
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 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 of equipment, including a high-base storage, parts, engineering, application software, technical services and other materials by CSD from SIEMAG under the SIEMAG Contract;
“Company”	Asia Aluminum Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange;
“Contracts”	the SIEMAG Contract and the SMS Meer Contract;
“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”	7 September 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;
“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;

DEFINITIONS

“Purchases”	the August Purchase and the September Purchase;
“Record Break”	Record Break Investments Limited, a company incorporated in the British Virgin Islands and a 10% shareholder of CSD;
“September Purchase”	the purchase of equipment, parts, engineering, technical services and other materials by CSD from SMS Meer under the SMS Meer Contract;
“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;
“SIEMAG”	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;
“SIEMAG Contract”	the contract for aluminum coil handling system for hot and cold mill dated 17 August 2005 entered into between CSD and SIEMAG;
“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;
“SMS Meer”	SMS Meer GmbH, a limited liability company incorporated in Germany, whose ultimate holding company is SIEMAG Weiss GmbH & Co. KG and 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;
“SMS Meer Contract”	the contract for aluminum scalping system for hot and cold mill dated 5 September 2005 entered into between CSD and SMS Meer;
“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 circular, the exchange rates between HK\$, US\$ and € are as follows:

US\$1 = HK\$7.765

€1 = HK\$9.581

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**

** *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

9 September 2005

To the shareholders of the Company

Dear Sir and Madam,

DISCLOSEABLE TRANSACTIONS

INTRODUCTION

The Directors referred to the Company's announcements dated 19 August 2005 and 5 September 2005 respectively.

The Directors announced that:

- (i) On 17 August 2005, CSD entered into the SIEMAG Contract with SIEMAG for the supply of certain equipment and services in respect of aluminum coil handling system for hot and cold rolling mill to CSD; and
- (ii) On 5 September 2005, CSD entered into the SMS Meer Contract with SMS Meer for the supply of certain equipment and services in respect of aluminum scalping system for hot and cold rolling mill to CSD.

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This circular gives more detailed information, amongst other things, on the SIEMAG Contract and the SMS Meer Contract to the shareholders of the company.

DETAILS OF THE CONTRACTS

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.

The SIEMAG Contract

On 17 August 2005, CSD entered into the SIEMAG Contract for an aluminum coil handling system for hot and cold rolling mill with SIEMAG pursuant to which CSD agreed to buy and SIEMAG agreed to provide certain equipment, including a high-base storage, parts, engineering, application software, technical services and other materials to CSD to facilitate the manufacturing of aluminum rolled products by AAC.

SIEMAG is principally engaged in the provision of logistic systems for the mining and metal industry and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SIEMAG is an Independent Third Party.

The total consideration payable by CSD under the SIEMAG Contract is €9,990,000 (equivalent to approximately HK\$95,714,190). A down payment will be paid by CSD to SIEMAG within 14 days from the signing of the SIEMAG Contract and the receipt of the invoice from SIEMAG with the balance to be paid in stages over 19 months in accordance with the schedule of delivery of the equipment and/or services provided by SIEMAG to CSD in accordance with the terms of the SIEMAG Contract.

The consideration was determined after arm's length negotiation on normal commercial terms and as a result of a series of technical exchanges between technical personnel of the Company and SIEMAG on the specifications of the equipment and services required by 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 SMS Meer Contract

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

SMS Meer 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, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SMS Meer is an Independent Third Party.

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The total consideration payable by CSD under the SMS Meer Contract is €4,950,000 (equivalent to approximately HK\$47,425,950). A down payment will be paid by CSD to SMS Meer within 14 days from the signing of the SMS Meer Contract and the receipt of the invoice from SMS Meer 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 SMS Meer to CSD in accordance with the terms of the SMS Meer Contract.

The total consideration was determined as a result of after arm's length negotiation on normal commercial terms and as a result of a series of technical exchanges and negotiation between technical personnel of the Company and various potential suppliers (including SMS Meer) 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 SMS Meer 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.

Payment of consideration for the Contracts

The Purchaser of the Contracts, 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.

The sums payable under the SIEMAG Contract and the SMS Meer 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 shareholder's loan have been set out in the circular of the Company dated 7 January 2005.

The equipment purchased under the SIEMAG Contract and the SMS Meer Contract are required for the Group's plan of production of aluminum rolled products and is beneficial to the Company. The specialised equipment supplied by SIEMAG and SMS Meer 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 Contracts is in the interest of the Company and the terms of the Contracts are fair and reasonable as far as the shareholders of the Company are concerned.

BACKGROUND TO AND REASONS FOR THE CONTRACTS

The Contracts are entered into by CSD with SIEMAG and SMS Meer 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

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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.

As the SIEMAG Contract and the SMS Meer Contract are to be funded by the shareholder's loan of CSD as mentioned above, both the August Purchase and the September 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 Purchases. 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 shareholder's 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 holding company of both SIEMAG and SMS Meer is SIEMAG Weiss GmbH & Co. KG. On 9 July 2005, CSD entered into a contract with, amongst others, SMS for the supply of an aluminum six-high cold rolling mill. The details of such contract have been set out in the announcement of the Company dated 11 July 2005 and the circular of the Company dated 1 August 2005. The holding company of SMS is SIEMAG Weiss GmbH & Co. KG and therefore SIEMAG, SMS Meer and SMS are fellow subsidiaries of SIEMAG Weiss GmbH & Co. KG.

The considerations for the August Purchase and the July Purchase, when aggregated with the purchase made by CSD from, among others, SMS on 9 July 2005, constitutes discloseable transactions for 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 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), 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 were as follows:

(i) *The Company*

Name of Directors	Nature of interest	Notes	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:

- 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.
- 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 Tusan, 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), 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**

- (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	263,468,000 1,238,000	Long Short	8.12% 0.04%
Mondrian Investment Partners Limited	Investment Manager	325,846,000	Long	10.04%
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, 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.

- (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 Honjia Aluminum 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 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.

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.