

ALUMINUM CORP OF CHINA LTD
Form 20-F
June 25, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-15264

(Exact name of Registrant as specified in its charter)

ALUMINUM CORPORATION OF CHINA LIMITED
(Translation of Registrant's name into English)

People's Republic of China
(Jurisdiction of incorporation or organization)

No. 62 North Xizhimen Street, Haidian District, Beijing, People's Republic of China (100082)
(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each Class
American Depositary Shares, each representing 25 H Shares

Class H Ordinary Shares*

Name of Each Exchange on which Registered

New York Stock Exchange, Inc.

* Not for trading, but only in connection with the registration of American Depositary Shares on the New York Stock Exchange, Inc. The Ordinary H Shares are also listed and traded on The Stock Exchange of Hong Kong Limited.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2007:

| | |
|--|---------------|
| Domestic Shares, par value RMB1.00 per share | 9,580,521,924 |
|--|---------------|

| | |
|---------------------------------------|---------------|
| H Shares, par value RMB1.00 per share | 3,943,965,968 |
|---------------------------------------|---------------|

(including 406,067,500 H Shares in the form of American Depositary Shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Security Exchange Act of 1934.

Yes No

Note-Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

TABLE OF CONTENTS

| | Pages |
|---|-------|
| Forward-Looking Statements | i |
| Certain Terms and Conventions | ii |
| PART I | |
| Item 1. Identity of Directors, Senior Management and Advisors | 1 |
| Item 2. Offer Statistics and Expected Timetable | 2 |
| Item 3. Key Information | 2 |
| Item 4. Information on the Company | 14 |
| Item 5. Operating and Financial Review and Prospects | 47 |
| Item 6. Directors, Senior Management and Employees | 69 |
| Item 7. Major Shareholders and Related Party Transactions | 81 |
| Item 8. Financial Information | 88 |
| Item 9. The Offer and Listing | 90 |

| | | | |
|----------|----------|--|-----|
| | Item 10. | Additional Information | 91 |
| | Item 11. | Quantitative and Qualitative Disclosures about Market Risk | 100 |
| | Item 12. | Description of Securities Other than Equity Securities | 103 |
| PART II | Item 13. | Defaults, Dividend Arrearages and Delinquencies | 103 |
| | Item 14 | Material Modifications to the Rights of Security Holders and Use of Proceeds | 103 |
| | Item 15 | Controls and Procedures | 103 |
| | Item 16 | [Reserved] | 104 |
| | Item 16A | Audit Committee Financial Expert | 104 |
| | Item 16B | Code of Ethics | 104 |
| | Item 16C | Principal Accountant Fees and Services | 105 |
| | Item 16D | Exemption from the Listing Standards for Audit Committees | 105 |
| | Item 16E | Purchase of Equity Securities by the Issuer and Affiliated Purchasers | 106 |
| <hr/> | | | |
| PART III | Item 17. | Financial Statements | 106 |
| | Item 18. | Financial Statements | 106 |
| | Item 19. | Exhibits | 106 |
| <hr/> | | | |

FORWARD-LOOKING STATEMENTS

Certain information contained in this annual report, which does not relate to historical financial information may be deemed to constitute forward-looking statements. The words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project", "believe" or similar expressions are intended to identify "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or the Exchange Act. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. These forward-looking statements include, without limitation, statements relating to:

- * future prices and demand for our products;
- * future PRC tariff levels for alumina and primary aluminum;

- * sales of our products;
- * the amount and nature of, and potential for, future development;
- * production, consumption and demand forecasts of bauxite, alumina and primary aluminum;
- * expansion, consolidation or other trends in the primary aluminum industry;
- * the effectiveness of our cost-saving measures;
- * future expansion plans and capital expenditures;
- * expected production capacity increases;
- * competition;
- * changes in legislation, regulations and policies;
- * estimates of proven and probable bauxite reserves;
- * our research and development plans; and
- * our dividend policy.

These statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in particular circumstances. However, whether actual results and developments will meet our expectations and predictions depends on a number of risks and uncertainties, which could

- i -

cause actual results to differ materially from our expectations. These risks are more fully described in the section entitled "Item 3. Key Information - Risk Factors".

Consequently, all of the forward-looking statements made in this annual report are qualified by these cautionary statements. We cannot assure you that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected effect on us or our business or operations.

Unless otherwise indicated, statistical and market trend information, as well as statements related to market position and competitive data, are based on our internal statistics and/or estimates gathered from our own research and/or various publicly available sources.

CERTAIN TERMS AND CONVENTIONS

Translations of amounts in this annual report from Renminbi into U.S. dollars and vice versa have been made at the rate of RMB7.2946 to US\$1.00, which was the noon buying rate in the New York City for cable transfers in Renminbi per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2007. You should not construe these translations as representations that the Renminbi amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at that rate or at all. See "Item 3. Key Information - Exchange Rate Information" for information regarding the noon buying rates from January 1, 2003 through June 20, 2008.

