

INDUSTRY OVERVIEW

This section contains information and statistics relating to the PRC economy and the industry in which we operate. We have derived such information and data partly from publicly available government official publications. The information in such government official sources may not be consistent with the information compiled elsewhere. None of us, the Selling Shareholders, the Sponsor, the Lead Manager, the Underwriters, their respective affiliates, or any other parties involved in the Global Offering has independently verified such information or made no representation as to the correctness or accuracy of such information and accordingly such information should not be unduly relied on.

INTRODUCTION TO ALUMINIUM

Properties of aluminium

Aluminium is a soft, lightweight metal with appearance ranging from silvery to dull gray, depending on the surface roughness. Aluminium is the most widely used non-ferrous metal and the chief source of aluminium is bauxite ore. Aluminium is the most abundant of all metals and the third most abundant element in the Earth's crust, after oxygen and silicon. It makes up about 8% by weight of the Earth's solid surface. Aluminium is nontoxic, nonmagnetic and nonsparking. It is ductile and easily machined, cast, and extruded. Aluminium is remarkable for its ability to resist corrosion and its light weight. Structural components made from aluminium and its alloys are vital to the aerospace industry and very important in other areas of transportation and building.

Application of aluminium

Pure aluminium has a low tensile strength, but when combined with thermo-mechanical processing, aluminium alloys display a marked improvement in mechanical properties, especially when tempered. Aluminium alloys form vital components of aircraft and rockets as a result of their high strength-to-weight ratio. In addition, aluminium is a good thermal and electrical conductor, by weight better than copper. Aluminium is capable of being a superconductor.

Apart from the above, due to its nature, aluminium metals are also used in transportation (such as for the manufacture of automobiles, aircraft, trucks, railway cars and marine vessels), packaging (such as for the manufacture of cans and foils), construction (such as for the manufacture of windows, doors, siding and building wire), cooking utensils and heat sinks for electronic appliances such as transistors and CPUs.

OVERVIEW OF THE ALUMINIUM INDUSTRY

Supply of aluminium

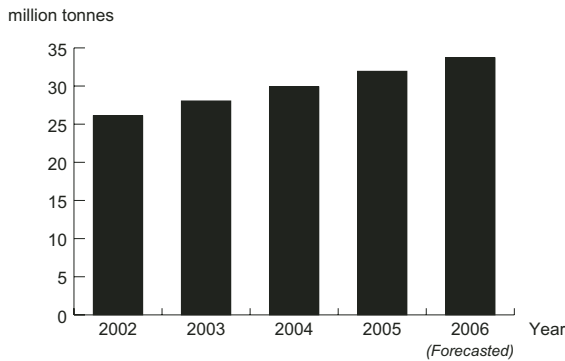
Although the growth in the global supply of aluminium was moderate in previous years, the supply of aluminium in the PRC still recorded a significant growth. According to the 2006 Yearbook of Nonferrous Metals Industry of China issued by the China Nonferrous Metals Industry Association ("CNIA"), the global supply of aluminium increased from approximately 26.09 million tonnes in 2002 to approximately 31.93 million tonnes in 2005, representing a CAGR of approximately 7.0% as compared to that in 2005. It also forecasts that the global supply of aluminium will further increase to approximately 33.70 million tonnes in 2006, representing a growth of approximately 5.5% as compared to that in 2005.

INDUSTRY OVERVIEW

According to the CNIA's 2006 Yearbook of Nonferrous Metals Industry of China, the supply of aluminium in the PRC significantly increased from approximately 4.12 million tonnes in 2002 to approximately 7.12 million tonnes in 2005, representing a CAGR of approximately 20.0%. It forecasts that the supply of aluminium in the PRC will further increase to about 8.50 million tonnes in 2006, representing a growth of approximately 19.4% as compared to that in 2005.

