



Dear Shareholders,

I am pleased to present the annual report of Aluminum Corporation of China Limited (“the Company”) and its subsidiaries (together “the Group”) for the year ended December 31, 2005 for shareholder’s review and, on behalf of the Board and all of the employees of the Group, express my gratitude to all our shareholders for their support to the Company.

Chairman's Statement

Financial Results

The consolidated turnover of the Group for 2005 amounted to RMB37,110 million, representing an increase of 14.85% over the previous year. The consolidated net profit attributable to equity holders of the Company for the year was RMB7,022 million, representing an increase of 9.86% over the previous year. Earnings per share for profit attributable to the equity holders of the Company was RMB0.64, representing an increase of 10.34% over the previous year.

Dividend

The Board of the Company proposed to declare a final dividend of RMB0.214 per share, totaling RMB2,364,673,000 for 2005 based on 11,049,876,153 shares in the total share capital as of December 31, 2005. The proposal to declare and pay this final dividend is to be submitted to shareholders at the Annual General Meeting scheduled for May 10, 2006 for review and approval. The final dividend is expected to be paid on or before May 30, 2006.

Business Review

In 2005, the Group achieved steady growth in its production and profits by modifying its growth methods, strengthening its structural changes and capitalising on the growing market demands.

- The Group achieved steady increase in production by pushing forward the schedule for completion of greenfield projects, shortening the commencement date between completion and commencement of production, enhancing the development of its internal potentials and through the optimisation of its production structure and improvement in its production and operation management. In 2005, the Group produced 7.18 million tonnes of alumina, 0.94 million tonnes of alumina chemical and 1.05 million tonnes (of which approximately 130,000 tonnes was produced by Lanzhou Aluminum, which represented 100% of its production) of primary aluminum, representing a year-on-year increase of 13.2%, 17.0%, and 36.4%, respectively. With safe production and favourable environmental protection, the Group optimized its technical and economic performance and achieved the expected targets of energy saving.



- The Group, through the strengthening of its core business and improving its production chain and core competitiveness, fastened the pace of its development and by capitalizing on market opportunities, the Group expanded its production through various measures. Through greenfield projects, brownfield projects and technological renovation during 2005, the Group's refining capacity of alumina amounted to 8.33 million tonnes, representing an increase of 29% over the previous year, and through greenfield projects, brownfield projects and merger/acquisition, the Group's smelting capacity of primary aluminum reached 1.5 million tonnes (of which approximately 160,000 tonnes was from Lanzhou Aluminum, which represents 100% of Lanzhou Aluminum's smelting capacity), representing an increase of 81% over the previous year.
 - In 2005, the Group completed the construction of a 800,000-tonne alumina project in Shanxi and the second production line of 300,000-tonne alumina ore-dressing Bayer project in Zhongzhou and the 700,000-tonne alumina project in Henan, respectively, and also completed the construction of the 280,000-tonne and 170,000-tonne aluminum smelting projects in Shanxi Huaze and Guizhou, respectively.
 - In January 2005, the Group entered into a transfer contract with Lanzhou Aluminum Plant in relation to the transfer of the shares in Lanzhou Aluminum for a consideration of RMB767,305,000, which was completed in March 2005. The Company holds 28% equity interest (151,851,442 shares) in Lanzhou Aluminum, and thus is its largest shareholder. Lanzhou Aluminum's smelting capacity is approximately 160,000 tonnes.
 - In December 2005, the Group and Shanxi Guanlv Company Ltd. ("Shanxi Guanlv") entered into a joint venture agreement for the establishment of Shanxi Huasheng Aluminum Company Ltd. ("JV Co"). The total registered capital of the JV Co is RMB1 billion, of which the Group will invest RMB510 million in cash and Shanxi Guanlv will contribute net assets of RMB490 million. Upon completion of the capital contributions, the Group will hold 51% share capital of the JV Co. The primary aluminum smelting capacity of the JV Co is 220,000 tonnes.

