

## Chairman's Statement

Dear Shareholders,

I am pleased to present the annual financial report of Aluminum Corporation of China Limited (the "Company") for the year ended December 31, 2001 and, on behalf of the Company, express our gratitude to our shareholders.

### Final Dividend

The Company's Board of Directors proposes to declare a final dividend of RMB178,498,302 (inclusive of tax), or RMB0.017 per share for 2001. This final dividend will be shared among holders of domestic shares and H shares of the Company. The proposal to declare and pay this final dividend will be submitted to the annual general meeting to be held on June 12, 2002 for approval.



*Guo Shengkun*  
(Chairman, President and Chief Executive Officer)

Final dividend for domestic shares will be distributed and paid in Renminbi whereas dividend for H shares will be declared in Renminbi and paid in Hong Kong dollars (at the average exchange rate of Renminbi to Hong Kong dollars as quoted by the People's Bank of China for the week immediately preceding May 12, 2002). The H share register of the Company will be closed from Monday, May 13, 2002 to Wednesday, June 12, 2002 (both days inclusive) during which no transfer of H shares will be registered. The final dividend will be distributed before June 30, 2002.

### Operating Performance and Review of Business

The Company is the sole producer of alumina in China and the third largest producer of alumina in the world for 2001. The Company supplies approximately 65% of all alumina products consumed in China. The Company is also the largest producer of primary aluminum in China. The Company's primary aluminum production accounted for approximately 20% of the total domestic production in 2001.

In 2001, China's economic development continued to maintain a good record. Its gross domestic production maintained a fast growth rate at 7.3%. The continuous growth in the national economy has stimulated the growth in the domestic aluminum market. In 2001, while undergoing its corporate reorganization for the purposes of the Global Offering, the Company, being the sole producer of alumina and the largest producer of primary aluminum in China, expanded its product market and achieved the targeted profit for the year.

The pro forma combined turnover and other revenues of the Company for 2001 amounted to RMB16.609 billion, representing a decrease of 9.1% as compared with 2000. The pro forma combined net profit of the Company for 2001 amounted to RMB1,588 million, representing a decrease of 37.1% as compared with 2000 but up 2.3% compared with the 2001 pro forma combined profit forecast. The pro forma combined earnings per share amounted to RMB0.195.

Year 2001 was a historic year for the Company and the PRC aluminum industry. On February 21, 2001, the Chinese government re-organized and established Aluminum Corporation of China or Chinalco. On September 10, 2001, Chinalco, Guangxi Development and Guizhou Development as the promoters, established the Company. Chinalco injected its core operating assets relating to alumina and primary aluminum production into the Company. As a result, the Company has become the sole producer of alumina and the largest primary aluminum producer in the China.

On December 11 and 12, 2001, the Company successfully completed its initial public offering and listed its ADSs and H shares on the New York Stock Exchange, Inc and The Stock Exchange of Hong Kong Limited, respectively (the "Global Offering"). The Company was the first large-scale PRC State-owned enterprise listed in New York and Hong Kong simultaneously after the "September 11" incident in the United States.

The Company endeavours to realize its promise to shareholders. Guided by principle "sincerity as the foundation and maximization of shareholders' returns as the priority," the Company is committed to adopting modern corporate management systems and practice. With the efforts of the employees in 2001, the Company has achieved progress in all aspects of its business operations. Notwithstanding the difficult market conditions, the Company has reached its operation targets and achieved good returns to the shareholders.

### Product Market Reviews

#### Alumina

In 2001, the sales price of alumina in the international spot market decreased, leading to an influx of imported alumina into China. As a result, the average spot price of imported alumina in China in 2001 declined to RMB2,073 per tonne (inclusive of tax), representing a decrease of 46.8% as compared with 2000. The sales price of alumina began to decrease at the beginning of the year and reached its lowest point in September. At the end of the year, there was a rebound in the sales price.

In 2001, the total volume of alumina production in China was approximately 4.7 million tonnes, representing an increase of 9.3% as compared with 2000. The estimated total domestic consumption volume for 2001 was approximately 7.2 million tonnes, representing an increase of 18.0% as compared with 2000. The shortage in supply was fulfilled by import of alumina.

#### Primary aluminum

As result of the worldwide economic slowdown and decrease in demand, the average price for three-month commodity futures of aluminum as quoted by the London Metals Exchange in 2001 was US\$1,454 per tonne, representing a decrease of 7.8% as compared with 2000. In line with this trend, the average price for three-month commodity futures of aluminum as quoted by the Shanghai Futures Exchange in 2001 was RMB14,326 per tonne (inclusive of value-added tax), representing a decrease of 13.6% as compared with 2000.

In 2001, the total domestic production of primary aluminum was 3,430,000 tonnes, representing a growth rate of 21% as compared with 2000. The estimated total domestic consumption of primary aluminum was approximately 3,600,000 tonnes, representing an increase of 7.5% as compared with 2000.

# Chairman's Statement

## Production and Operation Review

In 2001, the Company was able to maintain stable production and operations as well as development, notwithstanding changes in the structure of the Company and the re-organization during the listing process.

- *Increase in production volume and stable supply of raw materials.* The Company produced 4,700,000 tonnes of alumina and 710,000 tonnes of primary aluminum in 2001, representing an increase of 9.3% and 5.6%, respectively, as compared with 2000. The Company secured a stable and balanced supply of bauxite as raw materials based on the principle of “reforming self-owned mines, strengthening jointly operated mines, and reasonable use of small independent mines.”
- *Higher target achieved.* In 2001, the Company reduced the consumption of materials and further improved the technological and economic indicators. The principal technological production indicators have improved over 2000. The integrated energy consumption for alumina production decreased by 32kg of standard coal per tonne. The integrated electricity consumption for our primary aluminum production was reduced by 172 kWh per tonne as compared with 2000.
- *Optimizing the sales structure.* By actively researching the market trends, the Company expanded its market and improved the sales mix of its products. The sales volume of alumina products with long-term contracts reached 1.25 million tonnes, representing 40% of its total external alumina sales. This further strengthened the Company's market position. In 2001, the Company sold 3,200,000 tonnes of alumina products to external customers and 705,000 tonnes of primary aluminum with a production to sales ratio of 100.6% and 99.3%, respectively.