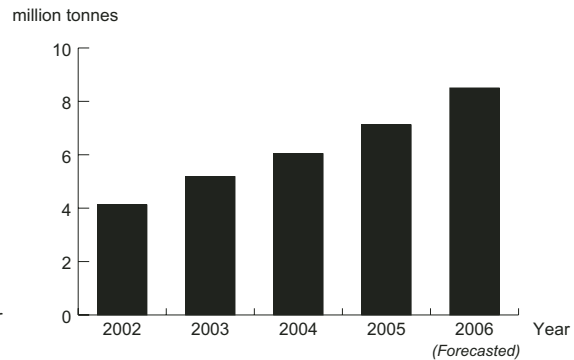
The following graphs set out the supply of aluminium in the world and in the PRC from 2002 to 2006 respectively.

Global supply of aluminium



Source: *The 2006 Yearbook of Nonferrous Metals Industry of China of CNIA*

Supply of aluminium in the PRC



Source: *The 2006 Yearbook of Nonferrous Metals Industry of China of CNIA*

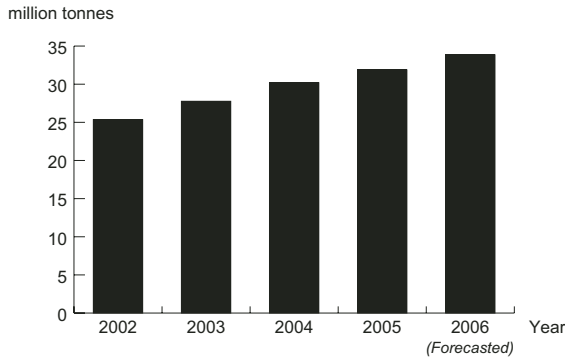
Consumption of aluminium

Due to the increase in market demand as a result of continuous economic growth, the aluminium consumption in the world and in particular the PRC recorded moderate growth in previous years. According to the CNIA's 2006 Yearbook of Nonferrous Metals Industry of China, the aluminium consumption in the PRC increased from approximately 5.99 million tonnes in 2004 to approximately 7.11 million tonnes in 2005, representing a growth of approximately 18.7% as compared to that in 2004. It also forecasts that the aluminium consumption will further increase to approximately 8.40 million tonnes in 2006, representing a growth of 18.1% as compared to that in 2005. The growth of aluminium consumption in the PRC was much more significant than the growth of the global aluminium consumption in the previous years. According to the CNIA's 2006 Yearbook of Nonferrous Metals Industry of China, the global aluminium consumption increased from approximately 30.19 million tonnes in 2004 to approximately 31.87 million tonnes in 2005, representing a growth of approximately 5.6% only as compared to that in 2004. It also forecasts that the global aluminium consumption will further increase to approximately 33.85 million tonnes in 2006, representing a growth of approximately 6.2% as compared to that in 2005.

INDUSTRY OVERVIEW

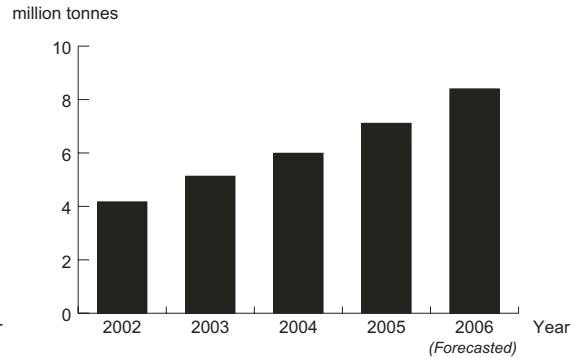
The following graphs set out the aluminium consumption in the world and in the PRC from 2002 to 2006 respectively.

Global aluminium consumption



Source: *The 2006 Yearbook of Nonferrous Metals Industry of China of CNIA*

Aluminium consumption in the PRC



Source: *The 2006 Yearbook of Nonferrous Metals Industry of China of CNIA*

OVERVIEW OF THE ALUMINIUM FABRICATION INDUSTRY IN THE PRC

Introduction

In the downstream of the aluminium fabrication industry, various techniques and processes, including smelting, rolling, extruding and surface treatment, are used to turn aluminium ingots to end products. Aluminium fabricated products can be broadly classified into rolled aluminium products and extruded aluminium products. Rolled aluminium products, including plates, strips and foils, are mainly applied in the areas of metal processing, transportation, and electronics and machinery manufacturing. Extruded aluminium products, including pipes, rods and profiles, are mainly used in building and construction.

