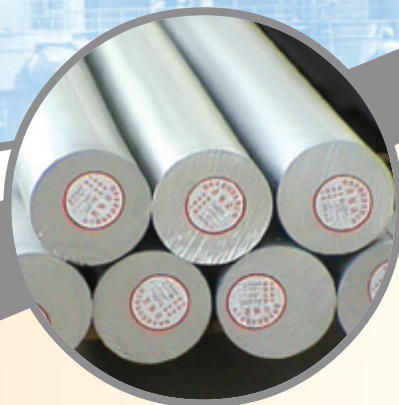


Report of the Directors



The Board submits the Directors' report together with the audited financial statements for the year ended December 31, 2007.

Principal Activities

The Group is the largest producer of alumina and primary aluminum in the PRC. It is primarily engaged in the production and sales of alumina and primary aluminum and related research activities.

Financial Summary

The results of the Group for the year ended December 31, 2007 are set out in the consolidated income statement on pages 6 to 7. A financial summary of the Group for the last four financial years extracted from the annual reports of the respective years is set out on pages 6 to 7.

Dividend

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.

Share Capital

Details of the share capital of the Company are set out in Note 20 to the consolidated financial statements.

Report of the Directors *(Continued)*

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 104 to 105 and Note 20 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and of the Company are set out in Note 8 to the consolidated financial statements.

Distributable Reserves

Pursuant to Article 184 of the Company's Articles of Association, where the financial statements prepared in accordance with PRC accounting standards differ from those prepared under accounting principles generally accepted in Hong Kong, distributable reserves for the relevant accounting period shall be deemed to be the lesser of the amounts shown in the two different financial statements. Distributable reserves of the Company (before the 2007 final dividends) as of December 31, 2007, calculated based on the above principle, amounted to approximately RMB21,385 million.

Use of Proceeds

In May 2006, the Group successfully placed 600 million new H shares of the Company for net proceeds of approximately RMB4.390 billion. Up to December 31, 2007, the proceeds used by the Group amounted to approximately RMB4.390 billion in which RMB390 million was used during the reporting period.

During the reporting period, the investment projects funded by the proceeds so raised by the Company are as follows:

- (1) RMB200 million provided for the capital of Zunyi alumina project; and
- (2) RMB190 million provided for the fund used as general expenses of the Company.

During the reporting period, investment projects not funded by proceeds:

- (1) Phase III of Guangxi alumina project. The total investment in the project was RMB4.43 billion. By the end of 2007, the total amount invested by the Company was RMB2.55 billion. Such a project is expected to be completed and put into production by July 2008, with a production capacity of 880,000 tonnes of alumina.
- (2) Chongqing alumina project. Investment for construction in the project was RMB4.97 billion. As at the end of 2007, the total amount invested by the Company was RMB617 million. Such a project is expected to be completed by June 2009, with a production capacity of 800,000 tonnes of alumina.
- (3) Zunyi alumina project. Investment for construction of the project was RMB4.41 billion. By the end of 2007, the Company completed investment of RMB521 million. The project is expected to be completed by June 2009, with a production capacity of 800,000 tonnes of alumina.



Report of the Directors *(Continued)*

- (4) Lanzhou large-scale pre-baked aluminum smelting pot project technology improvement. The total investment of the project was RMB3.72 billion. By the end 2007, the Company has made an investment of RMB2.53 billion to the project. The project was completed in the end of the 2007 and has a production capacity of 268,000 tonnes of aluminum.
- (5) Lanzhou self-contained power plant. The total investment of the project was RMB4.34 billion. By the end of 2007, the Company has made an investment of RMB2.606 billion. The construction of this project is expected to enter into the closing stage by 2008.
- (6) Qingdao branch 100,000 tonnes recycled aluminum alloy project. With RMB446 million being expected to be invested in the construction of the project, the Company has invested a total sum of RMB384 million by the end of 2007. The project has commenced partial production in October 2007.

Designed Deposits and Overdue Time Deposits

As of December 31, 2007, the Group had no designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year. (2006: Nil)

Pre-emptive Rights

Under the Articles of Association of the Company and the laws of the PRC, no pre-emptive rights exist that require the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

Donations

Donations made by the Group during the year amounted to approximately RMB26 million (2006: approximately RMB9 million).

