

## FOREIGN EXCHANGE RATE RISK

The Group conducts its business primarily in Renminbi.

The People's Bank of China announced on July 21, 2005 that Renminbi's peg to the United States Dollar would be replaced with a more flexible exchange rate regime referenced on a basket of currencies.

As the volume of imported alumina and loans denominated in foreign currency of the Group were relatively limited, therefore, the appreciation of Renminbi will not have substantial impact on the production and operation of the Group. In respect of production costs, the appreciation of Renminbi will increase the Company's pressure in competing in the international market to a certain extent.

## EXCHANGE RATE SWAP BUSINESS

In consideration of the interest rate of loans denominated in US dollars in the domestic market is approximately 1 percentage point lower than loans denominated in Renminbi in the same period, the Group borrowed loans of US\$15million and US\$85million on March 11, 2005 and May 13, 2005 respectively. To avoid the risk posed by the changes in exchange rate at the time the loans fall due, the Company entered into "Interest/exchange rate swap Agreement" totalled to US\$100million by instalments with banks as a way to fix the exchange rate of the US dollars denominated loans. The agreement is a hedge against the US dollars denominated loans.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In accordance with Articles 95 and 117 of the Company's Articles of Association, all Directors and Supervisors were appointed for a three-year term. At the expiry of the term of office, the term is renewable upon re-election. At the 2004 Annual General Meeting held on June 9, 2005, Shi Chungui was appointed as a Non-executive Director in place of Chen Xiaozhou. Members of the second Board of Directors and Supervisory Committee are:

Executive Directors:	Xiao Yaqing, Xiong Weiping, Luo Jianchuan, Chen Jihua
Non-executive Directors:	Shi Chungui, Joseph C. Muscari
Independent Non-executive Directors:	Chiu Chi Cheong Clifton, Wang Dianzuo, Kang Yi
Supervisors:	Luo Tao, Yuan Li, Ou Xiaowu

## EMPLOYEES, PENSION PLANS AND WELFARE FUND

The Group had approximately 68,750 employees as of June 30, 2005. The remuneration package of the employees includes wages, bonuses and allowances. Employees also receive welfare benefits including medical care, housing subsidies, child care and education, retirement and other miscellaneous items.

In accordance with the applicable PRC regulations, the Group currently joins pension contribution plans organized by provincial and municipal governments, under which each of the Group's plants is required to contribute to the pension fund an amount equal to a specified percentage of the sum of its employees' salaries, bonuses and various allowances. The amount of contribution as a percentage of the employees' salary varies around 20% from plant to plant, depending in part on the location of the plant and the average age of the employees. The Company also contributes to a welfare fund for its employees. The contributions of the Company to this welfare fund are made at rates ranging from 5% to 10% of the Company's after-tax profit. The Company had not paid retirement benefits to its employees by the end of June 30, 2005.