

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual report of the Group for the year ended December 31, 2007 for review by the shareholders. On behalf of the Board of the Company and all employees, I would like to express my gratitude to all our shareholders for their concern and support of the Company.

Mr. Xiao Yaqing

Chairman of the Board and
Chief Executive Officer

Chairman's Statement *(Continued)*



Financial Results

The turnover of the Group for the year 2007 amounted to RMB76.180 billion, representing a year-on-year increase of 17.1%. The profit attributable to the equity holders of the Company was RMB10,245 million, representing a year-on-year decrease of 13.49%. Earnings per share for profit attributable to the equity holders of the Company was RMB0.82, representing a year-on-year decrease of 21.15%.

Dividends

The Board of the Company proposed to declare a final dividend of RMB0.053 per share for the year 2007 (an interim dividend for 2007 of RMB0.137 per share has been paid) based on 35% of the Company's profit after tax for 2007 and after deducting the interim dividend paid, the distributable dividend amounted to approximately RMB717 million for a total share capital of 13,524,487,892 shares as at December 31, 2007. The proposed declaration of final dividend will be put forward to the annual general meeting to be held on May 9, 2008 for approval. The final dividend is expected to be distributed to eligible shareholders of the Company before May 30, 2008.

Product Market Reviews

The supply and demand as well as the price of aluminum are closely tied to the global economic changes and changes to the PRC macro-economy. The changes in the global economy and the PRC economy have a significant impact on the aluminum market.

Primary Aluminum Market

During the year 2007, the international price of primary aluminum fluctuated by a considerable extent. Consumption and demand for primary aluminum throughout the world including the PRC continued to grow. The price of primary aluminum stayed high in the first half of the year. However, as a result of the US subprime crisis since August 2007, the price of primary aluminum had fallen to a record low of the year. In 2007, the lowest price of three-month primary aluminum futures on London Metals Exchange ("LME") was US\$2,326.5 per tonne, the highest price was US\$2,937.5 per tonne and the average price was US\$2,661 per tonne, representing a year-on-year increase of 2.70%. The highest, lowest and average price of three-month aluminum futures on the Shanghai Futures Exchange ("SHFE") was RMB20,900 per tonne, RMB17,480 per tonne and RMB19,580 per tonne respectively, representing a year-on-year decrease of 2.76%.

Chairman's Statement *(Continued)*

The global output of primary aluminum for 2007 was approximately 38.15 million tonnes, representing a year-on-year increase of 12.30%; the global consumption of primary aluminum reached approximately 37.81 million tonnes, representing a year-on-year increase of 10.14%. The growth rate of the supply and demand for primary aluminum in the PRC continued to boom relatively rapidly, and in particular, aluminum consumption in the construction, transportation, electricity and packaging industries continued to increase. The domestic aluminum output for 2007 was approximately 12.56 million tonnes, representing a year-on-year increase of 34.33%; domestic aluminum consumption reached approximately 12.44 million tonnes, representing a year-on-year increase of 43.48%.

Alumina Market

In early 2007, affected by the rapid expansion of new alumina production capacity and output in the PRC, the international spot price of alumina continued a downward trend. Since February 2007, the impact of the strike of the Guinea mining workers, the increase in the winter reserves of the PRC's domestic aluminum enterprises and the overseas shortage of spot alumina have all led to a gradual rebound of the prices of both international and domestic alumina. The international market price has reached its high at US\$430 per tonne while the domestic market has recorded RMB4,500 per tonne. The annual average price of imported alumina in 2007 was US\$393 per tonne, representing a year-on-year decrease of 11.69%. The annual average selling price of the Group's alumina was RMB3,412 per tonne, representing a year-on-year decrease of 16.92%.

The global output of alumina for 2007 was approximately 74.53 million tonnes, representing a year-on-year increase of 8.68%; the consumption reached approximately 74.70 million tonnes, representing a year-on-year increase of 12.50%. Due to the continuing significant expansion of the PRC's

new alumina production capacity in 2007, domestic supply of alumina increased further. Domestic output of alumina reached approximately 19.45 million tonnes, representing a year-on-year increase of approximately 41.97%. The demand rose as well, reaching approximately 24.42 million tonnes, representing a year-on-year increase of approximately 28.53%. In 2007, alumina imported to the PRC amounted to approximately 5.23 million tonnes, representing a year-on-year decrease of 24.31%.

Business Review

In 2007, the Group maintained its scientific development, took full advantage of production integration, ushered expansion and innovations and pushed forward its resource strategy. It also enhanced its sustainable growth capability, consolidated its core competitiveness and, through dedication of its staff, achieved targets of the year.

