

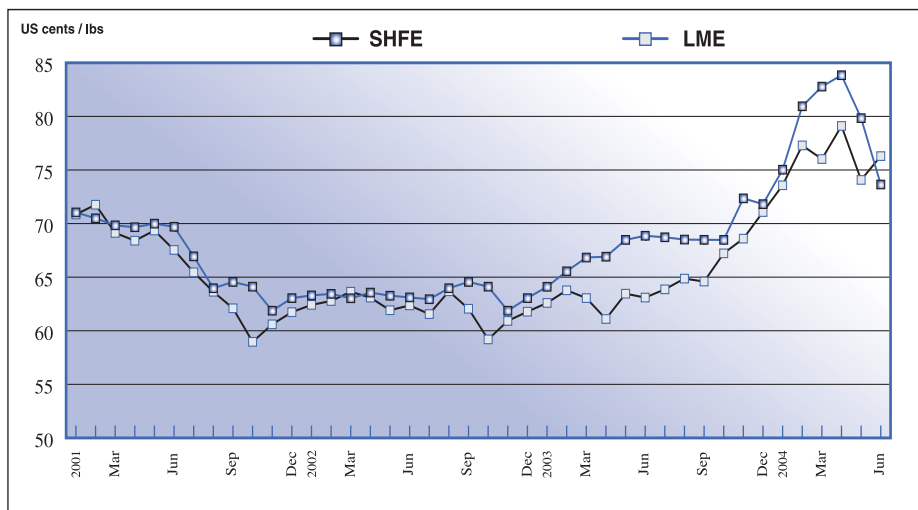
MARKET REVIEWS

Primary Aluminum

The first half of 2004 saw a noticeable fluctuation both in international and domestic primary aluminum prices. In the first four months, the three-month aluminum futures price on the London Metals Exchange (the "LME") once rose to a high of US\$1,845 per tonne, which was attributable to the optimistic prospect of global economy, the robust economic growth and strong demand for metals in China. The three-month aluminum futures price on the Shanghai Futures Exchange (the "SHFE") rose to a high of RMB19,300 per tonne, the highest level for nearly the past decade. After mid-April, aluminum price dropped significantly as a result of the expected increase in interest rate of the United States, as well as market concern over the "slow-down" of the Chinese economy due to the government's more stringent macro-control on overheated fixed assets investments in certain industries (including the aluminum industry). Nevertheless, for the first half of 2004, the average three-month aluminum futures price on the LME still reached US\$1,677 per tonne, representing an increase of 20.7% over the same period last year; the average three-month aluminum futures price on the SHFE reached RMB16,940 per tonne, representing an increase of 17.9% over the same period last year.

For the first half of 2004, both the global production and consumption growth rates for primary aluminum have exceeded their average levels for the past decade, with the growth rate of consumption exceeding that of production. For the first half of 2004, the global production volume of primary aluminum amounted to 14,640,000 tonnes, with a consumption of 14,910,000 tonnes, representing a supply shortage of 270,000 tonnes. In the United States, consumption of primary aluminum increased by 10.6% over the same period last year. In China, production volume of primary aluminum amounted to 3,110,000 tonnes, representing an increase of 23% over the same period last year; the consumption of primary aluminum amounted to 2,880,000 tonnes, representing an increase of 21.5% over the same period last year. Both production and consumption maintained a noticeable growth.

Price Trend of the Three-Month Aluminum Futures Prices on LME and SHFE



Alumina

In the first half of 2004, the international alumina price fell after a surge. In the first four months, the international spot price of alumina had been increasing due to the strong demand in China. With CIF import price rising to a high of US\$530 per tonne, the selling price at domestic ports also rose to RMB5,300 per tonne, nearly the historical highest level. The spot selling price of domestic alumina, in line with the market supply and demand and the import price, also rose to RMB4,300 per tonne. Due to China's macro-control policies commencing from early May, import price of alumina decreased to RMB4,100 per tonne at the end of June.

For the first half of 2004, the global production volume of alumina reached 28,550,000 tonnes, with a consumption of 28,500,000 tonnes. The capacity utilization ratio of alumina refineries exceeded 97%, representing a roughly balanced supply and demand worldwide. In China, there was no fundamental change in the alumina supply and demand, with a further widened supply shortfall of 47.4%. Production volume of domestic alumina amounted to 3,420,000 tonnes, representing an increase of 16.9% over the same period last year; the consumption of alumina amounted to 6,500,000 tonnes, representing an increase of 22.6% over the same period last year.