latest Practicable Date
Morgan Stanley	Interest of controlled corporations	287,196,000	Long	8.85%
		1,238,000	Short	0.04%
Mondrian Investment Partners Limited	Investment Manager	293,198,000	Long	9.03%

Name of Shareholder	Capacity	Number of Shares and underlying Shares held	Long/Short Position in shares	Approximate percentage of total issued Shares as at the Latest Practicable Date
Penta Investment Advisers Limited	Investment Manager	162,924,000	Long	5.01%
Mr. John Zwaanstra (Note)	Interest of controlled corporation	162,924,000	Long	5.01%
Mr. Michael William Moore (Note)	Interest of controlled corporation	162,924,000	Long	5.01%

Note: Mr. John Zwaanstra and Mr. Michael William Moore are deemed to be interested in the Company's Shares in which Penta Investment Advisers Limited is interested.

Save as disclosed above, so far as was known to the Directors, there was no other 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- (ii) As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% 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 member of the Group:

Name of member of the Group	Name of shareholder	Percentage interest
Asia Aluminum Group Limited	Indalex UK Limited	25.01%
Asia Advanced Metal Products Company Limited	Mr. Yau Pak Sum	45%
Asia-RED Testing Consultants Limited	Research Engineering Development Facade Consultants Limited	45%
Asia Cybertech Group Limited	Dynasty Technology Limited	10%
CSD	Record Break	10%
CSD	Think Success	10%
Foshan Nanhua Aluminum Company Limited	Guangdong Nanhua Aluminum Factory Company Limited	40%
Foshan Nanhai Hongjia Aluminum Company Limited	Foshan Nanhai Hongjia Aluminium and Stainless Steel Company Limited	40%
Phoenix Asia Dies Company Limited	Cometal Phoenix China Dies s.r.l	60%

Save as disclosed above, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly 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 other member of the Group or in any options 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.