Litigation and Contingent Liabilities

(a) Litigation

As of December 31, 2007, Fushun Aluminum, a subsidiary of the Company was named in the claims by various banks for its joint liabilities amounting to approximately RMB681 million for the repayments of loans due from a third party. Fushun Aluminum was acquired by the Company from the third party in 2006.

The Directors, after obtaining independent legal advice, are of the opinion that as the acquisition was conducted on fair principle and the consideration was set close to the asset value of the assets acquired, no contingency provision for such claims is necessary as of December 31, 2007.

(b) Contingent Liabilities

As of December 31, 2007, the Group had no significant contingent liabilities.

Report of the Directors *(Continued)*

Directors, Supervisors and Senior Management

The Directors and Supervisors during the year were as follows:

Executive Directors

Xiao Yaqing	appointed on May 18, 2007 (Term of office of last session expired)
Luo Jianchuan	appointed on May 18, 2007 (Term of office of last session expired)
Chen Jihua	appointed on May 18, 2007 (Term of office of last session expired)
Zhang Chengzhong	resigned on May 18, 2007
Liu Xiangmin	appointed on May 18, 2007

Non-executive Directors

Shi Chungui	appointed on May 18, 2007 (Term of office of last session expired)
Joseph C. Muscari	resigned on May 18, 2007
Helmut Wieser	appointed on May 18, 2007 and resigned on September 17, 2007

Independent Non-Executive Directors

Poon Yiu Kin, Samuel	appointed on May 18, 2007 (Term of office of last session expired)
Wang Dianzuo	resigned on May 18, 2007
Kang Yi	appointed on May 18, 2007 (Term of office of last session expired)
Zhang Zhuoyuan	appointed on May 18, 2007

Supervisors

Ao Hong	appointed on May 18, 2007 (Term of office of last session expired)
Yuan Li	appointed on May 18, 2007 (Term of office of last session expired)
Zhang Zhankui	appointed on May 18, 2007 (Term of office of last session expired)

Report of the Directors *(Continued)*

Brief biographical details of Directors, Supervisors and Senior Management are set out on pages 13 to 19.

Mr. Helmut Wieser, a non-executive director of the third session of the Board, resigned on September 17, 2007. Mr. Poon Yiu Kin, an independent non-executive Director, also resigned on March 17, 2008, which will take effect immediately upon the conclusion of the Annual General Meeting on May 9, 2008. Upon nomination by the Remuneration and Nomination Committee of the third session of the Board, Mr. Zhu Demiao and Mr. Wang Mengkui will be nominated as director candidates to be elected as directors of the Company at the 2007 Annual General Meeting on May 9, 2008.

The respective biographies of Zhu Demiao and Wang Mengkui are as follows:

Mr. Zhu Demiao, 44, a director candidate. Zhu Demiao is the managing director of Oaktree Capital (Hong Kong) Ltd. He graduated from the University of Chicago GSB with a MBA degree, and obtained a master's degree in economics from the Research Institute for Fiscal Science, Ministry of Finance, PRC and obtained a bachelor's degree in economics from Hebei Geological Institute. Mr. Zhu is a PRC Certified Public Accountant. He has extensive experience in finance and international capital market. He had participated in financing, auditing and consultation project in several multinational companies as well as merger and acquisition project of large scale enterprises. Mr. Zhu served as the managing director, member of executive committee of Asia-pacific region and chairman of operation committee of great China region of JP Morgan Chase & Co. and served as the head of China business in equity capital market department and the investment bank department of Credit Suisse First Boston. He had also worked in the investment analysis department of FMC in Chicago, and served in the Ministry of Finance, PRC.