1. Maintained a stable increase in production volume of principal products. The Group actively tackled challenges such as rising raw materials prices and electricity fees as well as the shortage of resources etc. With well-organized production and strengthened co-ordination, the Group maintained a steady increase in the production volume of its principal products. In 2007, the production volume of alumina of the Group reached 9.57 million tonnes representing a 8.38% increase as compared with the corresponding period in the previous year. The production volume of alumina chemicals was 1.02 million tonnes, representing a decrease of 7.27% as compared with the corresponding period in the previous year. The production of primary aluminum amounted to 2.80 million tonnes (including 0.33 million tonnes contributed by all the production volume of Jiaozuo Wanfang), representing an increase of 45.08% as compared with the corresponding period last year.

Chairman's Statement *(Continued)*



2. The overall competitiveness of the Group was greatly enhanced through non-routine business operation. The Group, by fully seizing market strategic opportunities and initiating capital operations, increased its total assets to RMB94.3 billion and rapidly expanded the scale of its principal business whilst substantially enhanced its overall competitiveness.

The Group has achieved the strategic listing of its A Shares. On April 24, 2007, the Group accomplished the respective mergers of Shandong Aluminum and Lanzhou Aluminum with the Company by way of share exchange

through issuing 1.237 billion A Shares of the Company. On April 30, 2007, the A Shares of the Company were listed on the Shanghai Stock Exchange. The respective mergers of Shandong Aluminum and Lanzhou Aluminum with the Company by way of Share exchange were the first PRC case of merger by absorption involving three listed companies. At the same time, the Group also fulfilled its goal of tri-listing in Hong Kong, USA and China, which highlighted its optimized resource allocation, refined its the corporate governance structure and improved the platform of capital operation.

Chairman's Statement *(Continued)*



On December 28, 2007, the Company further issued 638 million A Shares and accomplished the merger by share exchange of Baotou Aluminum. The merger of Baotou Aluminum with the Company reduced the business competition with the controlling shareholder of the Company, further revealed the synergy of the Company's strategy and represented the first successful integration between two listed companies in a fully open domestic capital market.

In June 2007, the Group issued a 10-year-bonds in the principal amount of RMB2 billion with a face value of RMB100 each, bearing an annual interest rate of 4.50%. The Group also issued an one-year short term bonds in the principal amount of RMB3 billion at a face value of RMB100 each, bearing an annual interest rate of 3.55%. The issuances provided fund to the Company for development and reduced the financial cost of the Company.

3. Significant progress in overseas business:

- Aurukun Project: In 2007, the Group and the Government of the State of Queensland of Australia (the "Queensland Government") officially entered into the Aurukun project development agreement. The Group also entered into the land use agreement with the aborigines in respect of the Aurukun project. The Queensland Government officially issued the Aurukun bauxite exploration permit to the Company which marked the initiation of the Aurukun Project. At present, the tender for the principal contractor has already been completed and the principal contractor has already been ascertained. The feasibility study will soon be initiated.

Chairman's Statement *(Continued)*

- Saudi Arabian Aluminum Project: In October 2007, the Group and Malaysia Mining Company (MMC) as well as Saudi Arabian Binladin Group (SBG) entered into a memorandum of understanding ("MOU") to jointly construct a primary aluminum plant with an annual capacity of 1 million tonnes in Saudi Arabia. The parties to the MOU have officially entered into a Cooperation Framework Agreement in November 2007. The Investment Department of the Government of Saudi Arabian has issued the project permit. According to the Cooperation Framework Agreement, the Company will hold 40% equity interest and will be the largest shareholder in the project. The project will commence its feasibility research in early 2008. The project is located in an area with abundant resources, where primary aluminum can be produced at a competitive cost.
4. Focused on exploration of resources: The Group focused on strengthening the development and allocation of resources in order to establish and optimize the conservation and use of its bauxite resources. It focuses its work on the exploration and development, mining supply system and initial project management of bauxite resources. In 2007, the Group endeavored to renovate and develop bauxite mines and strived to increase mining capacity of the Group's own bauxites. At the same time, the Group put more efforts in risk studies on exploration of resources so as to lay a solid foundation for the long-term resource development of the Company.
 5. Achieved significant success in developing measures for reuse and recycling of materials as well as saving energy and reducing emission:

The Group has set up development goals and assurance policy for recycling and conservation of resources to build up itself as a resource-efficient enterprise. The Group speeded up the renovation of integrated energy-saving technology by means of new production techniques and technologies, mainly by streamlining its production workflow and perfecting its product structure. In 2007, the comprehensive energy consumption of alumina and comprehensive alternating current consumption of aluminum decreased by 1.24% and 1.38% respectively as compared with the corresponding period in the previous year.
 6. Successful technological innovation: Based on the rationale of efficient use of resources, energy saving and emission reduction, enhancement of production volume and quality, the Group has carried out studies in application of advanced technology, research and development of key general technology as well as the promotion and adoption of such technologies for industrial applications. In 2007, the Group made significant progress in research and development of new methods and techniques.
 7. Established a task system with scientific information management: The Group has placed great efforts in building and maintaining its information management system, network infrastructure and advanced production and management system. In 2007, the Group continued the progress of phase one of its ERP project. Through system integration and optimization of the workflow of existing businesses, the Group has principally achieved the goal of reinforcing risk control. The Group has also built up a reliable and sound network platform which is able to satisfy the needs of centralised management.

