

## INTERIM DIVIDEND

The Board of Directors of the Company proposed not to declare an interim dividend for the period from January 1, 2005 to June 30, 2005 (for the period from January 1, 2004 to June 30, 2004: Nil).

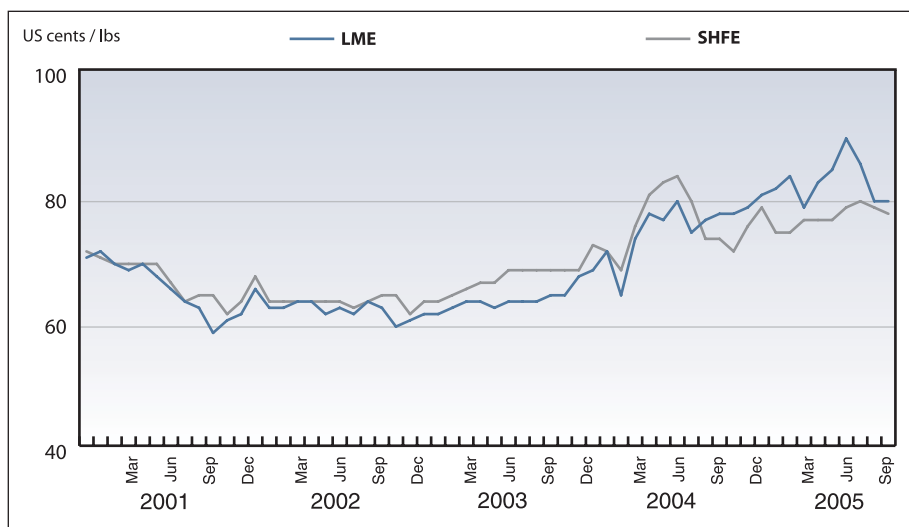
## MARKET REVIEW

### PRIMARY ALUMINUM

The first half of 2005 saw noticeable fluctuations in international primary aluminum prices. At the beginning of the year, the global economy enjoyed steady growth and the three-month aluminum futures price on the London Metals Exchange (the "LME") rose to a high of US\$2,016.5 per tonne, the highest level for the past decade, which was attributable to the drive from funds. Due to the PRC's increased export, rebound of the US dollar and sell-off by certain funds, the primary aluminum price once dropped to US\$1,680 per tonne, the lowest price since September 2004. In the first half of 2005, the average primary aluminum future price on the LME amounted to US\$1,842 per tonne, representing an increase of 10.0% over the same period last year. The price of domestic primary aluminum recorded slight increase along with fluctuations. The primary aluminum spot price on the Shanghai Futures Exchange (the "SHFE") gradually increased to RMB16,936 per tonne in June from RMB16,029 per tonne in January. Primary Aluminum prices sank into a weak pattern since June with the impact of uncertainties including the State's macro-control policies, high prices of energy and raw materials as well as the abolishment of preferential policies regarding alumina tolling transactions. The average primary aluminum spot price on the SHFE was RMB16,579 per tonne, representing a decrease of 1.6% from the same period last year.

The global production and consumption of primary aluminum for the first half of 2005, both maintaining steadiness, amounted to 15,400,000 tonnes and 15,750,000 tonnes respectively. Despite the high prices of alumina and the increased power tariff in China, domestic production of primary aluminum still increased relatively significantly by 16.6% to 3,650,000 tonnes over the same period last year, while the consumption of primary aluminum amounted to 3,150,000 tonnes, representing an increase of 4.7% over the same period last year.

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





## ALUMINA

The first half of 2005 saw no essential change in either international or domestic supply and demand of alumina, with alumina prices maintaining high. The alumina FOB price in the international market basically ranged between US\$430 and US\$470 per tonne. Imported alumina was sold in domestic market at stable prices ranging from RMB4,700 to RMB4,850 per tonne. The average spot retailing price of domestic-made alumina was RMB4,316 per tonne, and its current price is RMB4,330 per tonne.

In the first half of 2005, the global alumina production amounted to 30,070,000 tonnes with a consumption of 30,230,000 tonnes, representing a year-on-year increase of 5.3% and 6.1% respectively. The wide shortfall of domestic-made alumina supply amounted to as large as 48%, resulting in a shortage situation that is still to be eased effectively. In the first half of 2005, China produced 3,950,000 tonnes of alumina, representing a year-on-year increase of 15.5%; the supply of alumina amounted to 7,620,000 tonnes, representing a year-on-year increase of 17.2%. In the first half of 2005, China imported 3,670,000 tonnes of alumina.

## BUSINESS REVIEW

Based on sufficient study on the State's policies and market analysis in the first half of 2005, the Company formulated effective measures in accordance with its annual targets. Despite the impact from various factors including increasing prices of raw materials and power, the Company leveraged market opportunities to speed up its development and put more efforts in management fundamentals and technological upgrades, with satisfactory results in production and operations.

- Facing by the changing market situation, the Company accelerated the construction of new alumina projects and captured the favorable opportunities of acquisition and merger in the primary aluminum industry. The Company also fully capitalized on such opportunities brought forth by the alleviation in external power supply and transportation to carefully schedule its production. As a result, production level hit another historical high. During the first half of this year, the production volume of alumina amounted to 3,490,000 tonnes, representing an increase of 12.6% over the corresponding period last year. The production of alumina chemicals namely, multi-variety alumina and alumina hydrate was 465,000 tonnes, representing an increase of 21.1% compared to the same period last year. The production (inclusive of the 42,000 tonnes produced by Lanzhou Aluminum in the second quarter) of primary aluminum products amounted to 465,000 tonnes, representing an increase of 29.9% over the corresponding period last year.
- The Company attached great importance to rationalized management and enhanced management fundamentals. With its fast development, the Company focused on implementation of the "strict, specialization, practice, innovation, sustainability and balance" management concepts. To address the surging energy price, the Company further optimized major technological and economic indexes of process operations. For the composite energy consumption of alumina, a decrease of 7% was recorded as compared with the corresponding period last year.