Production volume

In light of the strong demand for aluminium fabricated products, the PRC aluminium fabrication industry has experienced a significant growth over the previous years. According to the 2006 Yearbook of China Aluminium Fabrication Industry Economy Analysis and Statistics of 中國有色金屬加工工業協會輕金屬分會 (Light Metals Branch of CNFA), the production volume of aluminium fabricated products in the PRC in 2006 amounted to approximately 9.45 million tonnes, representing a growth of approximately 39.6% as compared to that in 2005 and such production volume exceeded the production volume of the United States of approximately 6.7 million tonnes. China became the largest aluminium products production country.

As mentioned in the aforesaid report of the Light Metals Branch of CNFA, the production volume of aluminium plates and strips reached approximately 2.83 million tonnes, (representing a growth of approximately 27.5%), aluminium foils amounted to approximately 0.74 million tonnes (representing a growth of approximately 18.4%),

INDUSTRY OVERVIEW

aluminium extrusion products reached approximately 4.50 million tonnes (representing a growth of approximately 27.6%), aluminium wires reached approximately 1.31 million tonnes (representing a growth of approximately 9.2%) and other form of aluminium products reached approximately 0.7 million tonnes in 2006.

Import and export

According to the 2006 Yearbook of China Aluminium Fabrication Industry Economy Analysis and Statistics of the Light Metals Branch of CNFA, the import and export of aluminium fabricated products in the PRC in 2006 continued to experience significant growth with net export reaching approximately 0.55 million tonnes, representing a growth of approximately 779%. Import of aluminium fabricated products reached approximately 0.69 million tonnes, representing a growth of approximately 5.8% and export of aluminium fabricated products reached approximately 1.24 million tonnes, representing a growth of approximately 74.6%. China is the largest aluminium fabricated products export country.

OVERVIEW OF THE ALUMINIUM EXTRUSION INDUSTRY

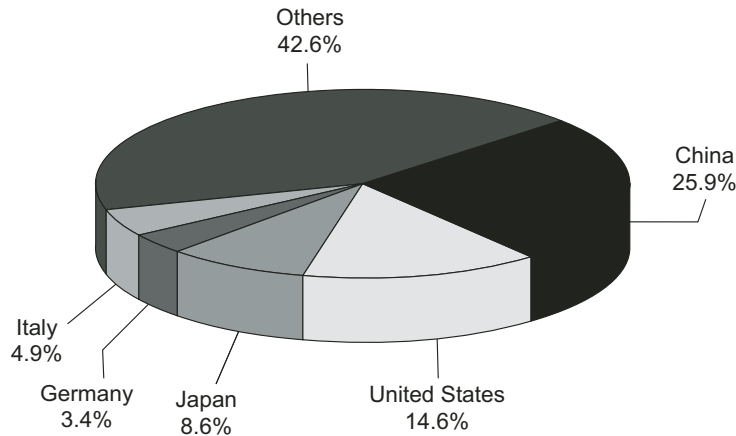
Extrusion is a manufacturing process used to create long objects of a fixed cross-sectional profile. A material, often in the form of a billet, is pushed and/or drawn through a die of the desired profile shape. Hollow sections are usually extruded by placing a pin or piercing mandrel inside of the die, and in some cases positive pressure is applied to the internal cavities through the pin. Extrusion may be continuous (producing indefinitely long material) or semi-continuous (producing many short pieces).

According to “世界鋁擠壓工業縱覽” (Overview of the World Aluminium Extrusion Industry), issued by 中國鋁板帶箔信息中心 (China Aluminium Plates, Strips and Foils Information Centre) (“**CAPSIFIC**”), there were about 212 aluminium extrusion manufacturers in the world, of which about 650 are PRC enterprises in 2005. The global production volume and capacity of aluminium extrusion products in 2005 were about 11.0 million tonnes and 18.5 million tonnes respectively. The global utilisation rate of aluminium extrusion products was approximately 59.5% while the utilisation rate of aluminium extrusion products in the PRC of approximately 63.5% was higher than the global utilisation rate.