- In December 2005, the Group entered into a Letter of Intent with Jiaozuo Wanfang Group Company Ltd. in relation to the transfer of the shares of Jiaozuo Wanfang Aluminum Company Ltd. ("Jiaozuo Wanfang"). If the Group proceeds with the acquisition, the Group will hold 29% equity interest in Jiaozuo Wanfang, and thus become its largest shareholder. Jiaozuo Wanfang's smelting capacity of primary aluminum is approximately 272,000 tonnes.
- In December 2005, the Group, Baiyin Nonferrous (Group) Co., Ltd. ("Baiyin Nonferrous") and Baiyin Honglu Aluminium Co., Ltd. ("Baiyin Honglu") entered into a Letter of Intent regarding the establishment of a joint venture company. Baiyin Nonferrous will contribute the 127,000 tonnes of aluminum smelting and ancillary facilities owned by Baiyin Honglu, and Chalco will contribute in cash as capital contribution for the joint establishment of a new company. If the parties proceed with the cooperation, Chalco will hold 51% equity interest in the new company.
- In January 2006, the Group entered into a Letter of Intent with Shandong Huasheng Jiangquan Group ("Huasheng Jiangquan"), pursuant to which the Group will acquire a 60% equity interest in a new company owned by Huasheng Jiangquan. The principal assets of the new company owned by Huasheng Jiangquan include the aluminum smelting production line with a smelting capacity of 100,000 tonnes and its ancillary facilities and a 2*135MW coal-fired power-generator.
- In January 2006, the Group, Zunyi Aluminum Co. Ltd. ("Zunyi Aluminum"), Wujiang Hydropower Development Corporation Ltd. ("Wujiang Hydropower"), and the People's Government of Zunyi City and Zunyi County entered into a Letter of Intent, pursuant to which the Company will acquire 100% equity interest of Zunyi Aluminum held by the People's Government of Zunyi City and Zunyi County and a portion of the equity interest of Zunyi Aluminum held by Wujiang Hydropower and other shareholders. If the Group proceeds with the acquisition, the Company will hold 51% or more of the equity interest of Zunyi Aluminum.

- In March 2006, the Group entered into an equity transfer contract with Liaoning Fushun Aluminium Plant pursuant to which the Group will acquire the entire equity interest of Fushun Aluminium Co., Ltd, ("Fulv Company") from Fushun Aluminium Plant for a consideration of RMB500 million. Fulv Company is mainly engaged in the production of primary aluminium and carbon products, and has a smelting capacity of 140,000 tonnes in 2005. As at the end of February 2006, total assets and net assets of Fulv Company were valued at approximately RMB1.27 billion and RMB503 million, respectively.
- The Group has completed the formulation of its overseas development plan and has established its mode of overseas investment and management. Its overseas development projects undertaken in Brazil, Australia and Vietnam are progressing steadily.
- Brazil project: In May 2004, the Group entered into a non-binding framework agreement with Companhia Vale do Rio Doce ("CVRD") for the establishment of a joint venture company in Brazil and to consider the feasibility of establishing a new refinery, ABC Alumina Refinery, for alumina production in Brazil. Phase I of the project is expected to have a refining capacity of 1,800,000 tonnes of alumina per annum with a total investment of US\$1 billion and is expected through gradual expansion to reach an ultimate refining capacity of 7,200,000 tonnes gradually. Currently, the parties have essentially agreed on the significant business arrangements and started the joint feasibility study in 2005. It is expected that the feasibility study will be completed in early 2006. The Phase I project is expected to commence construction in 2006 and to be put into operation in early 2009.
- Aurukun project in Australia: In September 2005, the Queensland government of Australia started the global bidding for resources exploration in Aurukun. The Group submitted a Letter of Intent to the Queensland government in October 2005 to bid for the Arurkun project and submitted a non-binding preliminary development proposal at the end of January 2006. In early March 2006, the Group has been short-listed as the only company for the bid.
- Bauxite development project in Dak Nong, Vietnam: The bauxite development project in Dak Nong, Vietnam, which is led by the Group, is progressing smoothly. A majority of the ground works, including the comparison and selection of the location of alumina plant and mineral processing test, have been taking place since 2004, and the preliminary feasibility study report of the project has been submitted to the Vietnam government in April 2005. In December 2005, the Group signed a Memorandum of Understanding with Vietnam National Coal Corporation regarding the joint development of the bauxite in Dak Nong, Vietnam. The feasibility study is expected to commence in 2006.

