

China Alumina Industry Report, 2009

Nov/2009



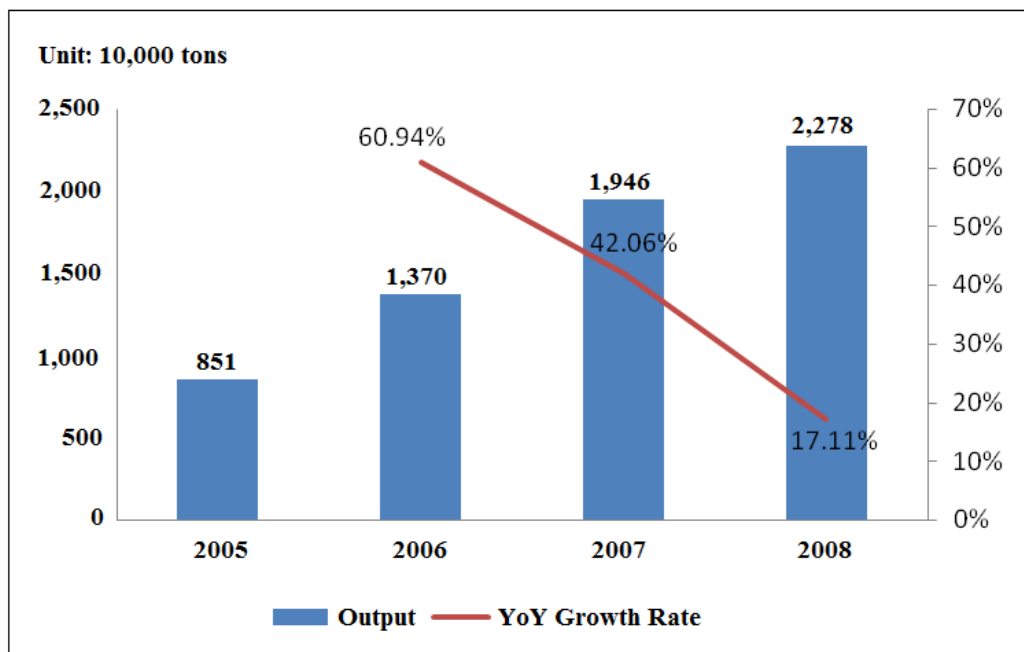
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4. Status Quo of China Alumina Industry

4.2 Status Quo

4.2.1 Production

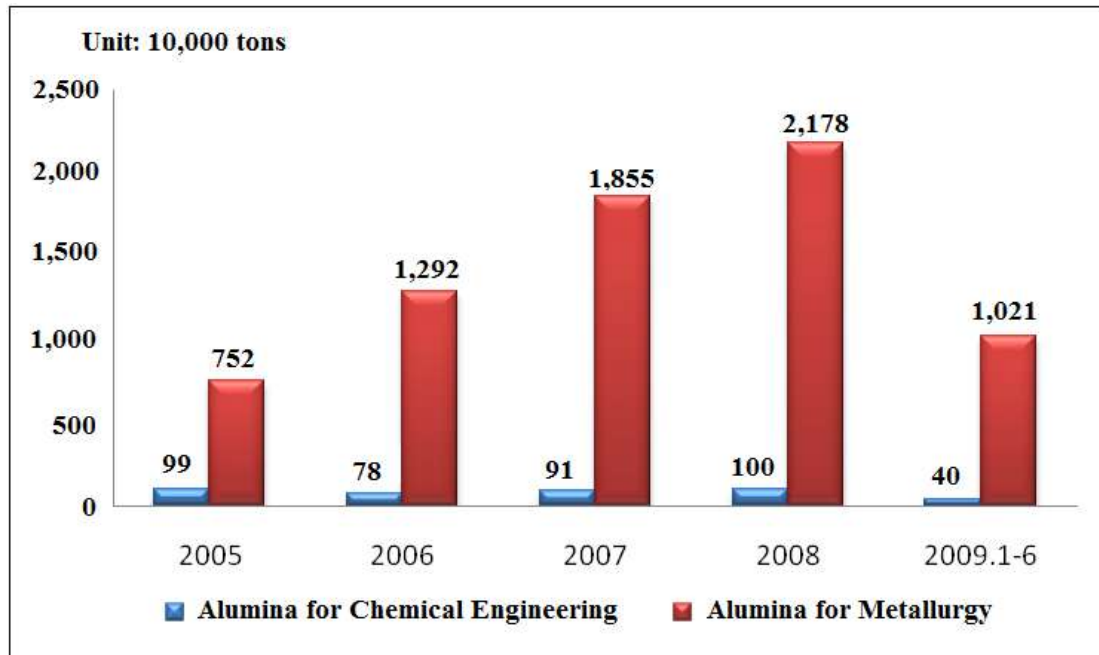
Fluctuation Trend of Alumina Output in China, 2005-2009



Source: ResearchInChina

Alumina output in China continued increasing from 2005 to 2008, with growth rate declining gradually. In 2006, the annual alumina output hit 13.70 million tons, up 60.94% from that of 2005 (8.51 million tons). In 2007, alumina output in China amounted to 19.46 million tons, with growth rate (on a yearly basis) declining to 42.06%, but the growth in the industry continued. In 2008, alumina output in China rocketed to 22.78 million tons, with growth rate sharply falling to 17.11%, implying that the industrial growth rate slows down.