Chairman's Statement *(Continued)*



8. Further enhancement of corporate management standards: The Group has continuously consolidates various fundamental practices of management to improve the management standards. The Company has also controlled risk so as to ensure its healthy development.

- Further optimized the risk management system based on internal control. The Group has passed the compliance audit under Rule 404. The accountability system on financial personnel brought positive effect on risk control and the standard of management.
- Strengthened the establishment of investment management system. Substantial progress has been made in proactively fostering centralized and professional management.
- Strictly implemented accountability system in safety and environmental production. Goals were identified and

responsibility had been strengthened by establishing specialized inspection team to reinforce on-site safety examination. The Group also effectively established the specialized work to examine safety production and inspect potential production risks.

9. Enhanced corporate social responsibility: The Group has efficiently operated a healthy and safe environmental management system and continued to improve the performance of such system in order to provide benefits to its staff, shareholders and the society by acting in an accountable manner to create a healthy and safe working environment. The Group has also actively promoted positive interactions among the economy, the society and the environment in order to facilitate the economic and social development of places where the enterprises of the Group were located. The Group also enthusiastically took part in social welfare events such as poverty alleviation, education sponsorship and relief of disasters.

Chairman's Statement *(Continued)*



Business Prospect

In 2008, the continuous, steadily and fast development of the PRC economy will bring not only opportunities but also challenges to the Company. Mergers and acquisitions in the international mining industry have resulted in increasingly fierce competitions in the global market. Continual increase in prices of mining resources, coal, electricity and power, transportation fees and raw materials will bring increasing pressure on costs.

In view of this, the Group will closely monitor market developments in 2008, further implement scientific development by further reinforcing fundamental management and technological innovation in line with the Company's corporate strategy. The principal operational objectives of the Group are as follows:

1. The Group will put great emphasis on and will take notice of the mutual effect between market environment and policy factors as well as the mutual influence between international and domestic economic trends and to comprehensively analyze the situation facing the international and domestic markets and the Company's internal situation. The Group will adjust and improve development strategy of the Company according to the changes in trend. In 2008, production volume of alumina products is expected to reach 10.20 million tonnes and production volume of primary aluminum will be 3.62 million tonnes.
2. Since resource is the basis for the sustainable development of the Company, the Group will press ahead its corporate resource strategy by focusing on resource acquisition and control. It will strengthen cooperation, give weight to key projects and expand its reserve. Meanwhile, it will broaden the range of resources exploration and supply and put more efforts in the investment and construction of mines.

Chairman's Statement *(Continued)*

3. Focus on cost control so as to fully implement the proposed production and operation, foster coordination and increase implementation, bring overall strength and synergy into full play, further elevate effectiveness of production and operation while aspiring to reduce their cost. Meanwhile, fully implement budget management, further save energy and reduce unnecessary power consumption and optimize production and technological indices.
 4. Perfect production chain and complete the merger of Liancheng Aluminum with the Group. Work will be initiated after the absorption of aluminum fabrication plants into the Group, including the continued integration and improvement of the management methods and regulations of newly acquired enterprises as well as to accelerate the integration of the operation concept, management system and risk control of the newly acquired enterprises with the Company.
 5. Fully capitalize on centralised management and operation. In terms of supply and sales, take further step to strengthen market research to make more accurate assessment of the market trend. To fully exploit the advantages of centralised purchase of raw materials and fuels, promote professional management and strive to reduce purchase cost by formulating scientific model of purchase and a reasonable level of inventories. To take full advantage of the market and market opportunities of products so as to maximize product selling price to the fullest extent as well as to improve product sales and after-sale services.
 6. Integrate technological advancement with structural adjustment, overseas development and resource utilization to enhance autonomy and innovation so as to boost and support the competitiveness of the Company.
 7. The Group will focus on human resources strategies and strengthen the training of its management personnel and employees with a view to improving their skills and overall quality.
- In 2008, the Board will do its utmost to achieve our goals as a return to our shareholders.

Xiao Yaqing

Chairman and Chief Executive Officer

Beijing, the PRC

March 17, 2008