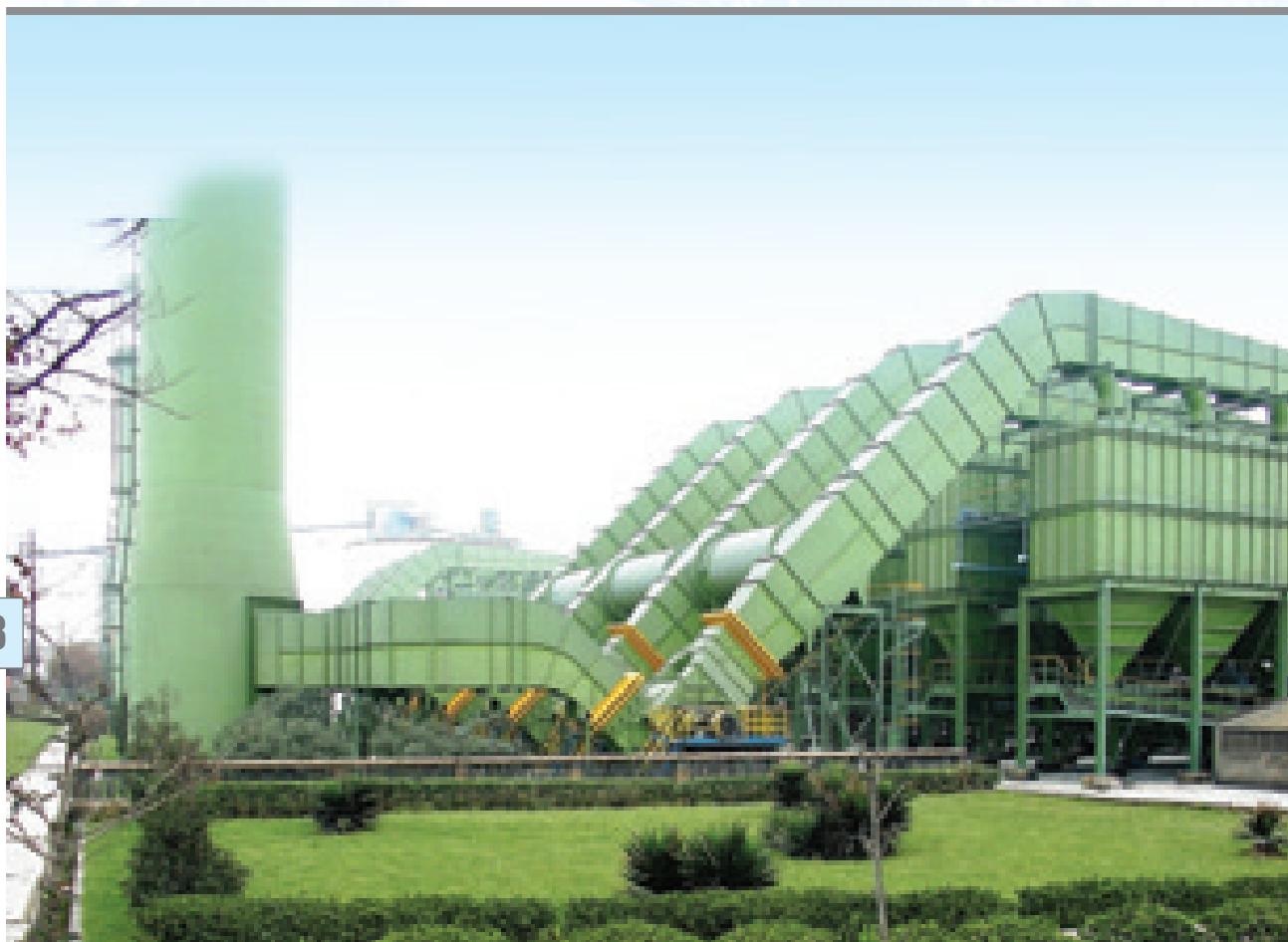
Report of the Directors *(Continued)*

Mr. Wang Mengkui, 70, a director candidate. He is an economist. He graduated from School of Economics, Beijing University. He is a professor and doctor advisor of Beijing University. He has engaged in long-term on economic theory analysis and economic policy and he is experienced in economic theory and practice. He had served in the magazine "Red Flag" and First Ministry of Machine Building Industry and served as a vice head and researcher of the economic team of the research office of the Secretariat of the CPC Central Committee, the governing member of the State Development and Planning Commission, the executive vice director of economic research centre of the State Development and Planning Commission, the vice director and director of the Development Research Center of the State Council. He had also served as a member of the tenth Standing Committee of NPC, the vice director of Financial and Economic Affairs Committee of NPC. He has participated in the

drafting of many important documents of China's government, and took charge of various important research topics such as national economic and social development and economic system reform. He published many compositions in respect of economics and other aspects.