According to the 2006 Yearbook of China Aluminium Fabrication Industry Economy Analysis and Statistics of the Light Metals Branch of CNFA, among the world's 15 largest aluminium extrusion enterprises, 10 of them are PRC enterprises.

INDUSTRY OVERVIEW

According to the aforesaid report of CAPSFIC, China, United States, Japan, Germany and Italy are the top five aluminium extrusion countries. The following graph shows the distribution of the global production capacity in 2005.



Source: CAPSFIC

Also, it was mentioned in the report of CAPSFIC that the ratio between the rolled aluminium products (such as plates, strips and foils) and extruded aluminium products (such as bars, rods and profiles) in 2005 was about 58 to 42. The ratio between construction-used aluminium products and industrial-used aluminium products in 2005 was approximately 55.5 to 44.5.

According to the CNIA's 2006 Yearbook of Nonferrous Metals Industry of China, aluminium extrusion product is one of the major kinds of aluminium fabricated products, accounting for about 60% of the aluminium fabricated products in the PRC in year 2005. Aluminium profile is one of the major kinds of aluminium extrusion products which is mainly used for construction purposes. The aluminium fabrication industry is currently actively developing aluminium profiles for industrial use.

According to the 2006 Yearbook of China Aluminium Fabrication Industry Economy Analysis and Statistics of the Light Metals Branch of CNFA, being the largest aluminium extrusion production country, the net export of aluminium extrusion products of the PRC continued to record a significant growth over the preceding 5 years. The import of aluminium extrusion products in the PRC in 2006 reached approximately 0.13 million tonnes, representing a growth of approximately 37.6% as compared to that in 2005, of which the import of aluminium profiles in the PRC in 2006 reached approximately 0.11 million tonnes, representing a growth of approximately 38.8% as compared to that in 2005. The export of aluminium extrusion products in the PRC in 2006 reached approximately 0.72 million tonnes, representing a growth of approximately 77.7% as compared to that in 2005, of which the export of aluminium profiles in the PRC in 2006 reached approximately 0.68 million tonnes, representing a growth of approximately 80.0% as compared to that in 2005.

INDUSTRY OVERVIEW

RAW MATERIALS

Due to the strong economic growth in developed countries like the United States, Europe, Japan and developing countries like China and India, speculation in the aluminium futures market, growing consumption demand and an energy shortage tightening aluminium supply and pushing up production cost, the international aluminium price has stayed at a high level since 2006.

The prices of aluminium have increased steadily over the previous years. The spot prices of aluminium on the LME have increased from approximately US\$1,349 per tonne to approximately US\$2,450 per tonne from 2002 to 2006, representing a CAGR of about 16.09% whereas the spot prices of aluminium on the Shanghai Futures Exchange (“**SHFE**”) have increased from approximately RMB13,553 per tonne to approximately RMB19,000 per tonne, representing a CAGR of approximately 8.81%. The below table sets out the spot prices of aluminium on LME and SHFE from 2002 to 2006.

Aluminium spot prices on LME and SHFE for years 2002 to 2006

Annual average price	LME Spot price US\$/tonne	SHFE Spot price RMB/tonne
2002	1,349	13,553
2003	1,432	14,595
2004	1,716	16,242
2005	1,897	16,744
2006	2,450	19,000

Source: *The 2006 Yearbook of Non-Ferrous Metals Industry of China of CNIA*

In the PRC, despite the aluminium export tax rate rising to 15% on 1 November 2006, the domestic aluminium price stayed high due to the aluminium price hike in the international market and a strong aluminium consumption fuelled by the country's robust economic growth.