► The Group focused mainly on the development and utilization of bauxite resources, energy saving, product mix adjustment and sharpening its core competitive edges. Through the above, the Group has achieved the expected results in the establishment of new businesses, new technologies and new products and the application and fundamental research of new facilities and technology commercialisation.

► The Group, in addition to leveraging opportunities of a favourable market price in the product sales, has optimized its product sales to stabilize its clientele. It has also formulated interactive information management system and sound sales strategies to secure the clientele with its ongoing perfection of the management system of integrated sales management.

The Group further centralized its procurement to strengthen cost control. It further regulated the procedure of procurement by utilizing budget planning and statistics information management, with a view to lowering the procurement cost of the Group.

► The Group further focused on fundamental management to monitor the activities of the Group. The Group has established occupational health and safety, environment protection system and quality management systems, and such systems have obtained the certification by the State's authorized accreditation institutions. The Group has commenced a trial run on the standardization of its quantitative management.

The Group has improved its system of performance management and audit of investment projects, and further strengthened the departmental management and contract management.

The Group has set up a special panel to further supervise business flows and control business risks by focusing on the implementation of internal control procedures in accordance with Section 404 of U.S. Sarbanes-Oxley Act. The work towards an all-around improvement in management expertise is in progress.

The Group has established and improved its WAN. The implementation of the ERP System has successfully commenced and part of it is now in operation. Also, improvement and optimization of the integrated information platform and network is in progress as scheduled.

Product Market Reviews

The steady growth in the economy of western developed countries and strong growth in the emerging markets such as the PRC and India have together led to a relatively significant growth in demand of basic raw materials and the increase of the price of raw materials product.

Primary Aluminum Market

In 2005, the global aluminum market experienced a noticeable price fluctuation. The lowest price of three-month primary aluminum futures on London Metals Exchange ("LME") was US\$1,682 per tonne. However, the price at the year end surged to US\$2,289 per tonne, staying around a 17-years' all time high, while the average price was US\$1,900 per tonne, representing an increase of 10.3% compared to last year. In 2005, PRC's aluminum market was relatively weak in the first three quarters with the price of three-month aluminum futures on Shanghai Futures Exchange ("SHFE") ranging from RMB16,000 to RMB17,000. This was attributable to the abolishment of the tax refund of 8% along with the imposition of a 5% tariff on primary aluminum export by the Chinese government. Since October 2005, aluminum price on LME started to rise again upon market rumours of the decrease in aluminium output which led to the increase in domestic aluminum price. The highest price of three-month primary aluminum futures on SHFE was RMB19,870 per tonne, recording a new ten-years' high. The annual average price was RMB16,848 per tonne, representing a slight increase of 4.8% compared to last year.

The global output of primary aluminum for 2005 was 31.93 million tonnes, representing an increase of 7.0% compared to last year. PRC's primary aluminum output continued a fast growth to 7,810,000 tonnes, representing an increase of 16.7% compared to last year. The global consumption of primary aluminum was 31.87 million tonnes, representing an increase of 5.9% compared to last year. The Chinese economy recorded continuous growth has maintained the various extent of increase in consumption of primary aluminum maintained in different industries. The total domestic primary aluminum consumption was approximately 7,070,000 tonnes, representing an increase of 18.0% compared to last year.

