1. Reorganization and basis of preparation

(a) Reorganization

The Company was incorporated in the People's Republic of China (the "PRC") on September 10, 2001 as a joint stock company with limited liability as a result of a group reorganization of Aluminum Corporation of China 中國鋁業公司 ("Chinalco or the holding company") in preparation for a listing of the Company's H shares and ADSs on the Main Board of The Stock Exchange of Hong Kong Limited and the New York Stock Exchange, Inc respectively. The initial registered capital of the Company is RMB8.0 billion, consisting of 8.0 billion shares of par value of RMB1.00 per share.

In accordance with a reorganization agreement between Chinalco and the Company effective as of July 1, 2001 (the "Reorganization"), the Company issued 7,673.77 million domestic shares of RMB1.00 per share to Chinalco in exchange for the transfer of various assets, liabilities and interests related to the alumina and primary aluminum businesses including (i) the mining and refining of bauxite into alumina, (ii) the smelting of alumina into primary aluminum, (iii) the research institute and (iv) the marketing, distribution, and sale of alumina and primary aluminum (collectively the "Core Units") to the Company, with the exception of one bauxite mine, two limestone quarries and one carbon plant (collectively the "Excluded Businesses") and bank balances of RMB349,910,000 (the "Excluded Cash") which were retained by Chinalco. As part of the Reorganization, Chinalco transferred mining rights in relation to eight bauxite mines and four limestone quarries to the Company for a total consideration of RMB285,341,000. In addition, 196.8 million shares and 129.43 million shares, both of RMB1.00 each, were issued to Guangxi Development and Investment Co., Ltd 廣西開發投資有限責任公司 ("Guangxi Development") and Guizhou Provincial Materials Development and Investment Corporation 貴州省物資開發投資公司 ("Guizhou Development") for the transfer of equity interest in Pingguo Aluminum Company 平果鋁業公司 and interest in jointly owned assets as set out in Note 20(b) below.

(b) Basis of preparation

The financial statements and the pro forma financial information which comprises the pro forma combined profit and loss account and the pro forma combined cash flow statement together with the notes thereto for the period/year ended December 31, 2001 have been prepared under the historical cost convention as modified by the valuation of short-term investments.

The Group comprises the Company together with its subsidiaries or, where the context so requires, in respect of the period before the Reorganization, such subsidiaries, the Excluded Businesses and the Excluded Cash as if they were either the Company's subsidiaries or part of the Company at that time.

1. Reorganization and basis of preparation *(continued)*

(b) Basis of preparation *(continued)*

(i) Consolidation

The consolidated financial statements include the results of the Group from September 10, 2001 to December 31, 2001 which are accounted for using the acquisition accounting method.

As part of the Reorganization, the assets and liabilities related to the businesses that were transferred by Chinalco to the Company were separately managed with effect from July 1, 2001, accordingly the net result for the period from July 1, 2001 to September 9, 2001 of the businesses transferred to the Company have been accounted for by the Company and presented as a separate line on the consolidated profit and loss account.

(ii) Combination

The pro forma financial information include the results of the Group for the year ended December 31, 2001 on the basis as set out below.

The pro forma combined profit and loss account including the notes thereto for the year ended December 31, 2001 includes the combined results of the Group for the six months ended June 30, 2001, prepared on the same basis as that for the year ended December 31, 2000 as stated below, and the consolidated results of the Group for the six months ended December 31, 2001 which represent the results for this period, after taking account of the effect of the Reorganization. The pro forma combined cash flow statement for the year ended December 31, 2001 is prepared based on the pro forma combined balance sheet as of December 31, 2000 and consolidated balance sheet as of December 31, 2001.

The pro forma combined profit and loss account and the pro forma combined cash flow statement for the year ended December 31, 2000 and the pro forma combined balance sheet as of that date with the notes thereto, which are presented here for comparison purposes only, have been prepared on a combined basis as if the operations and business of and the assets and liabilities related to the Core Units and both the Excluded Businesses and the Excluded Cash were transferred to the Group from Chinalco on 1st January 2000.

In the opinion of the Directors, the resulting presentation of the financial statements and the pro forma financial information gives a more meaningful view of the results and the state of affairs of the Group as a whole.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements for the period ended December 31, 2001 and the pro forma financial information, which conform with accounting principles generally accepted in Hong Kong, are set out below:

(a) Subsidiaries

Subsidiaries are enterprises in which the Group controls the composition of the board of directors, controls more than half of the voting power, holds more than 50 percent of the issued share capital or has power to exercise control over the financial and operating policies. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

The results of operations of subsidiaries acquired or disposed of during the period/year are included in the consolidated/pro forma combined profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate, and the share attributable to minority interests is deducted from the consolidated/pro forma combined net results. Intercompany transactions and balances within the Group are eliminated on consolidation/combination.