Since 2005, the PRC government has implemented the following restrictive policies on aluminium exports,

- 1) From 1 January 2005, the aluminium ingot export VAT rebate was cancelled and a 5% exports tariff was imposed;
- 2) Unwrought non alloy aluminium products (category #76012000) export tariff was reduced from 5% to 0% since 1 July 2005. Aluminium processing trade was included in prohibited category since 22 August 2005;
- 3) The aluminium ingot export tariff was raised from 5% to 15% on 1 November 2006;
- 4) Export VAT rebate was cancelled for aluminium profiles under export category 7604–7605 since 1 July 2007; and

INDUSTRY OVERVIEW

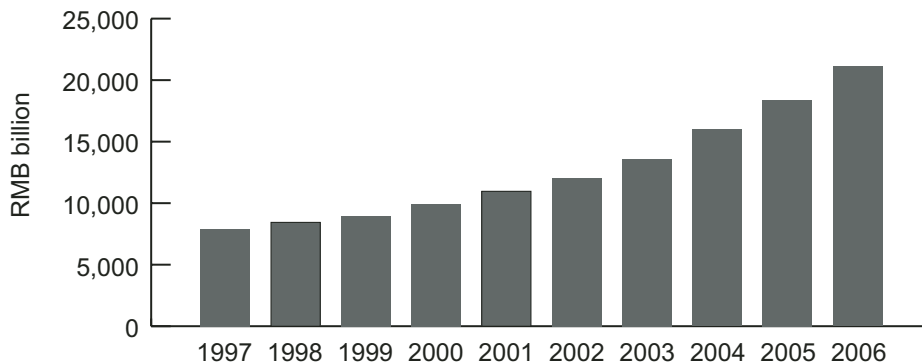
- 5) Export tariff of unwrought non alloy aluminium products (category #76011090) was reduced from 5% to 0% since 1 January 2006, and 15% export tariff of unwrought non alloy aluminium products (category #76041000) was imposed since 1 August 2007. From 1 January 2005, the aluminium ingot export VAT rebate has been cancelled and a 5% export tariff has been imposed. The aluminium ingot export tariff was raised from 5% to 15% on 1 November 2006.

Consequently, according to the 2006 Yearbook of China Aluminium Fabrication Industry Economy Analysis and Statistics of the Light Metals Branch of CNFA, China's aluminium exports dropped 26.2% to approximately 0.9 million tonnes in 2006 and aluminium consumption rose 19.9% to approximately 8.54 million tonnes.

OVERVIEW OF THE PRC ECONOMY

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. With the PRC's accession to the WTO in 2001, its economic reforms have accelerated. According to the National Bureau of Statistics of China, from 2001 to 2006, the PRC's GDP increased to approximately RMB21,087 billion in 2006 at a CAGR of approximately 14.0%. In 2006, the PRC's GDP increased by approximately 14.7% as compared to that in 2005.

The PRC nominal GDP



Source: National Bureau of Statistics of China

CHINA'S PROPERTY MARKET

China's property market grows along with the PRC's economy. China has experienced rapid economic growth since adopting the open-door policy in 1980s. Annual disposable income per capita rose from approximately RMB6,280 in 2000 to approximately RMB10,493 in 2005, representing a CAGR of approximately 11%.

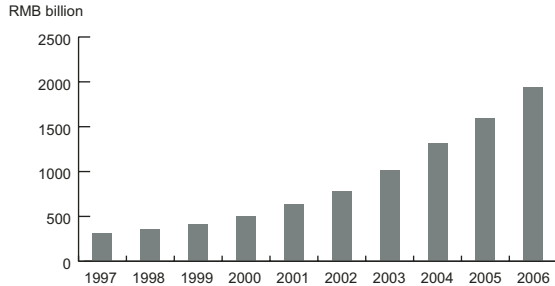
According to the National Bureau of Statistics of China, urbanisation rate in the PRC increased from approximately 36% in 2000 to approximately 43% in 2005. The government estimates the urbanisation rate will reach 50% by 2020.

INDUSTRY OVERVIEW

With substantially improved disposable income, Chinese people are willing to spend for higher living standards. Old residential properties, particularly those in second-tier cities with poor infrastructure, have to give way to modernly designed ones. This explains the strong demand for real estates, from both users and investors, in the past five years.

