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## **ASIA ALUMINUM HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 930)

### **DISCLOSEABLE TRANSACTION**

On 5 September 2005, CSD entered into the Contract for an aluminum scalping system for hot and cold rolling mill with the Seller pursuant to which CSD agreed to buy and the Seller agreed to provide certain equipment, parts, engineering, technical services and other materials to CSD to facilitate the manufacturing of aluminum rolled products by AAC.

The total consideration payable by CSD under the Contract is €4,950,000 (equivalent to approximately HK\$47,425,950).

The consideration for the Purchase, when aggregated with the July Purchase and August Purchase made by CSD from SMS and SIEMAG GmbH respectively, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular in connection with the Contract will be despatched to the shareholders of the Company as soon as practicable and in any event, not later than 21 days from the publication of this announcement.

### **THE CONTRACT**

Date: 5 September 2005

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

Seller: SMS Meer GmbH, which is principally engaged in the machine making and plant construction for the production of tubes and pipes as well as for copper and aluminum industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Seller and its ultimate beneficial owner are independent third parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

**Summary:** On 5 September 2005, CSD entered into the Contract for an aluminum scalping system for hot and cold rolling mill with the Seller pursuant to which CSD agreed to buy and the Seller agreed to provide certain equipment, parts, engineering, technical services and other materials to CSD to facilitate the manufacturing of aluminum rolled products by AAC.

The equipment to be provided by the Seller to CSD under the Contract are tailor-made necessary to facilitate the manufacture of aluminum rolled products by AAC, and the services to be provided by the Seller to CSD under the Contract include the engineering and technical services needed for the implementation and operation of these equipment to facilitate the manufacture of the aluminum rolled products.

The total consideration payable by CSD under the Contract is €4,950,000 (equivalent to approximately HK\$47,425,950). A down payment will be paid by CSD to the Seller within 14 days from the signing of the Contract and the receipt of the invoice from the Seller with the balance to be paid in stages over 15 months in accordance with the schedule of delivery of the equipment and/or services provided by the Seller to CSD in accordance with the terms of the Contract.

The total consideration was determined after arm's length negotiation on normal commercial terms and as a result of a series 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. As the equipment is specifically designed in accordance with the requirements of the Company and is unique in nature, no valuation has been carried out.

The sums payable under the Contract will be paid out of the shareholder's 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 bears interest at a rate of 9% per annum and 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. Full details of the shareholders' loan have been set out in the circular of the Company dated 7 January 2005.

The equipment is required for the Group's plan of production of aluminum rolled products and is beneficial to the Company. The specialised equipment supplied by the Seller will bring the Group's manufacturing technology to the best of the international standard. The Directors are of the view that the entering into the Contract is in the interest of the Company and the terms of the Contract are fair and reasonable as far as the shareholders of the Company are concerned.

## **BACKGROUND TO AND REASONS FOR THE CONTRACT**

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 Contract is entered into by CSD and the Seller 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 rolled aluminum 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 the Company's circulars dated 1 August 2003 and 7 January 2005.

The Seller's holding company is SIEMAG Weiss GmbH & Co. KG. On 9 July 2005, CSD made the July Purchase from, amongst others, SMS for the supply of an aluminum six-high cold rolling mill and on 17 August 2005, the CSD made the August Purchase from SIEMAG GmbH for the supply of aluminum coil handling system for hot and cold mill. The details of such contracts have been set out in the announcements of the Company dated 11 July 2005 and 19 August 2005 and the circular of the Company dated 1 August 2005. The holding company of SMS and SIEMAG GmbH is SIEMAG Weiss GmbH & Co. KG and therefore the Seller, SMS and SIEMAG GmbH are fellow subsidiaries of SIEMAG Weiss GmbH & Co. KG.

The consideration for the Purchase, when aggregated with the July Purchase and the August Purchase, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular in connection with the Contract will be despatched to the shareholders of the Company as soon as practicable and in any event, not later than 21 days from the publication of this announcement.

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

## **DEFINITIONS**

In this announcement, the following terms 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; |
| “associate”       | has the meaning ascribed to it under the Listing Rules;  |
| “August Purchase” | The purchase made by CSD from SIEMAG GmbH of an aluminum coil handling system for hot and cold rolling mill under a contract dated 17 August 2005 entered into between the parties.  |
| “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 scalping system for hot and cold rolling mill dated 5 September 2005 entered into between CSD and the Seller;  |

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|-----------------|--|
| “CSD “          | China Steel Development Company Limited, a company incorporated in Samoa and is a 60% owned subsidiary of the Company;   |
| “Directors”     | the directors of the Company;  |
| “€”             | Euros;   |
| “Group”         | the Company and its subsidiaries;  |
| “HK\$”          | Hong Kong dollars;   |
| “July Purchase” | The purchase made by CSD from, amongst others, SMS of an aluminum six-high cold rolling mill under a contract dated 9 July 2005 entered into between the parties.  |
| “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 who together with its associates hold approximately 35.41% interests in the Company;  |
| “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, 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 Meer GmbH, a limited liability company incorporated in Germany;  |
| “SIEMAG GmbH”   | SIEMAG GmbH, a limited liability company incorporated in Germany, whose ultimate holding company is SIEMAG Weiss GmbH & Co. KG and is principally engaged in the provision of logistic systems for mining and metal industry;  |
| “SMS”           | SMS Demag Aktiengesellschaft, a limited liability company incorporated in Germany, whose ultimate holding company is SIEMAG Weiss GmbH & Co. KG and its principal businesses include plant construction and mechanical engineering relating to the processing of steel, non-ferrous metals and plastics;   |

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| “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; and |
| “US\$”           | US dollars.  |

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

*€ 1 = HK\$9.581*

*US\$1 = HK\$7.765*

By order of the Board of Directors of  
**Asia Aluminum Holdings Limited**  
**Dr. Chan Yiu Tsuan, Benby**  
*Deputy Chairman & CEO*

Date: 5 September 2005

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