In the Company's balance sheet, the investments in subsidiaries are stated at cost to the Company less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Joint ventures

Joint ventures comprise jointly controlled entities as well as jointly owned assets.

(i) Jointly controlled entities

These entities are the result of contractual arrangements whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Entity accounting is adopted and, accordingly, the consolidated/pro forma combined profit and loss account includes the Group's share of the results of jointly controlled entities for the period, and the consolidated/pro forma combined balance sheet include the Group's share of the net assets of the jointly controlled entities.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost to the Company less provision for impairment losses, if any. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2. Principal accounting policies *(continued)*

(b) Joint ventures *(continued)*

(ii) Jointly owned assets

These are assets jointly owned by the Group and other third parties for the purpose of undertaking economic activities in which each party is entitled to its respective share of the output. The pro forma combined profit and loss account includes the Group's share of the income and expenses arising from jointly controlled assets (which were purchased by the Group pursuant to the Reorganization) for the period, and the pro forma combined balance sheet includes the Group's share of the assets and liabilities in relation to such joint ventures.

(c) Property, plant and equipment

(i) Tangible fixed assets are stated at cost to the Group less accumulated depreciation and accumulated impairment losses.

Tangible fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses to their estimated residual value over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	15 to 40 years
Plant and machinery	10 to 20 years
Motor vehicles and transportation facilities	6 to 12 years
Office and other equipment	5 to 10 years

Costs incurred in maintaining fixed assets in their normal working conditions are charged to the profit and loss account. Improvements are capitalized and depreciated over their expected useful lives to the Group.

(ii) The carrying amounts of long-lived assets are reviewed whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is measured as the higher of net selling price and value in use, calculated based on discounted future pre-tax cash flows related to the asset or the cash generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets. Estimates of future cash flows include projections of cash inflows from the continuing use of the asset; projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and that can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life. If there is an indication of impairment, the carrying value of such assets is written down to its recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

2. Principal accounting policies *(continued)*

(d) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost to the Group. Cost comprises direct costs of construction as well as finance costs related to funds borrowed specifically for the purpose of obtaining a qualifying asset. Borrowing costs are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Capitalization of these costs ceases and the construction in progress is transferred to fixed assets when the asset is substantially ready for its intended use.

(e) Intangibles

(i) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries acquired, is recognized as an asset and amortized by equal annual installments over its estimated useful economic life of not more than 20 years.

The gain or loss on disposal of an entity includes the unamortized balance of goodwill relating to the entity disposed of.

(ii) Research and development costs

Research and development costs are expensed as incurred, except for development costs where the technical feasibilities of the product under development have been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognized as an asset and amortized on a straight-line basis over the estimated economic useful period to reflect the pattern in which the related economic benefits are recognized.

No development costs were recognized as assets by the Group.

(iii) Mining rights

Mining rights acquired are capitalized and stated at cost to the Group less accumulated amortization and accumulated impairment losses. Amortization of mining rights is calculated to write off their cost less accumulated impairment losses on a straight-line basis over their estimated useful lives of 30 years.

2. Principal accounting policies *(continued)*

(e) Intangibles *(continued)*

(iv) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(f) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the profit and loss account on a straight-line basis over the lease periods. The Group did not have any assets arranged under finance leases.

(g) Investments in securities

(i) Investment securities

These represent long-term investments in unlisted securities and are stated at cost to the Group less provision for diminution in value, other than diminution of a temporary nature. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The amount of the reduction is recognized as an expense in the profit and loss account.

(ii) Trading securities

These represent short-term investments in listed securities that the Group intends to hold for sale and are carried at fair value, which normally represents the market value. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of the investments are recognized in the profit and loss account. Gains or losses on disposal of short-term investments, representing the difference between the net sales proceeds and the carrying amounts, are recognized in the profit and loss account as they arise.

2. Principal accounting policies *(continued)*

(h) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost to the Group and net realizable value. Cost, calculated on the weighted average method, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Accounts and other receivables

Provision is made against accounts and other receivables to the extent which they are considered to be doubtful. Accounts and other receivables in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, time deposits with an initial term of within three months less advances from bank with repayment within three months from the date of the advance.

(k) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are recognized as income or expenses in the profit and loss account.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. Principal accounting policies *(continued)*

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Taxation

Income taxation charged to the results comprise current and deferred tax. Current income tax is calculated based on the taxable income of the individual companies and enterprises which file separate tax returns for the period/year that is chargeable to tax.

Deferred taxation is provided for under the liability method, at the current taxation rate, in respect of temporary timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(o) Revenue recognition

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which occurs at the time when the goods are delivered to customers and title has passed. No amount of revenue is recorded when the amount of revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

Revenue from the provision of services is recognized when the services are rendered.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognized when the right to receive payment is established.

2. Principal accounting policies *(continued)*

(p) Retirement benefit costs

The Group contributes on a monthly basis to various defined contribution retirement benefit plan organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under these plans. In addition, the Group also made supplementary subsidies to retired employees for period prior to January 1, 2001. Contributions to these plans and supplementary subsidies are expensed as incurred.

(q) Borrowing costs

Borrowing costs that are charged to the profit and loss account in the period in which they are incurred unless they are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

(r) Environmental expenditures

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed as incurred.

Under the PRC law, the Company is required to remediate the area that it mines. The government of the province in which the mine is located prescribes the remediation requirements on the basis of the future intended use of the land and monitors the Company's remediation efforts. Such activities are typically performed concurrently with production. However, remediation efforts at certain mines are expected to commence after 2007 and the Company has established a liability sufficient to meet its remediation obligations. The expenditures necessary to complete remediation efforts are not expected to be material to cash flows or results of operations in any period.

(s) Government subsidies

Government subsidies of revenue nature relating to the current period are recognized as other income in the profit and loss account in the period/year when they become receivable with reasonable assurance.

2. Principal accounting policies *(continued)*

(t) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and exclude assets not dedicated to a particular segment (Note 3(ii)). Segment liabilities comprise operating liabilities and exclude liabilities not dedicated to a particular segment (Note 3(iii)). Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

3. Turnover, revenue and segment information

The Group is principally engaged in the production and distribution of alumina and primary aluminum. Revenues recognized are as follows:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Turnover			
Sales of goods, net of value-added tax	**5,112,820**	**15,987,913**	17,664,069
Other revenues			
Sale of scrap and other materials	**89,049**	**292,621**	166,222
Supply of electricity, heat, gas and water	**46,597**	**144,664**	168,899
Rendering of services	**62,794**	**141,499**	217,583
Interest income	**12,646**	**42,767**	53,276
Income from investment securities	**19**	**19**	889
Total other revenues	**211,105**	**621,570**	606,869
Total revenues	**5,323,925**	**16,609,483**	18,270,938

Primary reporting format - business segments

The Group is organized in the PRC into two main business segments:

- Alumina - mining and processing of bauxite into alumina and the associated distribution activities

- Primary aluminum - production of primary aluminum and the associated distribution activities

Activities of the headquarters and other operations of the Group, comprising the conduction of research and development related to alumina business and minor production and distribution of alumina hydrate, are grouped under corporate and other services segment.

For the period to June 30, 2001, sales between segments in the same plant are made at cost whereas sales between plants are made at prices approximate to market prices. Effective July 1, 2001, all inter-segment and inter-plant sales are made at prices approximate to market prices.

3. Turnover, revenue and segment information *(continued)*

Primary reporting format - business segments *(continued)*

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	**Pro forma combined year ended December 31, 2001** *RMB'000*	Pro forma combined year ended December 31, 2000 *RMB'000*
Segment results			
Turnover			
Alumina			
External sales	**2,298,400**	**7,056,682**	8,751,301
Inter-segment sales	**606,866**	**2,124,637**	2,526,498
	2,905,266	**9,181,319**	11,277,799
Primary aluminum			
External sales	**2,797,859**	**8,888,064**	8,870,582
Corporate and other services			
External sales (i)	**16,561**	**43,167**	42,186
Inter-segment elimination	**(606,866)**	**(2,124,637)**	(2,526,498)
Total turnover	**5,112,820**	**15,987,913**	17,664,069
Cost of goods sold			
Alumina	**2,158,012**	**6,228,266**	6,544,357
Primary aluminium	**2,385,604**	**7,479,896**	6,937,676
Corporate and other services	**15,638**	**38,336**	29,492
Inter-segment elimination	**(605,851)**	**(2,100,248)**	(2,471,464)
Total cost of goods sold	**3,953,403**	**11,646,250**	11,040,061
Gross profit			
Alumina	**747,254**	**2,953,053**	4,733,442
Primary aluminium	**412,255**	**1,408,168**	1,932,906
Corporate and other services	**923**	**4,831**	12,694
Inter-segment elimination	**(1,015)**	**(24,389)**	(55,034)
Total gross profit	**1,159,417**	**4,341,663**	6,624,008

3. Turnover, revenue and segment information *(continued)*

Primary reporting format - business segments *(continued)*

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2000 *RMB'000*
Segment results *(continued)*			
Net profit for the period from July 1, 2001 to September 9, 2001			
Alumina	**179,498**	**—**	—
Primary aluminum	**245,305**	**—**	—
Corporate and other services	**(6,090)**	**—**	—
Unallocated	**(199,150)**	**—**	—
Total net profit for the period from July 1, 2001 to September 9, 2001	**219,563**	**—**	—
Other costs, net of other revenues and other income			
Alumina	**230,034**	**831,629**	628,336
Primary aluminum	**41,536**	**190,729**	417,002
Corporate and other services	**20,566**	**30,511**	4,295
Unallocated	**131,990**	**330,649**	620,011
Total other costs, net of other revenues and other income	**424,126**	**1,383,518**	1,669,644
Segment operating profit/(loss)			
Alumina	**696,718**	**2,121,424**	4,105,106
Primary aluminum	**616,024**	**1,217,439**	1,515,904
Corporate and other services	**(25,733)**	**(25,680)**	8,399
Unallocated	**(331,140)**	**(330,649)**	(620,011)
Inter-segment elimination	**(1,015)**	**(24,389)**	(55,034)
Total operating profit	**954,854**	**2,958,145**	4,954,364
Finance costs	**170,684**	**549,410**	708,233
Operating profit after finance costs	**784,170**	**2,408,735**	4,246,131
Share of (loss)/profit of a jointly controlled entity	**(1,183)**	**(125)**	1,007
Profit before income taxes	**782,987**	**2,408,610**	4,247,138
Income taxes	**182,400**	**756,820**	1,589,475
Profit after income taxes	**600,587**	**1,651,790**	2,657,663
Minority interests	**6,905**	**63,713**	134,666
Profit for the period / year	**593,682**	**1,588,077**	2,522,997
Capital expenditure			
Alumina	**1,533,590**	**2,457,123**	1,147,848
Primary aluminum	**347,548**	**640,110**	545,756
Corporate and other services	**26,893**	**27,638**	7,024
Unallocated	**24,737**	**177,657**	93,794
Total capital expenditure	**1,932,768**	**3,302,528**	1,794,422

3. Turnover, revenue and segment information *(continued)*

Primary reporting format - business segments *(continued)*

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Depreciation and amortization charged to the profit and loss account			
Alumina	**361,844**	**1,131,750**	827,057
Primary aluminum	**195,552**	**603,704**	529,758
Corporate and other services	**795**	**1,969**	811
Unallocated	**33,284**	**76,880**	10,655
Total depreciation and amortization charged to the profit and loss account	**591,475**	**1,814,303**	1,368,281
Impairment losses charged to the profit and loss account			
Alumina	**15,374**	**16,907**	4,032
Primary aluminium	**—**	**—**	—
Corporate and other services	**1,645**	**1,645**	—
Unallocated	**—**	**—**	—
Total impairment losses charged to the profit and loss account	**17,019**	**18,552**	4,032

	Consolidated as of December 31, 2001	Pro forma combined as of December 31, 2000
	RMB'000	*RMB'000*
Segment assets		
Alumina	**18,640,892**	13,853,951
Primary aluminum	**9,406,264**	7,547,817
Corporate and other services	**3,388,545**	91,374
Unallocated (ii)	**2,188,960**	2,724,845
	33,624,661	24,217,987
Inter-segment elimination	**(227,150)**	(909,770)
Total assets	**33,397,511**	23,308,217

3. Turnover, revenue and segment information *(continued)*

Primary reporting format - business segments *(continued)*

	Consolidated as of December 31, 2001 *RMB'000*	Pro forma combined as of December 31, 2000 *RMB'000*
Segment liabilities		
Alumina	9,403,868	3,274,864
Primary aluminum	3,056,013	1,360,396
Corporate and other services	999,210	46,260
Unallocated (iii)	6,069,485	13,985,644
	19,528,576	18,667,164
Inter-segment elimination	(657,030)	(778,770)
Total liabilities	18,871,546	17,888,394

(i) Sales of corporate and other services represent sale of alumina by Zhengzhou Light Metals Research Institute.

(ii) Unallocated assets, which represent assets not dedicated to a particular segment, consist primarily of bank balances and cash, investments, deferred tax assets, other receivables and fixed assets.

(iii) Unallocated liabilities, which represent liabilities not dedicated to a particular segment, consist primarily of short-term and long-term loans, taxation payable and other liabilities.

Secondary reporting format - geographical segments

All assets and operations of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

4. Expenses related to other revenues

Expenses related to other revenues mainly include the cost of scrap and other materials and costs incurred in the supply of electricity, heat, gas and water.

5. Selling and distribution expenses

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Advertising expenses	**560**	**2,527**	3,873
Packaging expenses	**16,897**	**49,626**	43,133
Salaries and welfare expenses	**3,819**	**9,354**	6,438
Transportation and loading	**92,751**	**230,083**	166,196
Others	**17,559**	**43,637**	39,461
	131,586	**335,227**	259,101

6. General and administrative expenses

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Auditors' remuneration	**16,574**	**17,890**	2,297
Depreciation	**28,969**	**85,367**	59,249
Impairment loss on fixed assets	**17,019**	**18,552**	4,032
Loss on disposal of fixed assets	**13,617**	**34,922**	40,350
Provision for doubtful debts and bad debts written off/(written back)	**(5,484)**	**54,216**	(11,681)
Insurance	**11,041**	**43,137**	21,928
Repairs and maintenance	**16,025**	**39,493**	106,723
Salaries and welfare expenses	**77,567**	**262,307**	500,311
Taxes other than income taxes (Note (a))	**51,881**	**177,990**	241,697
Travelling and entertainment	**16,387**	**41,701**	65,224
Utilities and office supplies	**20,924**	**53,193**	56,052
Amortization of goodwill	**7,568**	**12,324**	—
Amortization of mining rights	**3,170**	**4,755**	—
Others	**92,024**	**228,564**	158,901
	367,282	**1,074,411**	1,245,083

(a) Taxes other than income taxes mainly comprise land use tax, city construction tax and education surcharge. City construction tax and education surcharge are levied on an entity based on its total amount of value-added tax and business tax.

7. Other (income)/expenses, net

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001	Pro forma combined year ended December 31, 2000
	RMB'000	*RMB'000*	*RMB'000*
Government subsidies	**(20,468)**	**(22,263)**	(3,636)
Interest waived (Note (a))	**(103,000)**	**(103,265)**	(37,115)
Net exchange loss/(gain)	**1,400**	**(9,913)**	(23,306)
Penalties, fines and compensations	**1,030**	**1,424**	83,641
Loss/(gain) on short-term investments			
— unrealized	**1,108**	**(2,303)**	(3,560)
— realized	**—**	**—**	—
	(119,930)	**(136,320)**	16,024

(a) The gain recorded in 2001 was mainly related to an arrangement made in 2000 between Shanxi Aluminum Plant (now a branch of the Company pursuant to the Reorganization) and the State Development Bank of China for full settlement of the outstanding interest payable of RMB513 million by the payment of a lump sum of RMB410 million. The gain was deferred and not recognized in 2000 due to the presence of a condition at that time that the State Development Bank of China reserved the right to withdraw this interest waiver should there be any future occurance of overdue loan principal and interest payable. The gain was recognized in 2001 given that the right to withdraw no longer applies following the replacement of the loan agreement by a new agreement entered into between the Company and the State Development Bank of China at the end of 2001.

The gain recorded in 2000 was related to an arrangement made by China Great Wall Aluminum Zhongzhou Aluminum Plant (now a branch of the Company pursuant to the Reorganization) with the State Development Bank of China by the payment of a lump sum of RMB50 million as full settlement of an outstanding loan and the related interest payable of RMB35 million and RMB52,115,000 respectively, totalling approximately RMB87 million.

8. Directors', Supervisors and Senior Management's remuneration

(a) Directors' and Supervisors' remuneration

The aggregate amounts of remuneration payable to Directors and Supervisors of the Company during the period/year are as follows:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Fees	**72**	**72**	—
Basic salaries, housing allowances, other allowances and benefits in kind	**938**	**4,019**	4,743
Discretionary bonuses	**—**	**—**	—
Contributions to the retirement scheme	**19**	**37**	5
	1,029	**4,128**	4,748

The remuneration of the Directors and Supervisors fell within the following bands:

	Number of Directors and Supervisors		
	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Nil - RMB1,000,000	**10**	**9**	6
RMB1,000,001 - RMB2,000,000	**—**	**1**	—
Over RMB2,000,000	**—**	**—**	2

Directors' fees disclosed above of RMB72,080 were in respect of amount payable to the two independent non-executive Directors. The remuneration for the periods prior to the incorporation of the Company (as included in the pro forma financial information for the years ended December 31, 2000 and 2001) represents historical amounts paid to the Directors who were the management staff of the Group during those periods.

No Directors or Supervisors of the Company waived any remuneration during the period/year.

8. Directors', Supervisors and Senior Management's remuneration *(continued)*

(b) Five highest paid individuals

The five individuals whose remuneration was the highest in the Group were as follows:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Directors and Supervisors	**4**	**5**	2
Senior management	**1**	**—**	1
Other individuals	**—**	**—**	2

Details of remuneration of Senior Management and other individuals amongst the five highest paid individuals are as follows:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**151**	**—**	2,358
Discretionary bonuses	**—**	**—**	100
Contributions to the retirement scheme	**2**	**—**	4
	153	**—**	2,462

8. Directors', Supervisors and Senior Management's remuneration *(continued)*

(b) Five highest paid individuals *(continued)*

The remuneration fell within the following bands:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 ***RMB'000***	**Pro forma combined year ended December 31, 2001** ***RMB'000***	Pro forma combined year ended December 31, 2000 *RMB'000*
Nil - RMB1,000,000	**1**	—	2
RMB1,000,001 - RMB2,000,000	—	—	—
Over RMB2,000,000	—	—	1

9. Staff costs

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 ***RMB'000***	**Pro forma combined year ended December 31, 2001** ***RMB'000***	Pro forma combined year ended December 31, 2000 *RMB'000*
Wages and salaries	**452,050**	**1,608,645**	1,850,431
Housing subsidies (Note (a)	**33,644**	**125,126**	163,664
Contributions to the retirement scheme (Note (b))	**65,790**	**166,969**	201,462
Supplementary subsidies to retirees (Note (c))	—	—	56,344
Welfare and other expenses	**97,225**	**445,278**	304,386
	648,709	**2,346,018**	2,576,287

9. Staff costs *(continued)*

(a) Prior to 2000, staff quarters were allocated to eligible employees for nominal consideration and related losses were charged to the profit and loss account. Effective January 1, 2000, housing subsidies are provided to staff in the form of pecuniary subsidy. In relation to the Reorganization, any gains or losses arising from allocation of staff quarters to employees of the Group subsequent to December 31, 2000 are entitled to or borne by Chinalco.

(b) The employees of the Group participate in various retirement benefit plans organized by the relevant municipal and provincial governments under which the Group was required to make monthly defined contributions to these plans at rates ranging from 15% to 25% of the employees' basic salary for the period. The Group's contributions to these defined contribution schemes are expensed as incurred and are not reduced by forfeited contributions. The assets of the scheme, which is operated by the respective governments are held separately from the Company and its subsidiaries.

(c) Commencing January 1, 2001, no supplementary subsidies are made by the Group to retired employees.

(d) Staff costs include remuneration paid to Directors, Supervisors and Senior Management as set out in Note 8.

10. Depreciation

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Depreciation charged to the profit and loss account during the period/year	**580,737**	**1,797,225**	1,368,281

11. Finance costs

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2000 *RMB'000*
Interest on bank loans	175,113	546,193	610,101
Interest on other loans			
Wholly repayable within five years	16,659	24,688	84,533
Not wholly repayable within five years	—	20,800	31,878
Total finance costs incurred	191,772	591,681	726,512
Less: amount capitalized in construction in progress	(21,088)	(42,271)	(18,279)
	170,684	549,410	708,233
Interest rates per annum at which finance costs were capitalized	6.0% to 6.5%	6.0% to 7.0%	3.6% to 7.0%

12. Taxation

(a) The amount of taxation charged to the profit and loss account represents:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2000 *RMB'000*
PRC income tax	215,200	799,409	1,304,779
Deferred tax	(32,800)	(43,715)	284,000
	182,400	755,694	1,588,779
Share of taxation attributable to a jointly controlled entity	—	1,126	696
	182,400	756,820	1,589,475

12. Taxation *(continued)*

(b) The current income taxes of the Company, its subsidiaries and the jointly controlled entity have been provided at the PRC enterprises income tax rate of 33% (Pro forma combined year ended December 31, 2000 and 2001: 33%) on the estimated assessable profit for the respective periods, except for a subsidiary which is taxed at a preferential rate of 15% with effect from January 1, 2000 as it is classified as a "high-tech" enterprise in its province for tax purposes.

The tax on the Group's profit before income tax differs from the expected amount that would arise using the basic tax rate in the PRC applicable to the Group as follows:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Profit before income tax	**782,987**	**2,408,610**	4,247,138
Tax calculated at a tax rate of 33%	**258,386**	**794,841**	1,401,556
Deferred tax benefit arising from tax losses not recognized	**63,043**	**87,500**	10,890
Income not subject to tax	**(171,107)**	**(204,953)**	(17,548)
Expenses not deductible for tax purposes	**43,545**	**201,584**	297,546
Utilization of prior year unrecognised tax losses	**—**	**(78,227)**	—
Differential tax rate on the profit of a subsidiary	**(11,467)**	**(43,925)**	(102,969)
Tax charge	**182,400**	**756,820**	1,589,475

Prior to the Reorganization, the Core Units now comprising the Group were separate independent entities for tax reporting and filing purposes. Certain of these Core Units had incurred tax losses in previous periods. As the utilization of these tax losses in future periods, as a result of the Reorganization, is uncertain, the resulting deferred tax benefit arising from these tax losses of approximately RMB220 million (Pro forma combined as of December 31, 2000: RMB371 million) has not been recognized in the financial statements and the pro forma financial information.

12. Taxation *(continued)*

(c) Deferred income tax is calculated on temporary timing differences under the liability method using a principal tax rate of 33%. The movement in the deferred tax account is as follows:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
At beginning of the period/year	**—**	**—**	284,000
Transfer from/(to) profit and loss account	**43,715**	**43,715**	(284,000)
At the end of the period/year	**43,715**	**43,715**	—
Provided for in respect of:			
Provision for receivables and inventories	**33,594**	**33,594**	—
Other timing differences	**10,121**	**10,121**	—
Total deferred tax assets	**43,715**	**43,715**	—
The potential deferred taxation not provided for in the financial statements amounts to:			
Tax losses	**220,332**	**220,332**	370,672
Other timing differences	**177,000**	**177,000**	243,000
	397,332	**397,332**	613,672

Deferred tax balances are attributable to the following items:

	Group		**Company**
	Consolidated 2001	Pro forma combined 2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Current deferred tax assets:			
Provision, primarily receivables	**33,594**	—	**19,593**
Other timing differences	**10,121**	—	**10,121**
Total deferred tax assets	**43,715**	—	**29,714**

13. Profit for the period

The consolidated net profit of the Group for the period from 10th September 2001 (date of incorporation) to 31st December of RMB593,682,000 is dealt with in the financial statements of the Company to the extent of RMB566,855,000, inclusive of the net profit for the period from July 1, 2001 to September 9, 2001 of RMB196,701,000.

14. Dividends

	Period from September 10, 2001 (date of incorporation) to December 31, 2001
	RMB'000
Final, proposed of RMB0.017 per share	**178,498**

The proposed final dividend was declared by the Directors at a meeting held on April 14, 2002. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2002.

15. Earnings per share

The calculation of basic earnings per share for the period from 10th September 2001 to December 31, 2001 is based on the Group's profit of RMB593,682,000 and the weighted average number of 8,244,294,525 shares in issue during the period since the legal formation of the Company.

The calculation of pro forma earnings per share for the year ended December 31, 2001 is based on the Group's pro forma combined profit of RMB1,588,077,000 and the pro forma weighted average number of 8,122,481,912 shares in issue during the period since the legal formation of the Company. The calculation of pro forma earnings per share for the year ended December 31, 2000 is based on the Group's pro forma combined profit of RMB2,522,997,000 and the 8,000,000,000 shares issued and outstanding upon the legal formation of the Company as if such shares had been outstanding throughout the year. As there is no dilutive securities, there is no difference between basic and diluted pro forma earnings per share.

16. Excluded Businesses

The pro forma combined financial statements for 2000 include the financial position and results of operations of the Excluded Businesses, which were retained by Chinalco pursuant to the Reorganization (Note 1). Accordingly, these assets and related operations were not included in the Company's operations subsequent to the Reorganization. The tables below reflect the pro forma combined financial position and results of operations of the Excluded Businesses.

