

*Note:* The letter "L" denotes a long position and the letter "S" denotes a short position.

*Note (1)* Out of these 166,716,861 H Shares (L), UBS AG holds 161,633,961 H Shares in the capacity as beneficial owner and 5,082,900 H Shares through its interests in controlled corporations.

*Note (2)* Out of these 17,867,961 H Shares (S), UBS AG holds 17,862,261 H Shares in the capacity as beneficial owner and 5,700 H Shares through its interests in controlled corporations.

## **DIRECTORS', CHIEF EXECUTIVE'S, AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY**

During the six months ended June 30, 2005, none of the Directors, Chief Executive or Supervisors or their respective associates had any interests or short positions in the shares or debentures of the Company or any of 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; or (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 six months ended June 30, 2005, none of the Directors, Chief Executive, Supervisors or their spouses or children under the age of 18 was given the right to acquire any shares in or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

## **REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company did not redeem any of its shares during the six months ended June 30, 2005. Neither the Company nor any of its subsidiaries purchased or sold any of its shares during the first half of 2005.

## **CHARGE ON GROUP ASSETS**

None of the Group's assets are charged or subject to any encumbrance.

## **OUTLOOK AND PROSPECTS**

In the second half of 2005, the Company will still face challenges both in production and management including the increased pressure on product cost and operations, mainly due to the further intensity of competition in aluminum market, the high prices of energy sources (coal, electricity and oil) and shortage of transportation. The Company will pay particular attention on the macro economy and market trends, capitalize on all of its internal and external conditions, and take its own advantages to lay a solid foundation on management fundamentals for its objectives of 2005. In the second half of 2005, the Group will focus on the following aspects:

- The Group will find a scientific development route suitable for itself, including embarking on the research and planning of industry chain from smelting to fabrication of aluminum and adjusting its product mix as a way to strengthen its ability to bear market risks.



- Leveraging the favorable opportunities in domestic undersupply of alumina and integration of aluminum market, the Company will, on the one hand, focus on the construction of key projects including the 800,000-tonne alumina project in Shanxi Branch, the 700,000-tonne alumina project in Henan Branch and the 170,000-tonne series IV aluminum project in Guizhou Branch, which are all expected to be completed and put into operation by the end of 2005. On the other hand, the Company will actively identify aluminum enterprise target for acquisition or merger in the primary aluminum segment.
- Initiatives will be taken to establish new mechanism of acquiring mining rights. The Company will invest more in geological investigation to increase its bauxite reserve and improve its bauxite supply structure. At the same time, the Group will increase the investment in mines to enhance its production ability of self mining.
- We will closely monitor and study market dynamics to increase the accuracy of estimation, scientificness of decisions and response promptness. By fully applying the market rules, the Company will further optimize the management model of centralized marketing. At the same time, the capital budget will be improved to avoid market risks.
- By advocating clean production under a standard mass production model, the Company will undertake initiatives to implement and promote new technologies and innovative techniques. It will create an enterprise with an operating model based on efficiency. With the implementation of financial budget management and the focus on break-down of cost targets, the Group will carry out a cost objective management model to effectively control cost and lay a solid foundation for management fundamentals.
- The Group expects to further rationalize its management to improve operating efficiency. The Group is committed to forging a human-oriented and harmonious Chalco, paving the way for an international leading enterprise.

## CORPORATE GOVERNANCE

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 and specific employees form the framework for the code of corporate governance practice 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 "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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 does not have a material adverse impact on the corporate governance of the Company.

Subject to the transitional arrangements of the CG Code and the deviation of the Company's own corporate governance practices from the code provisions in the CG Code mentioned above, the Board is of the view that the Company has complied with the code provisions of the CG Code during the period from January 1, 2005 to June 30, 2005.