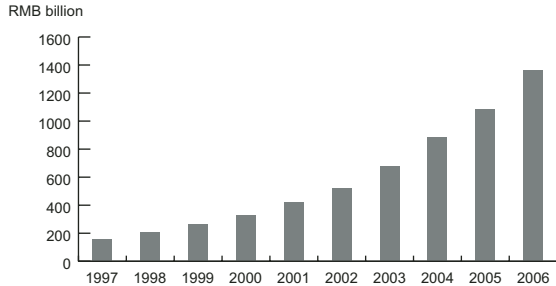
The graphs below set out the total real estate investment and real estate investment for residential properties respectively for the years from 1996 to 2006.

Real Estate Investment: Total



Source: National Bureau of Statistics of China

Real Estate Investment: Residential



Source: National Bureau of Statistics of China

CHINA'S CONSTRUCTION INDUSTRY

Construction and structural aluminium products include doors, window frames, curtains, handrails, bridges, panels, bus stands and highway railings.

Aluminium plates, a kind of rolled aluminium product, are widely used in the construction of curtain walls. Modern curtain walls made of glass and stone will also use aluminium products as structural components.

Extruded aluminium products used in the construction industry are known as aluminium construction profiles. Apart from profiles, aluminium pipes and rods are also extruded products. Aluminium profiles are the most widely used aluminium products in the construction industry. According to 中國建材採購網 (The China Construction Material Procurement Website), the construction industry used approximately 2.08 million tonnes of aluminium profiles, representing approximately 65% of the total aluminium profiles consumption of 3.2 million tonnes in 2005, or approximately 77% of the construction industry's total aluminium consumption of 2.7 million tonnes in 2005.

According to the China Construction Metal Structure Association, the portion of aluminium alloy doors and window frames in the door-and-window market rose from approximately 35% in 1998 to approximately 55% in 2005, while that of those made of plastic increased from approximately 10% to approximately 35% and that of those made of steel, wood and other materials dropped from approximately 55% to approximately 10%.

INDUSTRY OVERVIEW

According to the China Non-Ferrous Metal Fabrication Industry Association, by 2010, the demand for aluminium profiles used for doors and windows will increase by approximately 100,000 tonnes annually.

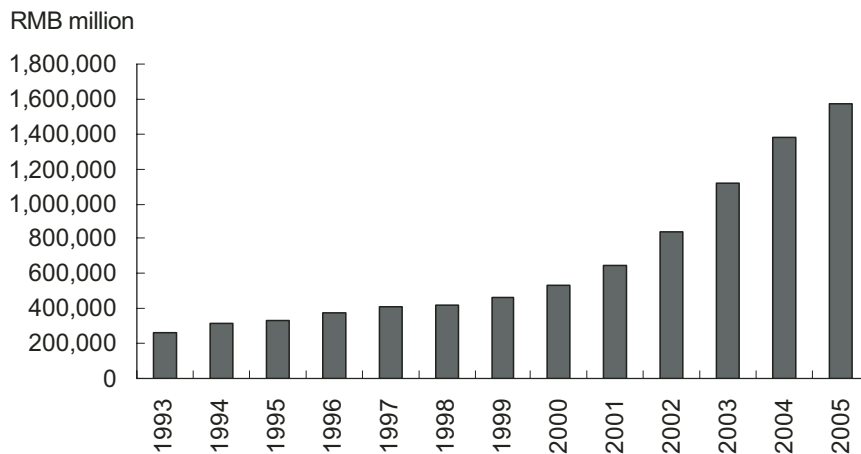
CHINA'S TRANSPORTATION EQUIPMENT INDUSTRY

Industry aluminium profiles are mainly used in the making of automobiles, high-speed trains, city tracks, aviation and aerospace vehicles, ships and containers.

According to China's State Information Center, the PRC equipment manufacturing industry will grow at approximately 17.3% per year in 2006 – 2010 during the "11th five-year plan". It forecasts the industry's gross output value to reach approximately RMB18.20 trillion by 2010, in which sectors of machinery, electronics equipment and transportation equipment will account for approximately 40.1%, 33.0% and 26.9% respectively.

Automobile industry and city track transportation have been categorised by China as encouraged transportation industries in its "11th five-year plan". The trend of energy-saving and light-weight vehicles will boost the application of, and the demand for, aluminium and its alloys. Aluminium alloys have already been applied to some specialty commercial vehicles. In city track transportation, trains, conductive tracks and waveguide tubes on tracks are constructed with aluminium profiles.