Statistics of Alumina Output in China (by grade), 2005-2009

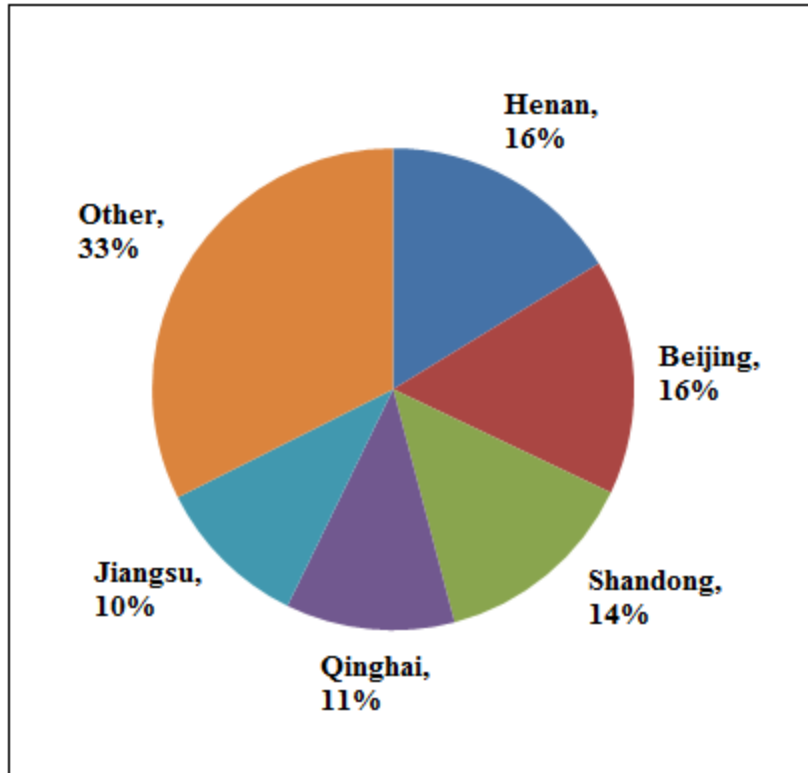


Source: ResearchInChina

According to the above figure, the output of alumina used in China chemical industry witnessed relatively stable growth from 2005 to 2009, with annual output averagely staying at 920,000tons. However, the output of alumina used in metallurgy industry fluctuated greatly in 2009. The above figure shows that the output of alumina used in metallurgy industry ascended sharply from 2005 to 2008, with the growth rate (on the yearly basis) in 2006, 2007, and 2008 successively hitting 71.80%, 43.57%, and 17.44%, and the output in 2006 and 2007 maintained stable growth. However, affected by force majeure in 2008, the output growth slowed down. From January to June 2009, the output of alumina used in metallurgy industry declined remarkably to 10.21 million tons, down 4.04% from the corresponding period of 2008.

4.2.3 Geographical Distribution

Alumina Import of Different Provinces in China, May 2009



Source: ResearchInChina

According to alumina import in May 2009, Henan, Beijing, and Shandong ranked top 3 in China. From January to May 2009, Henan Province imported alumina of 350,000 tons, making up 16% of China's total alumina import, with import volume increasing 69.6% from the corresponding period of last year. Beijing imported alumina of 340,000 tons, basically the same as Henan Province and down 45% from the corresponding period of 2008. Shandong Province imported 298,000 tons, making up 14% of China's total alumina import and up 21.3% on a year-on-year basis. The total import volume of above three provinces (cities) makes up 45.9% of China's total alumina import in the corresponding period. In addition, Qinghai Province and Jiangsu Province imported 244,000 tons and 223,000 tons, making up 11% and 10% of China's total alumina import and respectively up 71.2% and 140% from the corresponding period of 2008.

7. Key Alumina Enterprises

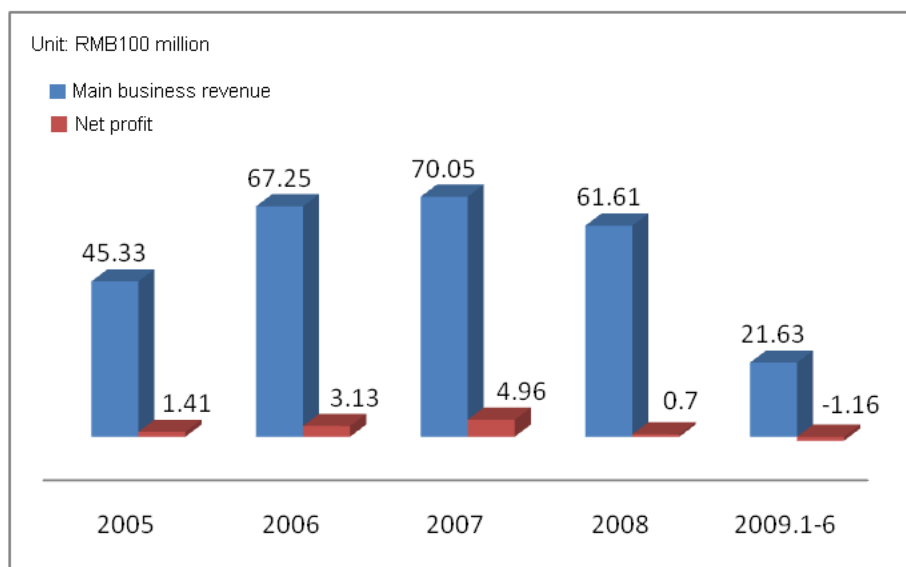
7.2 Yunnan Aluminum Co., Ltd

7.2.1 Profile

The predecessor of the company Yunnan Aluminum Factory was initiated in 1970. Yunnan Aluminum Co. Ltd. is a limited company established by Yunnan Metallurgy Group General Company, which initiated exclusively by transforming its sole subsidiary Yunnan Aluminium Factory's operational assets integrally into a public company. It was set up formally on March 20, 1998. In 2008, comprehensive production capacity of Yunnan Aluminum Co., Ltd exceeded 700,000 tons, of which 400,000 tons are electrolytic aluminum, 160,000 tons of processed aluminum products and 180,000 tons of carbon products; its total assets reached RMB6 billion; it had more than 4000 employees, and the sales revenue amounted to RMB7 billion. Key products of Yunnan Aluminum Co., Ltd include aluminum ingots for remelting, pre-baked anode, aluminum sheet, cast aluminum alloy and electrical aluminum rod. Yunnan Aluminum Co., Ltd has three wholly owned subsidiary companies: Yunnan Yongxin Metal Working Co., Ltd, Yunnan Runxin Aluminum Co. Ltd and Yunnan Wenshan Aluminum Co. Ltd.

7.2.2 Operations

Business Revenue and Profit of Yunnan Aluminum, 2005-2009



Source: Company Annals, ResearchInChina

Influenced by economic and industrial environment, operating revenue of Yunnan Aluminum declined to RMB6.161 billion, down 12% year on year; the profit was just RMB70 million, down 85.9% year on year. During Jan to Jun 2009, operating revenue of Yunnan Aluminum reached RMB2.161 billion, and the loss totaled RMB116 million.

Operating revenue of Yunnan Aluminum in the first two quarters of 2009 declined 28.49; net profit of parent company declined 1.79 times compared with the same period of 2008 thanks to sales price decrease of aluminum products; in the meantime, administrative expense of Yunnan Aluminum increased RMB55 million, up 82.27% compared to the same period of last year. Loss of Yunnan Aluminum in the first quarter of 2009 reached RMB129 million, but then its profit attained RMB13.14 million in the second quarter. Achievements in the third and fourth quarter of 2009 may be improved.

Sales Revenue Structure of Yunnan Aluminum, 2009

Products	Sales revenue (RMB10, 000)	Proportion to total revenue (%)
Aluminum ingot	138165.58	63.88
Processed aluminum products	75825.93	35.06
Others	2287.88	1.06

Source: Company Annals, ResearchInChina

Revenue from aluminum ingot takes a big proportion in total revenue of Yunnan Aluminum. During Jan-Jun 2009, sales revenue of aluminum ingot reached RMB1.38 billion, accounting for 63.88% of its total revenue; sales revenue from processed aluminum products was RMB758 million, accounting for 35.06%.

7.2.3 Trends

800,000-ton alumina project of Yunnan Wenshan Aluminum Co., Ltd has started at the end of 2008. Production capacity of alumina will reach 805,000 tons when the project puts into products; and then self-supply of alumina of Yunnan Aluminum Co., Ltd will be realized. It is forecasted that annual sales revenue will reach RMB2.2 billion, net profit after tax will reach RMB684 million; the capital payback period will be 7.55 years; return rate on investment will be 20.3%; and the capital net profit margin will be 42.78%. Until that time, complete production line of bauxite - alumina - aluminum - electrolytic aluminum-deep processing will be shaped, which will become growing point of Yunnan Aluminum Co., Ltd after 2010.

Yunnan Aluminum Co., Ltd has been among companies that can purchase electricity directly; and then electricity price will decline RMB0.08-0.14, which can reduce production cost of electrolytic aluminum of Yunnan Aluminum Co., Ltd.

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Address: 1105, Tower B, Cai zhi International Building, Zhongguancun East Road No.18, Haidian District, Beijing, Post:100083
Tel: 0086-10-82600828, 82600893
Fax: 0086-10-82600829
Mail: report@researchinchina.com