

Connected Transactions

The transactions between the Company and its connected persons or their respective associates (as defined in the Hong Kong Listing Rules and Shanghai Stock Exchange Listing Rules) shall comply with and be in line with the disclosure requirements as required by Hong Kong Listing Rules and Shanghai Stock Exchange Listing Rules. Set out below are the annual limits for the continuing connected transactions as compared with the amounts incurred by the Group in 2007. For the year ended December 31, 2007, the connected transactions of the Company were calculated on a consolidated basis as follows.

Transactions	Consolidated consideration for the year ended December 31, 2007 <i>(in RMB million)</i>	Comparison with Consolidated consideration in 2007	
		(percentage to turnover or consolidated consideration) <i>(in RMB million)</i>	Annual limits (percentage to turnover or consolidated consideration) <i>(in RMB million)</i>

Expenditure:

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Transactions with Chinalco

1. Social welfare and logistics services Provision of certain social welfare and logistics services by Chinalco to the Company	886	886	1,740
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Connected Transactions *(Continued)*

Transactions	Comparison with Consolidated consideration		
	Consolidated consideration for the year ended December 31, 2007 <i>(in RMB million)</i>	in 2007 (percentage to turnover or consolidated consideration) <i>(in RMB million)</i>	Annual limits (percentage to turnover or consolidated consideration) <i>(in RMB million)</i>
2. Provision of product supplies and ancillary services Provision of product supplies and ancillary services by Chinalco to the Company	4,707	4,707	5,800
3. Mineral supply Provision of bauxite and limestone by Chinalco to the Company	387	387	445
4. Engineering construction and supervisory services Provision of engineering design and other services by Chinalco to the Company	2,876	2,876	3,970
5. Land use rights rental paid to Chinalco	622	622	620
6. Building rentals paid to Chinalco	9	9	100
7. Factory and assets rental Shanxi Carbon Factory			11
8. Total rental prepaid to Chinalco			145
Transactions with Guizhou Development			
9. Aluminum ingots sales Sales of aluminum ingots and alumina by Guizhou Development as agent for the Company	2	2	2
Transactions with Shanxi Zhangze			
10. Management of electricity generators owned by Huaze Aluminum	13	13	13

Connected Transactions *(Continued)*

Transactions	Comparison with Consolidated consideration		
	Consolidated consideration for the year ended December 31, 2007 <i>(in RMB million)</i>	in 2007 (percentage to turnover or consolidated consideration) <i>(in RMB million)</i>	Annual limits (percentage to turnover or consolidated consideration) <i>(in RMB million)</i>
Revenue:			
1. Provision of product supplies and ancillary services Provision of product supplies and ancillary services by the Company to Chinalco	6,152	6,152	8,500
2. Engineering design and other services Provision of engineering design and other services by the Company to Chinalco	30	0.04%	
3. Building rental paid by Chinalco	3	3	5
Transactions with Guangxi Nonferrous Metal			
4. Supply of aluminum ingots and alumina Supply of aluminum Ingots and Alumina to Guangxi Investment Group Nonferrous Metal	434	434	450

Connected Transactions *(Continued)*

Notes:

1. The independent non-executive Directors of the Company have reviewed the above transactions and confirmed:
 - (i) The transactions have been entered into by the Company in the ordinary course of the business;
 - (ii) The terms of the transactions are fair and reasonable as far as the Company's shareholders are concerned;
 - (iii) The transactions have been entered into on normal commercial terms or, where there is no available comparisons, on terms no less favourable than those offered to independent third parties; and
 - (iv) The transactions are made in accordance with the terms of relevant agreements governing such transactions.

2. The auditors of the Company have also reviewed these transactions in accordance with agreed procedures and submitted letters concerning the following matters:
 - (i) the transactions have been approved by the Company's Directors;
 - (ii) the sample transactions being checked have been entered into in accordance with the pricing policies of the Company and its subsidiaries;
 - (iii) The sample transactions being checked have been entered into in accordance with the terms of relevant agreements governing such transactions; and
 - (iv) If applicable, the transactions did not exceed relevant annual caps as disclosed in the previous announcements of the Company except in relation to the land use rights rental paid to Chinalco.

