

Chairman's Statement

Two years ago, we had a vision that seemed revolutionary for the times: to develop the "Asia Aluminum Industrial City" in Zhaoqing, China, as one of the world's largest manufacturing bases for aluminum extrusions and rolled products. In the financial year 2004-2005, we took some important initiatives to achieve this vision by completing a substantial part of the new extrusion facilities and securing a US\$450 million senior-notes issue to fund the rolled-products plant. We enter financial year 2005-2006 with the construction of the Industrial City progressing well, and the year will witness the commissioning of the new extrusion facilities while we prepare to bring rolled-products on stream during the following year.

Asia Aluminum Holdings has been an active participant in China's non-ferrous metal industry since 1992 and we remain the largest of the top aluminum extruders in the country and across Asia. We have continued to invest in our growth businesses and have strengthened our market position.

To ensure total customer support for Asia Aluminum Holdings as the long-term supplier of choice, we will continue to match our cost advantage with excellence in product quality and customer service. As a responsible corporate citizen, we will also respond to issues such as the environment, utilization of natural resources, and the healthy advancement of the communities we operate in. We respect the interests of all parties concerned, including shareholders and customers.

The economic development of China is a phenomenon with global implications. Strong growth trends in China suggest an encouraging future for our business. It will be our ongoing task to provide our customers with products and service offerings that meet their present needs and to make timely investments to meet the needs of the future.

A research report by Brook & Hunt & Associates Ltd. in 2004 stated that, from 1999 to 2003, mainland China's consumption of aluminum grew at a compound annual growth rate of 14.3% as compared with the world rate for the same period (excluding mainland China) of 2.4%. The report also noted that the global aluminum products industry is characterized by economies of scale, significant capital investments required to achieve and maintain technological requirements, and demanding customer-qualification standards. Major producers therefore have a competitive advantage given their scale and the level of investment in equipment and technology.

Rapid economic growth in mainland China in recent years has been accompanied by significant growth in overall aluminum consumption, an indicator commonly observed during the advancement of developed economies being driven by the urbanization of population and the growth of the building and construction, transportation and power sectors. From 1999 to 2003, mainland China accounted for over 50% of the increase in the world's consumption of aluminum.

The demand for aluminum extrusion products in mainland China increased by over 12% in 2004, according to Beijing Antaike, and is likely to remain strong given her continued economic development, ongoing infrastructure investments and demand for industrial and consumer applications. The Group is advantageously positioned to capture such demand growth, while our competence, built upon industry-leading capacity, capability and cost competitiveness in extrusion, will also lead us towards further geographical diversification, notably in our continued penetration of the North American market.

At the same time, according to research conducted by CRU International Limited in 2004, mainland China's consumption of aluminum rolled products between 1999 and 2003 grew at a compound annual growth rate of 14.7%. Mainland China is a net importer of aluminum rolled products, in particular those for high-

end applications. Major end-user markets for rolled products include construction and light industry, beverage and food cans, foil products, transportation and consumer durables.

With only a limited number of mills in Asia Pacific capable of producing high-grade aluminum rolled products, we expect the Group's significant cost advantage and established position in extrusion to enable us to establish a bridgehead in the rolled-products segment across the region. Developments to this end began with our plan in 2003 to construct inside our new industrial base a purpose-built plant with a designed capacity of 400,000 tonnes for the production of aluminum rolled products in the Asia Aluminum Industrial City in Zhaoqing.

Upon commissioning of the rolled-products facility in Zhaoqing in 2007, our annual output of rolled products will be gradually taken up to the designed 400,000 tonnes. Our goal is to rank among the leading aluminum rolled-products manufacturers in the world. Given that, due to the lack of sophisticated plants at home, the demand for nearly all high-quality rolled products in Mainland China is satisfied by imports and, given the strong consumption of rolled products in the Mainland China, we are confident that the rolled-products segment will provide an opportunity for the Group to extend its product range and become a leading high-end producer in Mainland China and Asia.

Together with the planned expansion of our extrusion capacity to 300,000 tonnes in the short term, Asia Aluminum Holdings is poised to become one of the world's premier aluminum producers in the areas of extrusion and rolled products.

Before closing, I wish to extend my sincere appreciation of the enthusiastic support of all our directors and staff, without whose dedication we would not be able to achieve the goals we have set ourselves. You, my fellow shareholders, have always been very supportive and I look forward to your continued support in the future as well. Our financial partners have been very helpful during the year and I am sure that their support will be forthcoming as we pursue our plans in the years ahead.



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constant task to provide our customers with products and service offerings that meet their present needs, and to make timely investments to meet the needs of the future.