We publish our financial statements in Renminbi.

Various amounts and percentages set out in this document have been rounded and, accordingly, are not the exact figures and may not total.

Unless the context otherwise requires, references in this annual report to:

"A Shares"

are to the domestic ordinary shares, with a nominal value of RMB1.00 each;

"Alcoa"

are to Alcoa International (Asia) Ltd., a company incorporated under the laws of Hong Kong;

"alumina-to-silica ratio"

are to the ratio of alumina to silica by weight found in bauxite;

"aluminum fabrication"

are to the process of taking primary aluminum and converting it into plates, strips, bars, tubes, etc. which can be further converted into consumer or other end products;

"bauxite"

are to mineral ores whose composition is principally alumina;

"Baotou Aluminum"

are to Baotou Aluminum Co., Ltd. On December 28, 2007, it became our wholly-owned subsidiary after the

completion of shares exchange.

"Bayer process"

are to a refining process employed to extract alumina from ground bauxite with a strong solution of caustic soda at an elevated temperature;

"brownfield development"

are to development projects at existing plants or facilities;

"CCB"

are to China Construction Bank, a PRC state-owned bank established pursuant to PRC government approval;

"Chalco," "the Company", "the Group", "our company," "we," "our" and "us"

are to Aluminum Corporation of China Limited and its subsidiaries and, where appropriate, to its predecessors;

"Chalco Mining"

are to Chalco Mining Co., Ltd, our subsidiary that is established under PRC law;

"Chalco Nanhai"

are to Chalco Nanhai Alloy Company, our subsidiary that is established under PRC law;

"Chalco Trading"

are to China Aluminum International Trading Corporation Limited, our subsidiary that is established under PRC law;

"China"

and the "**PRC**" are to the People's Republic of China, excluding for purposes of this annual report, Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan;

"China Cinda"

are to China Cinda Asset Management Corporation, a PRC state-owned financial enterprise established pursuant to PRC government approval;

"China Development Bank"

are to a PRC state-owned bank established pursuant to PRC government approval;

"Chinalco", "Chinalco Group"

and the "**ultimate holding company**" are to our controlling shareholder, Aluminum Corporation of China and its subsidiaries (other than Chalco and its subsidiaries) and, where appropriate, to its predecessors;

"China Orient"

are to China Orient Asset Management Corporation, a PRC state-owned financial enterprise established pursuant to PRC government approval;

"diasporite"

are to a mineral of bauxite deposits with the chemical composition of $Al_2O_3 \cdot H_2O$;

"Exchange Act"

are to The Securities Exchange Act of 1934, as amended;

"fabricating ingots"

are to the primary aluminum or aluminum alloy ingots that may be used directly in the aluminum fabrication process;

"Fushun Aluminum"

are to Fushun Aluminum Company Limited, our subsidiary that is established under PRC law;

"Gansu Hualu"

are to Gansu Hualu Aluminum Company Limited, our subsidiary that is established under PRC law;

"gibbsitic"

are to a mineral of bauxite deposits with the chemical composition of $Al_2O_3 \cdot 3H_2O$;

"greenfield investment"

are to investment projects to construct new plants or facilities;

"Guangxi Baise"

are to Guangxi Baise Yin Hai Aluminum Company Limited, a subsidiary of Guangxi Investment;

"Guangxi Huayin"

are to Guangxi Huayin Aluminum Company Limited, a PRC entity in which we hold 33% equity interest.

"Guangxi Investment"

are to Guangxi Investment (Group) Co., Ltd., formerly known as Guangxi Development and Investment Co., Ltd., a PRC state-owned enterprise established in the PRC and one of our promoters and shareholders;

"Guizhou Development"

are to Guizhou Provincial Materials Development and Investment Corporation, a PRC state-owned enterprise established in the PRC and one of our promoters and shareholders;

"HK\$"

and "**HK dollars**" are to Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;

"H Shares"

are to overseas listed foreign shares of par value RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK dollars;

"Hong Kong Stock Exchange"

are to The Stock Exchange of Hong Kong Limited;

"hybrid Bayer-sintering process"

are to the refining process developed in China which involves the application of the Bayer process and the sintering process in combination to extract alumina from bauxite more efficiently;

"ingots"

and "**remelt ingots**" are to the international standard primary metal products from an aluminum smelter. Remelt ingots are the aluminum ingots generally remelted before being cast into alloyed products or used for aluminum fabrication;

"Jiaozuo Wanfang"

are to Jiaozuo Wanfang Aluminum Manufacturing Co. Ltd., our associated company that is established under PRC law, in which we hold 29% of its equity interest;