Further information on the connected transactions of the year

I. Ongoing connected transactions

During the reporting period, the total amount of major and continuing connected transactions between the Group and related parties was RMB19.6 billion, of which purchase transactions amounted to RMB10.2 billion and sales transactions amounted to RMB9.4 billion (including product sales and service provision of RMB9.4 billion).

All the above connected transactions occurred during the reporting period have been conducted under the relevant agreements which have been announced.

(1) Continuing Connected transactions

On December 26, 2006, the Company and Chinalco entered into extension agreements relating to the continuing connected transactions effective from January 1, 2007 to December 31, 2009. At the first special general meeting in 2007 held on February 27, 2007, the Company approved the resolutions relating to the continuing connected transactions for the three years from January 1, 2007 to December 31, 2009.

Connected Transactions *(Continued)*

(a) Mutual Supply Agreement entered into with Chinalco for the three financial years ending December 31, 2009

On October 12, 2007 the shareholders of the Company approved the revision of the annual limits of the transactions under the Mutual Supply Agreement with Chinalco for the three financial years ending December 31, 2009 in order to cater for the increased volume and value of mutual supply transactions with Chinalco and its associates. The revisions of annual limits are primarily due to:

- (1) the mergers and acquisitions by Chinalco of several large-scale aluminum production plants during 2006 and early 2007 which led to increased amount and volume of purchases of alumina by Chinalco and its relevant associates from the Company;
- (2) Chalco International Trading directly purchasing primary aluminum from Chinalco and its relevant associates instead of acting as an agent for such purchases as previously arranged.

Subsequent to the shareholders' approved at the general meeting held on October 12, 2007, the annual limits of the transactions under the Mutual Supply Agreement have been revised as follows:

Nature of transactions	December 31,		
	2007	2008	2009
	<i>(in RMB millions)</i>		
Expenditure	5,800	4,200	3,800
Revenue	8,500	7,600	7,300

Connected Transactions *(Continued)*

(b) Adjustments of the total annual rental of the land use rights of the land leased by Chinalco to the Company under the Land Use Right Leasing Agreement and revisions of annual cap

In 2001, the Company and Chinalco entered into the land use right leasing agreement in relation to the leasing of land use rights in the PRC (the "Land Use Right Leasing Agreement"). Upon appraisal by an independent valuer of the prevailing market rental of the land use rights of the land leased by Chinalco to the Company, the total annual rental of the land use rights of the land leased by Chinalco to the Company were adjusted to RMB620 million commencing from January 1, 2007. The appraisal of the prevailing market rent was made pursuant to a provision for rental adjustment in the Land Use Right Leasing Agreement. The revised annual rental was RMB620 million. Under the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules, the aforesaid revision of annual rental was not required to be approved by the independent shareholders of the

Company. Subsequent to the reporting period on 25 February 2008, the Company and Chinalco entered into a supplemental agreement, pursuant to which the total annual rental of the land use rights in connection with the land leased by Chinalco to the Company was further adjusted from RMB620 million to RMB1 billion for each of the two years ending 31 December 2009 (the "Supplemental Agreement").

The revised annual caps for the two financial years ending 31 December 2009 resulted from (i) the increase in the PRC land use rights tax pursuant to the relevant PRC laws and regulations; (ii) the increase in the total area of leased land subsequent to the mergers and acquisitions that took place in 2007; and (iii) the increase in the total number of plots of land leased by the subsidiaries of the Company in 2007.

Details of the above adjustments are set out in the announcement of the Company dated 6 March 2008.

Connected Transactions *(Continued)*

The revised annual cap of this exempt continuing connected transaction (i.e. RMB 1 billion) also provides ample contingency to accommodate the possible fluctuations resulting in any changes in market conditions given the increasing volatility of rentals of the properties in the PRC and the Company's possible future acquisitions of assets from Chinalco as part of its business development plan.

