

MARKET REVIEW

The Chinese economy maintained rapid growth in the first half of 2003. In the spring of 2003, despite the impact exerted on some industrial sectors by the outbreak of SARS in some parts of the PRC, the GDP of the first half of 2003 maintained a growth rate of 8.2%, providing room for growth of aluminum consumption.

In the first half of 2003, the global and domestic alumina markets have maintained a similar trend since November last year, demonstrating generally a global shortage of alumina, limited supply on the spot market, strong buying in the PRC market and gradually rising prices of alumina. In the first half of the year, the FOB prices of imported alumina soared from US\$200 per tonne early this year to US\$285-295 per tonne and remained above that level thereafter. The average sales price of the Company's alumina was RMB2,603 per tonne. In the first half of the year, the domestic demand for alumina amounted to 5,300,000 tonnes with a shortage of 2,400,000 tonnes, representing an increase of 49% over the same period last year.

In the first half of 2003, the slow growth of the global economy failed to boost the consumption of primary aluminum. The rapidly expanding aluminum production capacity in the PRC is expected to lead to a growth in the total global production capacity of primary aluminum. With the commencement of production as a result of the expansion of output capacity in the West, this has led to an obvious increase in production volume as well. In general, the supply of primary aluminum remained slightly higher than its demand around the world. However, the prices of primary aluminum in the international market has fluctuated upwards. The primary aluminum market of the Shanghai Futures Exchange (SHFE) was stronger than that of the London Metals Exchange (LME). The average price for three-month commodity futures of primary aluminum as quoted by the SHFE was US\$85 per tonne higher than that of the LME. In the first half of the year, the domestic primary aluminum output amounted to approximately 2,530,000 tonnes, representing a 26.7% increase over the same period last year. Primary aluminum consumption amounted to 2,450,000 tonnes, representing approximately an increase of 26% over the same period last year.

The following chart shows the trend of monthly average prices (exclusive of VAT) for three-month primary aluminum futures on the LME and the SHFE:

