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Chalco's 2008 Net Plunges

By **DENIS MCMAHON** and **YVONNE LEE**

HONG KONG -- Aluminum Corp. of China Ltd., or Chalco, said Sunday its 2008 net profit plunged nearly 100% from a year earlier and that it expects to swing to a net loss in the first quarter of 2009.

The alumina and aluminum producer posted net profit of 9.2 million yuan (\$1.3 million) for the 12 months ended Dec. 31, down from 10.75 billion yuan (\$1.57 billion) a year earlier, because of higher energy prices, a drop in demand for aluminum and inventory impairment provisions due to a sharp drop in metals prices. Revenue fell 9.9% to 76.73 billion yuan from 85.20 billion yuan.

The results were sharply below the average forecast for a net profit of 1.55 billion yuan, by 13 analysts surveyed by Thomson Reuters.

"In 2008, the disasters including a snow storm and earthquake in the (People's Republic of China) caused substantial losses to the group," Chalco said in its annual report. "[The] international financial crisis, raw material price hikes and sharply decreasing commodity prices further posed unprecedented difficulties and challenges to the group's production and operation."

Chalco issued a profit warning for the first quarter, saying that "the company is still facing an exceptionally challenging business landscape."

The 2008 impairment charge came to 916 million yuan, up from only 25 million yuan a year earlier. The company didn't recommend a final dividend this year, compared with a 0.053 yuan in 2007.

Chalco also said its Chairman Xiao Yaqing has resigned from that post, effective immediately, and that he will also step down as chief executive officer and executive director after the firm's annual general meeting on May 26. The company didn't give a reason for his departure.

However, in February Lu Youqing -- deputy general manager of Chalco's parent, Chinalco -- said that Mr. Xiao was expected to be appointed to a new post as deputy secretary-general of the State Council, China's cabinet.

Mr. Xiao, who was also president of Chinalco, was replaced in that role by Xiong Weiping in February. Mr. Xiong has been nominated as candidate for the executive director position being vacated by Mr. Xiao, Chalco said.

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