Gross industry output of transportation equipment in the PRC



Source: CEIC

INDUSTRY OVERVIEW

REGULATORY MATTERS RELATING TO OUR INDUSTRY

On 19 September 2006, we obtained the 《全國工業產品生產許可証》(National Industrial Products Manufacturing License) issued by 國家質量監督檢驗檢疫局 (the General Administration of Quality Supervision, Inspection and Quarantine of the PRC) and such licence was renewed on 8 January 2008. We have been advised by our legal adviser as to PRC law that the《鋁行業准入條件》(Admission Conditions on Aluminium Industry) by 中華人民共和國國家發展和改革委員會 (the National Development and Reform Commission) was promulgated on 29 October 2007 (“**Admission Conditions**”). The Admission Conditions were promulgated with the aim to regulate setup of production, promote healthy and sustainable developments in the aluminium industry, strengthen environmental protection, comprehensively use resources, guarantee workers safety, further increase entry barriers, specify investments in the industry and to stop pell-mell investments in the industry. The Admission Conditions provide that (i) annual designed production capacity of new multiple variety comprehensive aluminium processing project should be more than 100,000 tonnes per year, and (ii) annual designed production capacity of single variety aluminium processing project should be more than 50,000 tonnes per year for aluminium planks, 30,000 tonnes per year for aluminium screens and 50,000 tonnes per year for extruded aluminium. It further provides that priority shall be given to new aluminium projects which adopt production techniques that are instrumental to high and efficient use of energy and material and are highly automated.

We have been advised by our legal adviser as to PRC law that the Admission Conditions are applicable to new construction and conversion of aluminium refineries, new aluminium smelting and further processing projects (“**Projects**”) only. We were further advised that the existing approval granted to our Group in carrying out its current operations does not need to be re-approved in accordance with the Admission Conditions. From the date of promulgation of the Admission Conditions up to the Latest Practicable Date, our Group has not commenced any new Projects and it is expected that no new Projects will commence shortly after Listing. In the future, should our Group engage in any new Projects, the Group will ensure full compliance with the Admission Conditions.

We are also subject to PRC national and local laws and regulations with respect of environmental protection, including the 《中華人民共和國環境保護法》(Environmental Protection Law of the PRC), the 《污染源監測管理辦法》(Measures on the Administration of Pollution Sources Monitoring), the 《國務院關於環境保護若干問題的決定》(Decision of the State Council on Several Issues Concerning Environmental Protection), the 《中華人民共和國環境影響評價法》(Laws of the PRC on Appraising of Environment Impacts), the 《水污染物排放許可證管理暫行辦法》(The Provisional Measures on the Administration of Water Pollutant Discharging Permit), the 《建設項目環境保護管理條例》(Administrative Regulations on Environmental Protection for Construction Project), the 《大氣污染防治法》(Law on Prevention and Control of Air Pollution of the PRC) and the 《中華人民共和國水法》(Water Law of the PRC).

INDUSTRY OVERVIEW

Under the relevant laws and regulations, entities whose operating production facilities may cause pollution should take measures to protect the environment and establish an environmental protection and management system. Prior to the construction of new facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project shall be submitted to the relevant environmental protection authority. The newly constructed production facilities cannot operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards. Enterprises which discharge water or air pollutants shall pay discharge fees pursuant to the types and volume of pollutants discharged.

The Environmental Protection Law of the PRC requires any facility that produces pollutants or other hazards to incorporate environmental protection measures in its operations and establish an environmental protection responsibility system. Such system includes adoption of effective measures to control and properly dispose of waste gases, waste water, waste residue, dust or other waste materials. Any entity that discharges pollution must register with the relevant environmental protection authority.

Remedial measures for breaches of the Environmental Protection Law of the PRC include a warning, payment of damages or imposition of a fine. Any entity undertaking a construction project that fails to install pollution prevention and control facilities in compliance with environmental standards for a construction project may be ordered to suspend production or operations and may be fined. Criminal liability may be imposed for a material violation of environmental laws and regulations that causes loss of property or personal injuries or death.