

Chairman's Statement

TO OUR SHAREHOLDERS

Throughout the financial year of 2003-04, management's emphasis was to steer the Group so as to capitalize on a strong China franchise and to build a solid platform for the long-term growth of the Group in the global aluminum industry.

The first half of the financial year saw unprecedented challenges faced by the Group in an exceptionally volatile commodity price environment rarely experienced by the aluminum industry over the past decade. Nevertheless, our strategy of strengthening client relationships by absorbing part of the increased material costs produced fruitful results in the second half of the financial year and laid a solid foundation for future growth.

I believe the correct strategy for the Group is to chart our course while staying ahead of other competitors amid increasing challenges from a commodity fever on the one hand and power shortages across China and the worldwide oil price-hike on the other. Adding to the challenges is a slowing China's economy as the government tries to prevent overheating. China's economy can best be likened to a marathon runner, who starts off at a ferocious pace and is now easing off in order to stay in the race. We believe that the state's slow-down measures are necessary to secure the healthy and sustainable development of the economy. Indeed, third-quarter GDP growth of 9.1% points to a soft landing for China's economy in cooling growth without triggering a slump. Meanwhile, we have experienced no signs of a significant slowdown in orders or business and hence all evidence continues to be positive for the aluminum-processing industry.



As a leading aluminum extruder in China, my vision is to develop our China franchise and elevate the Group to be one of the top-five aluminum processing companies in the global arena. Several favorable elements will help us achieve this objective. China has become the world's largest aluminum producer and we estimate that it will overtake the US as the world's biggest aluminum consumer next year. Importantly, the underlying trend in aluminum consumption in China remains very strong with growth of more than 10% per year over the next couple of years. In addition, our competitive labor cost, low operating overheads and set-up costs in China are definite advantages helping us maximize our potential.

Following extensive study and planning, we are now building a new manufacturing base, "Asia Aluminum Industrial City", to support the future activities of the Group to achieve its mission. This new Industrial City, under construction on a 6.5-sq-km site in Zhaoqing in China's Guangdong Province, is progressing well and according to schedule. On completion, the Group will possess an aluminum extrusion capability of 300,000 metric tons and flat-rolled-products capacity of 400,000 metric tons. I believe that new economies of scale and sophisticated production facilities, coupled with competent management and resourceful aluminum expertise, will equip us with a most competitive platform enabling the Group to match the world's best aluminum companies.

Asia Aluminum is proud to be playing a pivotal role in building the aluminum industry in China into one of the leading industrial powers in the world. As the market continues to grow and liberalize, we will witness emerging opportunities as well as competition, both foreign and local. This new era in China demands critical new thinking by the management of progressive enterprises. To stay ahead of other rivals and any challenges from various fronts, the Group will continue to invest, innovate and collaborate. As regards our partnership, we will strengthen ties with our strategic partner, Indalex Aluminum Solutions Group ("Indalex") in the US, on both technical aspects and market development. We will also work closely with other business partners, new or established, on a mutually beneficial basis to draw on their expertise and resources to develop new products and market potentials. We are well positioned and fully prepared to increase our deliveries to overseas customers.

At the same time, we will invest more resources in other development parameters including the environment, labor and community welfare. We pledge to meet and in many ways exceed governmental or market requirements in building a green and safe workplace and in taking our place as a member of the communities we work in and serve.

On a final note, I wish to extend my sincere gratitude to you, our shareholders, staff, customers, banks and business partners for your continued support of Asia Aluminum Group. Working hand in hand with you, we look forward to achieving new objectives on new horizons.

Mr. Kwong Wui Chun
Chairman

Hong Kong, 27 October 2004