"kA"

are to kiloamperes, a unit for measuring the strength of an electric current, with one kiloampere equal to 1,000 amperes;

"kWh"

are to kilowatt hours, a unit of electrical power, meaning one kilowatt of power for one hour;

"Lanzhou Aluminum"

are to Lanzhou Aluminum Co., Ltd., previously our associated company that was a joint stock limited company established under the PRC law, whose A Shares were traded on the Shanghai Stock Exchange. On April 24, 2007, we completed the merger of Lanzhou Aluminum by way of share exchange and Lanzhou Aluminum became our wholly-owned subsidiary. Its shares ceased to be traded on the Shanghai Stock Exchange. In June 2007, Lanzhou Aluminum was divided into two wholly-owned branches: Lanzhou branch and Northwest Aluminum Fabrication Plant, which are mainly engaged in producing primary aluminum products and fabricated aluminum products, respectively;

- iii -

"Listing Rules"

are to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time);

"LME"

are to the London Metal Exchange Limited;

"NYSE"

are to New York Stock Exchange Inc.;

"ore-dressing Bayer process"

are to a refining process we developed which involves the treatment of bauxite in order to increase its alumina-to-silica ratio so as to allow the Bayer process to then be applied;

"provinces"

are to provinces and to provincial-level autonomous regions and municipalities in China, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan, which are directly under the supervision of the central PRC government;

"refining"

are to the chemical process required to produce alumina from bauxite;

"Research Institute"

are to Zhengzhou Research Institute, our wholly-owned branch mainly providing research and development services;

"RMB"

are to Renminbi, the lawful currency of the PRC;

"NDRC"

are to China National Development and Reform Commission;

"Northwest Aluminum"

are to Northwest Aluminum Fabrication Plant, our wholly-owned branch;

"SASAC"

are to State-owned Assets Supervision and Administration Commission of the State Council;

"Shandong Aluminum"

are to Shandong Aluminum Industry Co., Limited, previously our majority owned subsidiary that was established under PRC law, whose A Shares were traded on the Shanghai Stock Exchange. On April 24, 2007, we completed the merger of Shandong Aluminum by way of share exchange and Shandong Aluminum became our wholly-owned subsidiary. Its shares ceased to be traded on the Shanghai Stock Exchange. In September 2007, Shandong Aluminum was changed into Shandong branch, our wholly-owned branch.

"Shanxi Coal"

are to Shanxi Huatai Coal Co., Ltd., our subsidiary that is established under PRC law;

"Shanxi Huasheng"

are to Shanxi Huasheng Aluminum Company Limited, our subsidiary that is established under PRC law;

"Shandong Huayu"

are to Shandong Huayu Aluminum and Power Company Limited, our subsidiary that is established under PRC law;

"Shanxi Huaze"

are to Shanxi Huaze Aluminum and Power Co., Limited, our subsidiary that is established under PRC law;

"Shanxi Zhangze"

are to Shanxi Zhangzhe Electricity Company Limited, an entity established under PRC law;

"sintering process"

are to a refining process employed to extract alumina from ground bauxite by mixing with supplemental materials and burning in a coal fired kiln;

"smelting"

are to the electrolytic process required to produce molten aluminum from alumina;

"tonne"

are to the metric ton, a unit of weight, with one metric ton equal to 1,000 kilograms or 2,204.6 pounds;

"US\$"

are to U.S. dollars, the lawful currency of the United States of America;

"WTO"

are to World Trade Organization; and

"Zunyi Aluminum"

are to Zunyi Aluminum Company Limited, our subsidiary that is established under PRC law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not required for filing this annual report.

- 1 -

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required for filing this annual report.

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

Historical Financial Information

The following tables present our summary income statement data and cash flow data for the years ended December 31, 2003, 2004, 2005, 2006 and 2007; and the summary balance sheet data as of December 31, 2003, 2004, 2005, 2006 and 2007. The summary balance sheet data as of December 31, 2005, 2006 and 2007 and income statement and cash flow data for the years ended December 31, 2005, 2006 and 2007 have been derived from, and should be read in conjunction with, the audited financial statements included elsewhere in this report. The summary balance sheet data as of December 31, 2003, 2004 and 2005 and income statement and cash flow data for the years ended December 31, 2003 and 2004 have been derived from our historical financial statements as of and for such dates, which are not included in this annual report. Unless otherwise indicated, the financial statements are prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS" or "HKGAAP").

In accordance with HKFRS, as Chinalco exercised de facto and actual control over the Company and Baotou Aluminum before our acquisition of Baotou Aluminum, our acquisition of Baotou Aluminum qualifies as common control business combination, and merger accounting is applied. Accordingly, the consolidated financial statements for all periods presented have been retroactively restated as if the current structure and operations had been in existence since inception. In contrast, the Company is not considered to be controlled by Chinalco for the application of generally accepted accounting principles in the United States ("U.S. GAAP") purpose. Hence, the acquisition of Baotou Aluminum is not a common control transaction and is accounted for under the purchase method by including the result of Baotou Aluminum only from the effective date of acquisition. For a reconciliation of our net income and equity under HK GAAP to U.S. GAAP, see Note 37 to our audited consolidated financial statements. For more information, please see "Item 5 - Operating and Financial Review and Prospects - U.S. GAAP Reconciliation".

| Years Ended December 31 | | | | | |
|-------------------------|------|------|------|------|----------------------|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2007 |
| RMB | RMB | RMB | RMB | RMB | US\$(³) |

(in thousands, except per share and per ADS data)

- 2 -

INCOME STATEMENT DATA:

HK GAAP⁽¹⁾

| | | | | |
|------------------------|------------|------------|------------|------------|
| Revenue ⁽²⁾ | 40,761,845 | 64,826,615 | 76,180,448 | 10,443,403 |
|------------------------|------------|------------|------------|------------|

Edgar Filing: ALUMINUM CORP OF CHINA LTD - Form 20-F

| | | | | |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Cost of sales ⁽²⁾ | (27,876,729) | (43,930,699) | (57,197,509) | (7,841,075) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Gross profit ⁽²⁾ | 12,795,116 | 20,895,916 | 18,982,939 | 2,602,328 |
| Selling and distribution expenses | (785,642) | (1,027,875) | (1,186,974) | (162,720) |
| General and administrative expenses | (1,713,569) | (2,466,192) | (2,789,494) | (382,405) |
| Research and development expenses | (114,609) | (116,389) | (227,982) | (31,254) |
| Other gains, net ⁽²⁾ | 32,159 | 382,261 | 130,757 | 17,925 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Operating profit

10,213,455

17,667,721

14,909,246

2,043,874

Finance costs, net ⁽²⁾

(358,170)

(637,236)

(738,456)

(101,233)

Operating profit after finance costs

9,855,285

17,030,485

14,170,790

1,942,641

- 3 -

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Share of profits/(losses) of jointly controlled entities | 372 | (11,419) | (3,381) | (463) |
| Share of profits of associates | 25,201 | 105,177 | 241,945 | 33,168 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Profit before income tax expense | 9,880,858 | 17,124,243 | 14,409,354 | 1,975,346 |
| Income tax expense | (2,510,051) | (4,410,674) | (2,780,430) | (381,163) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Profit for the year | <u>7,370,807</u> | <u>12,713,569</u> | <u>11,628,924</u> | <u>1,594,183</u> |
| Attributable to: | | | | |
| Equity holders of the Company | 7,071,990 | 11,841,681 | 10,244,545 | 1,404,402 |

Edgar Filing: ALUMINUM CORP OF CHINA LTD - Form 20-F

| | | | | |
|--|-----------|-----------|-----------|---------|
| Minority interest | 298,817 | 871,888 | 1,384,379 | 189,781 |
| Dividends | 2,364,673 | 2,190,177 | 4,131,749 | 566,412 |
| Interim dividends per share | - | 0.188 | 0.188 | 0.026 |
| Interim dividends per ADS | - | 4.700 | 4.700 | 0.644 |
| Special dividends per share | - | - | 0.013 | 0.002 |
| Special Dividends per ADS | - | - | 0.325 | 0.045 |
| Final dividends per share | - | - | 0.115 | 0.016 |
| Final dividends per ADS | - | - | 2.875 | 0.394 |
| Proposed final dividends per share | 0.214 | - | 0.053 | 0.007 |
| Proposed final dividends per ADS | 5.350 | - | 1.325 | 0.182 |
| Basic and diluted net earnings per share | 0.64 | 1.04 | 0.82 | 0.11 |

- 4 -

| | | | | |
|------------------------------------|-------|-------|-------|------|
| Basic and diluted earnings per ADS | 16.00 | 25.88 | 20.47 | 2.81 |
|------------------------------------|-------|-------|-------|------|

U.S. GAAP

| | | | | | | |
|--------------------------------------|-----------|-----------|------------|------------|------------|-----------|
| Operating income | 5,368,520 | 9,214,004 | 10,271,179 | 17,270,379 | 14,203,729 | 1,947,157 |
| Net income | 3,797,175 | 6,622,916 | 7,229,167 | 11,726,471 | 9,899,628 | 1,357,118 |
| Basic and diluted earnings per share | 0.36 | 0.60 | 0.65 | 1.03 | 0.79 | 0.11 |
| Basic and diluted earnings per ADS | 9.04 | 15.00 | 16.36 | 25.63 | 19.78 | 2.71 |

Segment operating profit (loss):

HK GAAP

| | | | | |
|------------------------------|------------|------------|-------------|-----------|
| Alumina | 10,283,932 | 13,858,508 | 8,165,970 | 1,119,454 |
| Primary aluminum | 462,212 | 5,001,310 | 7,421,662 | 1,017,419 |
| Corporate and other services | (102,806) | (59,443) | (77,011) | (10,557) |
| Unallocated | (321,915) | (859,680) | (1,035,196) | (141,913) |
| | (107,968) | (272,974) | 433,821 | 59,471 |

Inter-segment
eliminationTotal operating
income

| | | | |
|------------|------------|------------|-----------|
| 10,213,455 | 17,667,721 | 14,909,246 | 2,043,874 |
|------------|------------|------------|-----------|

- 5 -

As of December 31,

| 2003 | 2004 | 2005 | 2006 | 2007 | 2007 |
|------|------|------|------|------|----------------------|
| RMB | RMB | RMB | RMB | RMB | US\$(³) |

(in thousands)

BALANCE SHEET
DATA*HK GAAP⁽¹⁾*Bank balances and
cash

| | | | |
|-----------|------------|-----------|-----------|
| 7,815,108 | 12,983,061 | 7,802,907 | 1,069,683 |
|-----------|------------|-----------|-----------|

Total current assets

| | | | |
|------------|------------|------------|-----------|
| 18,137,801 | 27,122,878 | 26,210,644 | 3,593,157 |
|------------|------------|------------|-----------|

Total non-current
assets

| | | | |
|------------|------------|------------|-----------|
| 44,451,038 | 54,818,876 | 68,127,718 | 9,339,472 |
|------------|------------|------------|-----------|

Total assets

| | | | |
|------------|------------|------------|------------|
| 62,588,839 | 81,941,754 | 94,338,362 | 12,933,629 |
|------------|------------|------------|------------|

- 6 -

Total short-term

| | | | | | | |
|--|------------|------------|------------|-----------|--|--|
| loans | | | | | | |
| (including current portion of long-term loans) | 4,581,754 | 6,523,003 | 5,308,662 | 727,752 | | |
| Short-term bonds | 1,970,840 | 4,985,111 | 3,051,471 | 418,319 | | |
| Total long-term loans | | | | | | |
| (excluding current portion of long-term loans) | 10,497,373 | 8,806,479 | 12,139,260 | 1,664,143 | | |
| Long-term bonds | - | - | 2,029,183 | 278,176 | | |
| Net assets (excluding minority share) | 35,443,296 | 49,266,562 | 61,016,769 | 8,364,649 | | |

U.S. GAAP

| | | | | | | |
|--|------------|------------|------------|------------|-------------|------------|
| Total assets | 33,244,024 | 47,260,826 | 55,525,980 | 76,004,936 | 104,778,483 | 14,363,840 |
| Total long-term loans | | | | | | |
| (excluding current portion of long-term loans) | 5,412,628 | 7,391,663 | 9,690,493 | 8,480,736 | 12,139,260 | 1,664,143 |
| Long-term bonds | - | - | - | - | 2,029,183 | 278,176 |
| Net assets (excluding minority share) | 16,634,499 | 25,436,606 | 30,720,995 | 42,283,082 | 68,447,456 | 9,383,304 |
| Number of shares ('000) | 10,499,900 | 11,040,835 | 11,049,876 | 11,649,876 | 13,524,488 | 13,524,488 |

Years Ended December 31,

| | | | | | |
|------|------|------|------|------|----------------------|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2007 |
| RMB | RMB | RMB | RMB | RMB | US\$(³) |

- 7 -

(in thousands)

OTHER FINANCIAL DATA

HK GAAP⁽¹⁾

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Net cash generated from operating activities | 8,704,203 | 14,147,403 | 10,177,126 | 1,395,156 |
| Net cash used in investing activities | (9,428,319) | (10,708,453) | (7,187,942) | (985,380) |
| Net cash generated from / (used in) financing activities | 1,936,916 | (1,270,997) | (5,265,403) | (721,821) |
| Capital expenditure | | | | |
| Alumina | 5,312,913 | 3,462,875 | 4,634,932 | 635,392 |
| Primary aluminum | 3,620,966 | 8,567,329 | 12,507,291 | 1,714,596 |
| Corporate and other services | 124,811 | 120,286 | 493,746 | 67,687 |
| Unallocated | 129,623 | 682,054 | 497,954 | 68,263 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total capital expenditure | 9,188,313 | 12,832,544 | 18,133,923 | 2,485,938 |
| ----- | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

- (1) The amounts as of December 31, 2005, 2006 and 2007 and for each of the years in the three-year ended December 31, 2007 are presented to reflect the acquisition of Baotou Aluminum under merger accounting method under HKFRS. The HKFRS information as of December 31, 2003 and 2004 and for each of the two years ended December 31, 2004 is omitted because such selected financial data cannot be provided on a restated basis without unreasonable effort.

- 8 -

- (2) Total other revenue of RMB70 million and RMB105 million, related costs of RMB17 million and RMB18 million and interest income of RMB89 million and RMB184 million were previously included in "general and administrative expenses" and "other gain, net" for the years ended December 31, 2005 and 2006, respectively. They were separately presented as part of total revenue, cost of sales and interest income (including in finance costs, net), respectively, in the consolidated income statement for the respective years end in annual report this year in order to conform to the current year presentation.

- (3)

Translated solely for the convenience of the reader into U.S. dollars at the noon buying rate in New York for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York of US\$1.00 to RMB7.2946 prevailing on December 31, 2007.

Exchange Rate Information

The following table sets forth, for the periods indicated, the noon buying rate in New York for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York in Renminbi per U.S. dollar:

| Period | Noon Buying Rate | | | |
|----------------------------|-----------------------------|------------------------|--------|--------|
| | Period End | Average ⁽¹⁾ | High | Low |
| | (expressed in RMB per US\$) | | | |
| 2003 | 8.2767 | 8.2771 | 8.2800 | 8.2765 |
| 2004 | 8.2765 | 8.2768 | 8.2773 | 8.2764 |
| 2005 | 8.0702 | 8.1826 | 8.2765 | 8.0702 |
| 2006 | 7.8041 | 7.9579 | 8.0702 | 7.8041 |
| 2007 | 7.2946 | 7.5806 | 7.8127 | 7.2946 |
| | 7.2946 | 7.3680 | 7.4120 | 7.2946 |
| December 2008 | | | | |
| January | 7.1818 | 7.2405 | 7.2946 | 7.1818 |
| February | 7.1115 | 7.1644 | 7.1973 | 7.1100 |
| March | 7.0120 | 7.0722 | 7.1110 | 7.0105 |
| April | 6.9870 | 7.0007 | 7.0185 | 6.9840 |
| May | 6.9400 | 6.9725 | 7.0000 | 6.9377 |
| June through June 20, 2008 | 6,8796 | 6,9129 | 6,9633 | 6,8700 |

- 9 -

(1) Determined by averaging the rates on the last business day of each month during the respective period, except for monthly averages, which are determined by averaging the rates on each business day of the month.

On June 20, 2008, the non buying rate for Renminbi was U.S. dollar 1.00
= RMB6.8796

CAPITALIZATION AND INDEBTEDNESS

Not Applicable

REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable

RISK FACTORS

We are subject to various changing business, competitive, economic, political and social conditions in China as well as factors relating to the alumina and aluminum industry. These changing conditions and factors entail certain risks, which are described below:

- * We price our alumina and primary aluminum products by reference to international and domestic market prices, import cost of alumina and changes in supply and demand in the domestic market. Each of these factors may fluctuate beyond our control. Historically, the international market prices for alumina and primary aluminum products have been volatile. Because most of our costs are fixed and we may not be able to respond quickly to any sudden decrease in alumina or primary aluminum prices, any significant fluctuation in international market prices could materially and adversely affect our business, financial condition and results of operations.
- * Our plans to upgrade and expand our alumina and primary aluminum plants will require capital expenditure of approximately RMB20,600 million in 2008. See "Item 4. Information on the Company - Property, Plants and Equipment - Our Expansion". We may also need further funding for debt servicing, working capital, investments, potential acquisitions and joint ventures and other corporate requirements. We cannot assure you that cash generated from our operations will be sufficient to fund these development plans, or that our actual capital expenditures and investments will not significantly exceed our current planned amounts. If either of these conditions arises, we may have to seek external financing to satisfy our capital needs. Our ability to obtain external financing at reasonable costs is subject to a variety of uncertainties. Failure to obtain sufficient external funds for our development plans could adversely affect our business, financial condition and results of operations.
- * Our planned expansion, cost reduction and technology improvement projects could be delayed or adversely affected by, among other things, failure to receive required regulatory approvals, difficulties in obtaining

sufficient financing, technical difficulties, or human and other resources constraints. Moreover, the actual costs involved in these projects may exceed those originally contemplated. Cost savings and other economic benefits expected from these projects may not materialize as a result of any project delay, cost overrun, or change in market conditions. Failure to obtain intended economic benefits from these projects could adversely affect our business, financial condition and results of operations.

- * Our business has grown rapidly. In order to manage our growth and increased scale of operations effectively, we must continue to implement and improve our operational, financial and management systems, continue to develop the managerial skills of our managers, and continue to train, motivate and manage our employees. Failure to manage our growth and expanded operations effectively could adversely affect our financial condition and results of operations.

