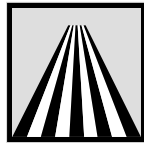


THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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:

“Announcement”	the announcement of the Company dated 29 November 2004 which sets out the details of, inter alia, the Contract dated 25 November 2004 entered into between CSD, TMGE, SMS Demag AG and SMS Demag Inc.;
“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 sheet 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;
“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 Hot Rolling Mill dated 25 November 2004 entered into between CSD, TMGE, SMS Demag AG and SMS Demag Inc.;
“CSD “ or “Purchaser”	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;
“HK\$”	Hong Kong dollars;
“Independent Third Party”	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 connected persons as defined in the Listing Rules;
“¥”	Japanese Yens;
“Latest Practicable Date”	16 December 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 who together with its associates hold approximately 36.05% interests in the Company;
“PRC”	the People’s Republic of China;
“Purchase”	the purchase of equipment, parts, engineering, application software, technical services and other materials by the Purchaser from the Seller under the Contract;

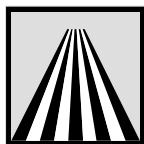
DEFINITIONS

“Record Break Investments Limited”	Record Break Investments Limited, a company incorporated in the British Virgin Islands. It is an investment vehicle wholly-owned by one of the Group’s previous suppliers, which is engaged in the trading of non-ferrous metals;
“SFO”	the Securities and Future Ordinance (Cap 571, the laws of Hong Kong);
“Seller”	SMS Demag AG, SMS Demag Inc. and TMGE;
“SMS Demag AG”	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;
“SMS Demag Inc.”	SMS Demag Inc., a limited liability company incorporated in Pittsburgh, PA, USA, which is a wholly-owned subsidiary of SMS Demag AG and its principal business 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;
“TMGE”	TM GE 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;
“Think Success Industries Limited”	Think Success Industries Limited, a company incorporated in the British Virgin Islands. It is an investment vehicle wholly-owned by one of the Group’s distributors for the aluminum products of the Group; and
“US\$”	US dollars.

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

US\$1	=	HK\$ 7.775
¥100	=	HK\$7.372
€1	=	HK\$10.099

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 HM11

Bermuda

20 December 2004

To the Shareholders

Dear Sir and Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

The Directors referred to the announcement of the Company dated 29 November 2004, this circular gives more detailed information, amongst other things, on the Contract to the shareholders of the Company.

Reference is made to the Company's announcements dated 11 July 2003 and 10 June 2004 and the circular dated 1 August 2003 issued by the Company in relation to the Group's plan of setting up aluminum sheet production facilities in the "Asia Aluminum Industrial City" in Zhaoqing, the PRC.

On 25 November 2004, CSD has entered into a contract for aluminum hot rolling mill with the Seller whereby CSD agreed to purchase and the Seller 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.

LETTER FROM THE BOARD

The Seller comprises of TMGE, SMS Demag AG and SMS Demag Inc. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of TMGE, SMS Demag AG and SMS Demag Inc. is an Independent Third Party. The Directors understand from TMGE, SMS Demag AG, SMS Demag Inc. that the respective ultimate beneficial owners of TMGE, SMS Demag AG and SMS Demag Inc. are also Independent Third Parties.

The purchaser of the Contract, CSD, 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 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 total consideration payable by CSD under the Contract is approximately HK\$457,316,155 of which (i) an amount of US\$14,471,375 and ¥565,583,000 (equivalent to approximately HK\$154,209,719) is to be paid to TMGE, (ii) an amount of €22,869,075 (equivalent to HK\$230,954,788) is to be paid to SMS Demag AG and (iii) an amount of US\$6,324,000 and €2,275,725 (equivalent to approximately HK\$72,151,647) is to be paid to SMS Demag Inc.

The total consideration will be paid in accordance with the payment schedule contained in the 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 Seller to CSD in accordance with the terms of the Contract.

The price for equipment under the Contract is approximately HK\$400,072,094 and the price for services under the Contract is approximately HK\$57,244,061.

The basis of consideration under the Contract was in accordance with the price of the equipment under the Contract and the price for services under the Contract.

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

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

As at the Latest Practicable Date, the entering into the Contract itself does not have any effect on the earning, assets and liabilities of the Company.

The sums payable under the 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\$908,200,000 has been duly contributed

LETTER FROM THE BOARD

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\$908,200,000) 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 55% (i.e. HK\$444,881,000), 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.

As at the date of the Announcement, 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 remaining HK\$458,000,000 remains unutilised. It is intended that this amount of shareholders' loan will be used for the payment of the consideration under the Contract.

The Directors consider that the entering into the Contract provided a good cooperation opportunity for the Group, TMGE, SMS Demag AG and SMS Demag Inc. 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 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 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, TMGE, SMS Demag AG and SMS Demag Inc. to facilitate the construction and establishment of aluminum sheet production facilities, the details of which have been set out in the Company's previous announcements dated 11 July 2003 and 10 June 2004 and the circular dated 1 August 2003.

The Purchase constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL

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 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:

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 Wui Chun	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%
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	
	Family	(4)	-	5,000,000	5,000,000	
					<u>29,434,800</u>	0.93%

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 Wui Chun, 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 Wui Chun, 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) 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.

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

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.

Number of Shareholder	Capacity	Note	Name 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 a controlled corporation		217,917,191 (Long position) 217,917,191 (Lending Pool)	6.86% 6.86%
Mondrian Investment Partners Limited	Investment Manager		194,612,000 (Long position)	6.13%

Note: Such interest had been included as corporate interest of Mr. Kwong Wui Chun as disclosed under "Directors' Interests and Short Position" 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 associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Companies Secretary.
- (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.