The second session of the Board and Supervisory Committee expired upon the conclusion of the 2006 Annual General Meeting. The third session of the Board and Supervisory Committee came into effect upon approval at the Annual General Meeting convened on May 18, 2007.

Pursuant to Articles 104 and 145 of Articles of Association of the Company, the term of office for all Directors and Supervisors, who can be re-appointed by election upon expiry of their respective tenures, is three years.



Report of the Directors *(Continued)*

Directors' and Supervisors' Service Contracts and Remuneration

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years. No Director or Supervisor has entered into a service contract with the Company which is not terminable by the employer within one year without payment of compensation (other than statutory compensation). Details of the Directors' and Supervisors' remuneration and the five highest paid individuals in the Company are set out in Note 26 to the financial statements contained in this report. There were no arrangements under which a Director or Supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended December 31, 2007.

Interests of Directors, Chief Executive and Supervisors in Shares of the Company or its associated corporations

During the year ended December 31, 2007, none of the Directors or chief executive or supervisors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which are (a) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

During the year ended December 31, 2007, none of the Directors, chief executive, supervisors, senior management, their spouses or children under the age of 18 was given the right to acquire shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO).

Interests of Directors and Supervisors in Contracts

During the year ended December 31, 2007, none of the Directors or Supervisors had any material interest, directly or indirectly, in any contract of significance the Company or any of its subsidiaries was a party.

Daily Management by the Board

The daily management of the Board in 2007 is set out on pages 72 to 75.

Employees, Pension Plans and Welfare Fund

The Group had approximately 94,269 employees as of December 31, 2007. The remuneration package of the employees includes salary, bonuses and allowances. Employees also receive welfare benefits including medical care, housing subsidies, child care and education, retirement pension and other miscellaneous items.

Report of the Directors *(Continued)*



In accordance with applicable PRC regulations, the Group currently joins pension contribution plans organized by the relevant provincial and municipal governments, under which each of the Group's plants is required to contribute to an amount of the pension fund equivalent to a specific percentage of the sum of its employees' salaries, bonuses and various allowances. The amount of contribution as a percentage of the employees' salary, which depends in part on the location of the plant and the average age of the employees, varies from plant to plant. The contribution of each plant accounted for approximately 20% of employees' salary. The Group also contributes to a welfare fund for its employees. The rates of contributions of the Group to this welfare fund range from 5% to 10% of the Group's after-tax profit. The Group had not paid retirement benefits to its employees for the year ended at December 31, 2007.

Repurchase, Sale or Redemption of the Company's Shares

The Company did not redeem any of its shares during 2007. Neither the Company nor any of its subsidiaries purchased or sold any of its shares during 2007.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors *(Continued)*



Major Customers and Suppliers

The largest customer and the five largest customers of the Group's alumina accounted for 3.4% and 10.1%, respectively, of the Group's total sales amount of alumina for the year ended December 31, 2007. All of these major customers were domestic aluminum smelters.

The largest customer and the five largest customers of the Group's primary aluminum accounted for 3.2% and 12.1%, respectively, of the Group's total sales amount of primary aluminum for the year ended December 31, 2007.

The amount of raw materials (including bauxite) provided by the largest supplier and the five largest suppliers of the Group's alumina segment accounted for 11.6% and 27.3%, respectively, of the Group's total cost of raw materials for the alumina segment.

The amount of raw materials provided by the largest supplier and the five largest suppliers of the Group's primary aluminum segment accounted for 6.3% and 20.2%, respectively, of the Group's total cost of raw materials for the primary aluminum segment.

None of the Company's Directors or their respective associates (as defined in the Hong Kong Listing Rules) or the existing shareholders, which, to the knowledge of the Directors of the Company, holding more than 5% of the Company's issued share capital, had any interests in the Group's five largest customers or suppliers of the alumina or the primary aluminum at any time during 2007.



