

OUTLOOK AND PROSPECTS

The Group regards Year 2004 as an "Innovation Year". According to its goals for 2004, the Group will continue to keep informed of and track market trends, and by leveraging its own advantages and capitalizing on favorable opportunities, to continue to explore the right path to advance the Group's development in light of its actual conditions. In the second half of 2004, the Group will focus on the following aspects:

- The Company has been continuing to strive for the proper operation and continuous enhancement in its corporate governance. By carrying out its second three-year Cost Reduction Plan in the second half of the year, the Company will strive to minimize the adverse influences on cost resulting from the increased prices of raw materials and energy. At the same time, the Company will further enhance project and investment management, aiming at continuing reducing the costs and controlling the risks of investment. Moreover, in response to the Sarbanes-Oxley Act of 2002, the Group will focus on improving its internal procedure control, so as to ensure proper operation procedures, effective control on business risks and an overall improvement in managerial expertise.
- The balance between production and sales is the key issue of our operations. In view of this, the Group will closely monitor and study the market dynamics to increase the accuracy of estimation and reasonability of decisions. On the other hand, by adopting flexible marketing strategies, the Group will timely introduce market-oriented measures to improve its marketing service quality, targeting to reach a 100% for the sales to production ratio and the collection ratio of trade receivables.
- Addressing market competitions and aiming to strengthen the core competitive edges, the Company will continue to carry out the following work in the second half of the year:
 - further improvement in the quality of alumina products;
 - extension of alumina chemicals products and extension of primary aluminum product lines;
 - improvement in smelting pot use life, enhancement of efficiency and strength of electric current, optimization of process benchmarks, as well as reduction in consumption of raw material, fuel and energy sources;
- Resource is the foundation of the existence and development of the Group. Accordingly, the Group will proactively formulate and improve the implementation scheme for resource integration. Domestically, with a faster pace in geologic investigations, the Group expects to further increase its bauxite reserve and optimize the bauxite supply structure. In respect of development overseas, the Group will expedite its overseas development, aiming at an optimized allocation of its global resources. According to the expansion rate of its alumina capacity, the Group will maintain a reasonable level of bauxite reserve under its control, so as to ensure a long-term sustainable supply of bauxite.