- * We signed the Aurukun project development agreement with the Queensland State Government of Australia ("Queensland Government") on March 23, 2007. We also entered into a land use agreement with various indigenous peoples in respect of the Aurukun project on March 23, 2007. The Queensland Government officially issued the Aurukun bauxite exploration permit to the Company in September 2007. Further, to implement our international development strategy, we entered into a joint venture arrangement with Malaysia Mining Company (MMC) and Saudi Arabian Binladin Group (SBG) on May 9, 2008, according to which, a joint venture will be established in Saudi Arabia and will develop and operate a primary aluminum plant with a planned annual capacity of approximately one million tonnes and a self-owned power plant with a planned capacity of 1,860MW. As we are new to these overseas markets, we cannot assure you that our overseas expansion or investment will be successful or that we will not suffer foreign exchange losses in connection with our overseas investment.

- 10 -

-
- * Our operations consume substantial amount of energy. Although we generally expect to meet the energy requirements for our alumina refineries and primary aluminum smelters from internal sources and external contracts, our results of operations may be materially adversely affected by the following factors:
 - * significant increases in electricity costs; and

 - * unavailability or shortage of electrical power or other energy sources, interruption of energy supply, or curtailment of the operation of one or

more refineries or smelters due to our inability to extend energy contracts upon their expirations.

- * We face competition from both domestic and international primary aluminum producers. Our principal competitors in the primary aluminum business are domestic smelters, some of which are expanding their production capacities. These smelters pose competitive challenges to our primary aluminum operations in production costs, product quality and price. We also face increasing competition from international primary aluminum suppliers as China continues to open up its aluminum industry to international trade. As a result of China's accession to the WTO on December 11, 2001, competition from international suppliers of alumina may increase as tariff and non-tariff barriers for imported alumina have been significantly reduced and may continue to be reduced. The standard tariff on imports of alumina into China was abolished on January 1, 2008. Intensified competition may result in reductions in our selling prices or sales volume and may have a material adverse effect on our financial condition and results of operations. If we are not successful in reducing our costs, or if we are unable to maintain or increase our current share of China's primary aluminum market, our financial condition, results of operations and profitability could be materially and adversely affected.
- * We rely heavily on coal as our energy and fuel source in our production process. As we significantly increase our production capacities, our consumption of coal will increase significantly accordingly. If our coal suppliers are not able to supply the amount of coal needed for our production due to general short supply of coal or lack of available railcars for transportation or any other reason, we may be forced to reduce our production output or suspend our production, which could materially adversely affect our financial condition and results of operation.
- * Bauxite is the most important raw material for alumina production. We obtain our bauxite from three major sources, including our own mines, jointly operated mines, and other suppliers. See "Item 4. Information on the Company - Business Overview - Business Operations - Alumina - Raw Materials - Bauxite". Each of these sourcing methods could affect the security or cost of our supply of bauxite. The price for bauxite has increased substantially in recent years due to the rapid expansion of alumina output in China which significantly increased the demand for bauxite. In 2007, the average domestic price of bauxite increased by 21.2%, while the average price of imported bauxite increased by 65.6% to RMB530 per tonne from RMB320 per tonne in 2006. If we cannot obtain a steady supply of key raw materials at a competitive price, which could materially adversely affect our financial condition and results of operations could be materially adversely affected.
- * The smelting of primary aluminum employs an electrolytic reduction process that requires large and continuous supply of electricity. Interruptions of electricity supply can result in lengthy production

shutdowns, increased costs associated with restarting production and waste of production in progress. In extreme cases, interruptions of electricity supply can also cause damage to or destruction of the equipment and facilities. If this occurs, our operations may be adversely affected.

- * Electricity cost is the principal production cost component of our primary aluminum production. In October 2007, the PRC government issued "Notice to Further Solutions to Differences in Electricity Rates", according to which, the preferential electricity prices previously enjoyed by Chinese primary aluminum enterprises were eliminated at the end of 2007. The implementation of this notice increased the costs of primary aluminum enterprises in China. If electricity prices increase but are not passed on to our customers, our operating margin, financial condition and results of operations could be materially adversely affected.