Report of the Directors *(Continued)*

Code on Corporate Governance Practices

During the year ended December 31, 2007, except for Code A.2.1, the Company was in compliance with the principles and code provisions of the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Hong Kong Listing Rules.

The Articles of Association, the Terms of Reference of the Audit Committee, the Terms of Reference of the Supervisory Committee and the Code of Conduct Regarding Securities Transactions by the Directors, Supervisors and Specific Employees form the framework for the code of corporate governance practices of the Company. The Board has reviewed its corporate governance documents and is of the view that such documents have incorporated most of the principles and code provisions in the CG Code as set out in Appendix 14 of the Hong Kong Listing Rules.

Code A.2.1 of the CG Code requires the roles of chairman and chief executive officer to be separate and not be performed by the same individual. Currently, Mr. Xiao Yaqing serves as the Chairman and Chief Executive Officer of the Company. The Directors are of the opinion that this arrangement is for the benefit of the long term development of the Company.

Other than the deviation mentioned above, the Board is of the view that the Company has complied with the code provisions of the CG Code.

Risk Factors

1. The Company determined the price of alumina and primary aluminum with reference to international and domestic market price, import cost of alumina as well as the changes of domestic market supply and demand. The Company may not be able to control all the factors. The international market prices of alumina and primary aluminum have always been volatile. As most of the costs are fixed and not subject to fluctuation, given that the Company may not be able to respond to sudden price drop of alumina or primary aluminum, any fluctuations in international market price may pose adverse impact on the business, financial condition and operating results of the Company.
2. As the business of the Company has been rapidly expanding, consistent effort should be made to implement or improve the operations, financial and management system of the Company, to establish management techniques in operations, and to train, motivate and manage employees for effective management. Ineffective management may pose adverse impact on the operating results of the Company.
3. During the production process of alumina, the Company is very reliant on coal to satisfy the demand of energy and fuels. As the Company boosted its capacity substantially, demand for coal in production also increases correspondingly. Assuming that the coal suppliers of the company fail to supply the amount of coal as required by the Company for production due to a general shortage of coal or other reasons, the Company may be forced to reduce or suspend production. The financial positions and operating results of the Company will be practically affected if such occurs.

Report of the Directors *(Continued)*



Report of the Directors *(Continued)*

4. Bauxite is the most important raw material for production of alumina. The bauxites of the Company mainly come from three sources, including self owned mines, associated mines or other suppliers, each of which may affect the guarantee of supply or cost. If the Company cannot secure a stable supply of raw material in the PRC at competitive prices, the operating results of the Company may be adversely affected.
5. The smelting of primary aluminum involves an electrolytic reduction process which requires substantial and consistent supply of electricity. Any suspension may result in a suspension of production and an increase in cost as a result of restarting the operations and scraps in production. Under extreme circumstances, the suspension of electricity supply may as well damage or ruin equipment and facilities. If such occurs, the production of the Company will be adversely affected.
6. During its operation, the Company may experience material accidents which may lead to financial loss or personal casualties. Significant industrial accidents and disasters may lead to suspension of various business segments, or result in financial or environmental damages as well as an increase in operating expenditure or reduction in sales. The insurance of the Company may not be sufficient to compensate all that are caused by related accidents or accidents or at all. According to the practice in the PRC, the Company has not maintained any business interruption insurance or third party liability insurance for personal injuries and environmental damages arising from accidents in the Company's properties or relating to the Group's operations (except vehicle business). Should there be any loss or payment which cannot be fully covered, the operating results of the Company may be materially and adversely affected.

Audit Committee

The written terms of reference in relation to the authorities and duties of the Audit Committee were prepared and adopted in accordance with and with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and Rule 10A-3 of U.S. Securities and Exchange Commission.

The consolidated financial statements of the Company for the year ended December 31, 2007 have been reviewed by the Audit Committee of the Company.

Auditor

The financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

The Company has not changed its auditors in any of the five preceding financial years.

By order of the Board
Xiao Yaqing
Chairman

Beijing, the PRC
March 17, 2008