- *Targeted reduction in the unit cash production cost.* In 2001, by strengthening its cost management and setting down a practical plan in cost reduction, the Company achieved the expected cost reduction results. The unit cash production cost of alumina and primary aluminum for the year were reduced by 11.4% and 12.4%, respectively, as compared with 2000.



- *Breakthrough in research and development.* Research and development activities of the Company were centred around its development strategy. The Company achieved 30 research and development results, relating to cost reduction, efficiency, enhancement of new product creativity. Among these, 10 were significant achievements in research and development. Certain of the items with significant developmental value for the Company have obtained sponsorship from the government.
- *Preliminary effectiveness of the information system.* The Company has commenced the development of an enterprise resources planning system. The Company has completed the implementation of the initial stage of the enterprise management information system. The financial and accounting information systems, being the pilot projects, have already commenced their trial tests. The Company's headquarters have preliminarily completed their system integration and have established their basic networks.
- *Progress in centralized management.* The Company achieved good progress in management integration. The Company has established standardised guidelines and authority limits for fund management and for expenditures among its production plants. Its centralized cash management system has already commenced operations. The Company has also established a centralized procurement, sales and operation management system. By implementing centralized procurement and sales, competitions among the production plants of the Company have been further eliminated.
- *Achievement in the planned progress for capital investment.* The Company invested approximately RMB3.30 billion in capital investment, leading to an increase in production capacity of 380,000 tonnes for alumina and 23,000 tonnes for primary aluminum.



## Future Development and Prospects of the Company's Business

Despite dampened global economic activities in 2001, the Board of Directors believes that the PRC economy will continue to maintain a relatively high growth rate in the next few years. As one of the major industrial raw materials, the demand for aluminum will increase with the economic growth. If the supply and demand of primary aluminum in the international market improve in 2002, there will be an equilibrium between international and domestic supply and demand which may support an appropriate increase in aluminum sales price.

In addition, with the implementation of the Chinese government's adjustment policies to further streamline the aluminum industry, those enterprises producing aluminum with advanced technology and management expertise, good potential and sound environmental protection measures, such as the Company, will obtain further policy support from the State. The growth in the economy and market demand as well as adjustments in the government's industry policy will provide development opportunities and favourable conditions for the Company.

After China's accession to World Trade Organization, the anticipated lowering of the tariff rates will bring forth challenges to the sales price of the Company's products.

For the year 2002, the Company will devote efforts in strengthening management and business development. The Company will focus on the following:

- *Improving corporate governance.* The Company will endeavour to establish a new management system and to integrate its enterprise structure. The Company will continue to implement its centralized management mechanisms. The Company will further improve its management system in order to ensure clear delineation of powers and responsibilities.
- *Segmental integration of business operations.* The Company will further integrate the alumina and primary aluminum business operations into two major segments, enhance internal production management and operational efficiency of each segment, and strive to produce stable and high quality output to meet the market demand.
- *Implementing unit cash production cost reduction plan and budgetary management.* The Company will strengthen its cost management and implement a budgetary control system to strictly control expenses. The Company will further reduce its unit cash production cost below the cost level in 2001 by focusing on reduction of material consumption, energy consumption, inventory and management expenses.
- *Consolidating and expanding market operations and sales.* The Company will adopt more flexible and multiple sales strategies, enlarge the proportion of long-term sales contracts to the total revenues, and develop the hedging of futures contracts to minimize currency fluctuations.
- *Implementing a centralized business development plan.* In implementing the Company's business development plan, the Company will firmly maintain a positive and cautious investment strategy and implement a centralized control over investment decisions, with a view to maximising its investment returns. The Company will secure the progress and quality of such investment projects by strengthening their planning and management. It will also ensure that the construction works of such projects will commence production on schedule, and will achieve their production target.



- *Building up the information systems.* The Company will continue to build up its information systems, complete its IT planning and overall design with priority on implementing and refining the financial and accounting information system and standardization of its office automation platform. The Company will complete the establishment of the sales system to enhance the Company's ability in coping with the changes in market conditions. At the same time, the Company will actively establish its project management system.
- *Joint Venture with Alcoa.* The Company will actively proceed with the negotiations with Alcoa on the formation of a joint venture company to own and operate the Pingguo plant with the Company. The Company will strive to commence operation of the joint venture at the earliest possible date.
- *Integrating technology resources.* The Company will further prioritize its technology resources, speed up the application of its research and development results and increase the returns of technological investment. The Company will actively reallocate and properly utilize the technical personnel to maximize their performance. The Company will strengthen the exchange and co-operation between local and foreign technologies to upgrade the Company's technology.

Year 2002 will be the first full financial year for the Company's operation. The management of the Company is fully cognizant of the challenges in the coming year. The Board of Directors is also seeking new opportunities and prospects. We will work towards maximization of returns to our shareholders. In brief, in 2002 the Company will strive to integrate its corporate structures. By strengthening its budgetary and cash management and by expanding production and reducing costs, the Company will achieve a stable growth above the 2001 operating results.

**Guo Shengkun**

*Chairman, President and Chief Executive Officer*

Beijing, China  
April 14, 2002