- 11 -

- * Our alumina products are mainly delivered by rail or truck, and our primary aluminum products are transported to our customers mostly by rail. If we are unable to make on-time delivery due to logistics and transportation problems, our results of operations may be adversely affected.
- * A main objective of our research and development projects is to develop new methods and new processes to improve the efficiency of extracting alumina from bauxite that has relatively low alumina-to-silica ratios. If China's supply of bauxite with high alumina-to-silica ratios declines, our failure to achieve technological improvements or to implement such improvements in commercial applications could impede our efforts to reduce unit production costs and to compete with major international producers.
- * The bauxite reserve data on which we base our production, revenue and expenditure plans are estimates that we have developed internally and may be inaccurate. There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. If these estimates are inaccurate or the indicated tonnages are not recovered, our business, financial condition, and results of operations may be materially and adversely affected.
- * We rely on short-term borrowings to meet part of our financing needs. If we fail to achieve timely rollover, extension or refinancing of our short-term debts, we may be unable to meet our obligations in connection with debt servicing, accounts payable and/or other liabilities when they become due and payable. In addition, we may be exposed to changes in interest rates. If interest rates increase substantially, our results of operations could be

adversely affected.

- * Our primary sources of funding are cash generated by operating activities, short-term and long-term bank borrowings, proceeds from shares offerings, and proceeds from short-term bond and long-term bond offerings. In 2007, we required our customers to make prepayments or deposits for purchases of alumina. The total amount of prepayments and deposits was approximately RMB1,053 million as of December 31, 2007. We have relied on prepayments and deposits received from customers as a source of liquidity. In the event that demand for our alumina declines significantly, we may not be able to require such prepayments and deposits from customers, in which case this source of liquidity may not be available to us.
- * Chinalco, a state-owned enterprise, as of December 31, 2007 owned 38.56% of our issued share capital and is our largest shareholder. The interest of Chinalco may conflict or even compete with our interest and that of our public shareholders. Chinalco may take actions that favor the interest of its subsidiaries, associates and other related entities over ours and that of our public shareholders. In addition, Chinalco and some of its subsidiaries and associates provide a range of services to us, including engineering and construction services, social services, land and property leasing and supply of raw and supplemental materials. Some of the services Chinalco provides to us, such as educational and medical care services for our employees, would be difficult to obtain from other sources. Our cost of operations may increase if Chinalco becomes unable to provide such services to us.
- * Chinalco has substantial financial obligations relating to the businesses, operations and personnel that it retained in the reorganization. While Chinalco generates significant operating revenue and receives government support, it may also rely on dividends received from us as a means of funding these obligations. Subject to the relevant provisions of the PRC Company Law and our Articles of Association, Chinalco may seek to influence our decision as to the amount of dividends we pay out in order to satisfy its cash flow requirements. Any increase in our dividend payout resulting from Chinalco's influence could reduce funds available for reinvestment in our businesses and thus may materially reduce our future financial strength and adversely affect our future results of operations.
- * Our alumina and primary aluminum production operations are subject to environmental protection laws and regulations in China, which impose such penalties as waste discharge fees, fines or closure of non-compliant plants. Each of our alumina and primary aluminum production plants has

implemented a system to control its emissions and to oversee its compliance with PRC environmental regulations. However, the PRC government has taken steps, and may take additional steps, towards more rigorous enforcement of applicable laws, and/or adoption of more stringent environmental standards. If the PRC national or local authorities enact additional regulations or enforce existing or new regulations in a more rigorous manner, we may be required to make additional environmental expenditures, which could have a materially adverse impact on our financial condition and results of operations.

- * We may experience major accidents in the course of our operations, which may cause significant property damage and personal injuries. Significant industry-related accidents and natural disasters may cause interruptions to various parts of our operations, or could result in property or environmental damage, increase in operating expenses or loss of revenue. The occurrence of such accidents and the resulting consequences may not be covered adequately, or at all, by the insurance policies we carry. In accordance with customary practice in China, we do not carry any business interruption insurance or third party liability insurance for personal injury or environmental damage arising from accidents on our property or relating to our operations other than our automobiles. Losses or payments incurred by us as a result of major accidents or natural disasters may have a material adverse effect on our operating performance if such losses or payments are not fully insured.
- * The licenses to mine bauxite in some of our bauxite mines have expired and lapsed. While we are seeking to renew those expired licenses, we may be subject to administrative fines for operating mines without a valid license, or we may be ordered to cease our mining operations all together until we obtain the renewed licenses. The failure to renew those expired mining licenses may adversely affect our financial condition and results of operations.
- * Our H Shares became a Hang Seng Index constituent stock on June 10, 2008, which may attract buying interests of so-called "Hang Seng Index funds" aiming to maintain their investment portfolio parallel to that of the Hang Seng Index. We have no control of the selection of the Hang Seng Index constituent stocks and may not be able to continue to maintain our H Shares as a Hang Seng Index constituent stock. If our H shares are deselected from the Hang Seng Index, the market's interests in investing in our H shares may correspondingly wane, and our share price may materially decline.
- * As of May 6, 2008, 2,500,684,890 A Shares that had previously been subject to a trading moratorium became available for trading on the Shanghai Stock Exchange. If all or a significant portion of these tradable shares are offered for sale on the Shanghai Stock Exchange, the A Share price may materially decrease.