The transactions under the Supplemental Agreement constitute continuing connected transactions of the Company under Rule 14A.14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The revised annual rental of RMB1 billion is less than 2.5% of the applicable percentage ratio under the Listing Rules. The rental revision is required to be disclosed by way of announcement but is not required to be approved by the independent shareholders of the Company.

II. Connected Transactions

- (1) During the reporting period, save as to the mergers of Shandong Aluminum and Lanzhou Aluminum with the Company by way of share exchange which were completed through the issue of the Company's A shares in April 2007 and share exchange with Baotou Aluminum which was completed through the new issue of A shares in December 2007, the Company had no connected transaction constituted as asset acquisition or disposal with its related parties.

According to the merger agreement entered into between the Company and Lanzhou Aluminum on December 28, 2006, the Company merged with Lanzhou Aluminum by way of share exchange, which included an exchange of non-tradable Lanzhou Shares by the issue of new A shares of the Company to Lanzhou Aluminum Factory, a shareholder of Lanzhou Aluminum. As all the equity interest of Lanzhou Aluminum Factory had been transferred to Chinalco at nil consideration, Lanzhou Aluminum Factory hence became a related party of the Company. As such, the transaction stated above constituted

Connected Transactions *(Continued)*

a connected transaction under the Listing Rules of Hong Kong. The transaction was approved by the independent shareholders of the Company at the special general meeting held on February 27, 2007. On April 24, 2007, the Company completed the share exchange with Lanzhou Aluminum Factory.

According to the share exchange agreement entered into between the Company and Baotou Aluminum on July 20, 2007, the Company merged with Baotou Aluminum by way of share exchange, including exchanging non-tradable Baotou Shares by issue of new A shares of the Company to Baotou Aluminum (Group), the shareholder of Baotou Aluminum. The aforesaid transaction was approved by independent shareholders of the Company at the special general meeting held on October 12, 2007. On December 28, 2007, the Company completed the share exchange with Baotou Aluminum.

- (2) Acquisition of remaining interests in Hewan Power Plant

Chinalco transferred its 49% equity interests in Hewan Power Plant through an open tender process conducted through China Beijing Equity Exchange. Such stake started trading on the Equity China Beijing Exchange on October 26, 2007. Based on the open tender result, such equity was transferred to the Company at the consideration of RMB497 million. On November 23, 2007, the Company entered into an equity transfer agreement with Chinalco. Prior to the equity transfer, Chinalco and the Company respectively held 49% and 51% equity interest in Hewan Power Plant, a controlling subsidiary of the Company. Subsequent to the equity transfer, Chinalco ceased to hold any equity of Hewan Power Plant and Hewan Power Plant became a wholly-owned subsidiary of the Company.

Connected Transactions *(Continued)*

- (3) On December 4, 2007, Shanxi Huaze Aluminum and Power Company Limited ("Huaze Aluminum") entered into a management agreement (the "Management Agreement") with Shanxi Zhangze Electricity Company Limited ("Shanxi Zhangze") for the management of No. 3 and No. 4 generating units of Huaze Aluminum by Shanxi Zhangze at a fixed management fee per Kilowatt-hour (KWh). Pursuant to the Agreement, Shanxi Zhangze was responsible for the management of the two electricity generators for the purposes of production, safety and was responsible for all liabilities arising from any accidents within its responsibilities; Huaze Aluminum was responsible for the fuel costs and fixed costs, including but not limited to water charges, raw materials, salaries, maintenance and taxes etc. of the two electricity generators; and Shanxi Zhangze was to manage the two electricity generators in accordance with the terms of the management specified in the management agreement. It is estimated that the annual management fee payable to Shanxi Zhangze under the Management Agreement will be approximately RMB13 million. The contracting arrangement with initial estimation of RMB800 million is no longer applicable to such transactions. The transaction was announced on December 4, 2007.
- (4) During the reporting period, save as to the connected transaction relating to the debts guarantee between the Company and related parties as disclosed in the notes to the financial statement, there was no non-recurring debts due to or from the Company or any guarantee.