Alumina Market

Alumina price hit a new record in 2005. The CIF price of alumina imported to China from overseas increased up to US\$600 per tonne. The annual average price of alumina was US\$370 per tonne, representing an increase of 6.3 % over the previous year. Domestic alumina prices remained high and rose to the highest at RMB5,200 per tonne. The annual average spot price of Chalco's alumina in 2005 was RMB3,824 per tonne, representing an increase of 1.2% compared to last year.

In 2005, the global production of alumina was 61.24 million tonnes. However, global alumina consumption has continued to grow relatively fast and as only a few alumina projects have commenced production, the existing alumina production and the existing alumina production capacity continues to fall short of global demand. The slight short-supply of alumina continued as the global refining capacity could not satisfy the global demand. The consumption volume of alumina reached approximately 62.38 million tonnes with a shortfall of approximately 1.14 million tonnes. In 2005, the gap in demand and supply of domestic-made alumina remained sharp. The annual domestic output of alumina products recorded continuous steady increase, amounting to approximately 8.51 million tonnes, representing an increase of 20.9% over the previous year, while the demand for alumina continued to grow to approximately 16.62 million tonnes, representing an increase of 18.7% over the previous year. In 2005, the PRC imported approximately 7.02 million tonnes of alumina, representing an increase of 19.0% over the previous year. The PRC market's reliance on imported alumina was approximately 50%.

Future Development and Prospects of Businesses

In 2006, the PRC's economy is expected to continue its steady growth. The demand for PRC aluminum will remain strong with rapid economic growth. With rapid urbanization, the electricity, construction and transportation industries will continue to support a rapid growth of aluminum consumption. Rapid growth in the PRC's aluminum industry will continue to have a strong impact on the global market, while increasing high prices of raw materials and intensive competition of resources market will have pressure on the development of the Group.

For this reason, in 2006 the Group will continue with the scientific development philosophy, aiming to establish Chalco's namebrand as a first-class world enterprise which has 100 years experience in aluminum operations. The Group will deploy measures for scientific development, innovation, management and technology development, improve and streamline its internal management, and further develop a recycling economy. This will lay a solid foundation for the Group's harmonious development. The Group's major targets in 2006 are as follows:

- In accordance with the Group's development strategy, the Group will continue to speed up investments in alumina projects to capture market opportunities. Also it will carry out in-depth studies on target enterprises to speed up merger and acquisition of smelters in accordance with the relevant standards and regulatory requirements. Meanwhile, the Group will strengthen its core competitive edges by adjusting its product mix, and by studying, planning and improving the product chains of aluminum products.
- The Group will implement resources strategy to increase resources obtained domestically and internationally and to enhance control and initiation power over resources. The Group will optimize the structure of its bauxite supplies to lower the procuring cost of external bauxite. On the other hand, the Group will strengthen geological exploration with a view to increasing its bauxite reserves.
- The Group will reinforce management on safe production and implement the accountability system to support fundamental work for safe production and increase the expertise of management staff in safe production.

Initially through indicative quantization and variance analysis, the Group will proactively implement standardized quantitative management to improve and enhance the core value of its production management.

The Group will enhance procedural control and cost management to implement clean production and energy saving.

- Focusing on financial management, the Group will increase efforts on cost reduction and fine tune its cost reduction. Meanwhile, the Group will carry out budget control to increase the efficiency of capital utilization.
- The Group will focus more on market change study, improve its product mix, intensify the research, analysis and projection on the market of major raw materials and identify the substantial nature of product markets. The Group will capture maximum benefits by capitalizing on its market advantage. On the other hand, the Group will adapt to the changes of product structure and timely adjust its sales strategy.
- The Group will speed up the pace of its information technology development for the setting up of a modernized management platform with the Group's own characteristics to further increase standard and management efficiency.
- The Group will continue to provide professional training to its staff, so as to improve staff quality. A harmonized Chalco is to be established by care of staff's health and integration of corporate culture.

Xiao Yaqing
*Chairman and
Chief Executive Officer*

Beijing, PRC
March 13, 2006