(a) Financial position:

	Pro forma combined as of December 31, 2000 *RMB'000*
Current assets	78,953
Non-current assets	19,590
Current liabilities	(167,906)
Net liabilities	(69,363)

Non-current assets primarily include property, plant and equipment.

(b) Results of operations

	Pro forma combined year ended December 31, 2001 ***RMB'000***	Pro forma combined year ended December 31, 2000 *RMB'000*
Turnover	4,022	38,662
Operating loss before financing costs	13,604	46,485
Finance costs	2,400	4,499
Net loss	16,004	50,984

The results of operations included in the pro forma combined profit and loss account for the year ended December 31, 2001 represent those for the period from January 1, 2001 to June 30, 2001, the date immediately before the effective date of Reorganization, when such businesses were retained by Chinalco.

17. Intangible assets

	Group and Company		
	Goodwill	Mining rights	Total
	RMB'000	*RMB'000*	*RMB'000*
Goodwill arising from acquisition of minority interests pursuant to the Reorganization (Note 1)	229,599	—	229,599
Goodwill arising from acquisition of Chinalco's interests in Core Units	263,355	—	263,355
Acquisition of mining rights pursuant to the Reorganization (Note 1)	—	285,341	285,341
Amortization charge	(12,324)	(4,755)	(17,079)
At December 31, 2001	480,630	280,586	761,216

At December 31, 2001	
Cost	778,295
Accumulated amortization	(17,079)
Net book amount	761,216

There were no intangibles as of December 31, 2000.

18. Property, plant and equipment

	Group					
	Construction in progress	Buildings	Plant and machinery	Motor vehicles and transportation facilities	Office and other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
Acquisition pursuant to the Reorganization	2,221,676	10,439,238	18,276,304	661,574	157,511	31,756,303
Acquisition of a subsidiary	291,218	—	—	—	—	291,218
Additions	1,803,911	9,966	39,175	46,058	33,658	1,932,768
Transfers	(1,036,163)	92,148	919,309	16,644	8,062	—
Disposals	(36,034)	(57,829)	(77,588)	(37,843)	(14,337)	(223,631)
At December 31, 2001	3,244,608	10,483,523	19,157,200	686,433	184,894	33,756,658
Accumulated depreciation						
Acquisition pursuant to the Reorganization	—	3,216,496	8,658,673	397,729	75,705	12,348,603
Charge for the period	—	214,864	699,732	33,352	11,562	959,510
Impairment charge (Note 6)	11,406	—	4,952	661	—	17,019
Disposals	—	(36,296)	(45,823)	(28,583)	(15,923)	(126,625)
At December 31, 2001	11,406	3,395,064	9,317,534	403,159	71,344	13,198,507
Net book value						
At December 31, 2001	3,233,202	7,088,459	9,839,666	283,274	113,550	20,558,151
Pro forma combined at December 31, 2000	1,447,597	5,689,002	7,204,918	275,681	66,981	14,684,179

18. Property, plant and equipment *(continued)*

	Company					
	Construction in progress *RMB'000*	**Buildings** *RMB'000*	**Plant and machinery** *RMB'000*	**Motor vehicles and transportation facilities** *RMB'000*	**Office and other equipment** *RMB'000*	**Total** *RMB'000*
Cost						
Acquisition pursuant to the Reorganization	2,051,741	9,865,161	16,667,984	639,509	148,183	29,372,578
Additions	1,550,089	9,816	37,542	45,551	33,050	1,676,048
Transfers	(916,703)	29,541	864,522	15,933	6,707	—
Disposals	(35,973)	(57,551)	(74,566)	(37,280)	(14,202)	(219,572)
At December 31, 2001	2,649,154	9,846,967	17,495,482	663,713	173,738	30,829,054
Accumulated Depreciation						
Acquisition pursuant to the Reorganization	—	3,075,861	7,950,952	391,602	71,278	11,489,693
Charge for the period	—	201,451	643,772	32,339	10,987	888,549
Impairment charge (Note 6)	11,406	—	4,952	661	—	17,019
Disposals	—	(36,253)	(45,723)	(28,437)	(15,801)	(126,214)
At December 31, 2001	11,406	3,241,059	8,553,953	396,165	66,464	12,269,047
Net book value						
At December 31, 2001	2,637,748	6,605,908	8,941,529	267,548	107,274	18,560,007

All the buildings of the Group and of the Company are located in the PRC.

At December 31, 2001, the net book value of fixed assets pledged as security for short-term and long-term loans of the Group and of the Company amounted to RMB2,283,406,000 (Pro forma combined as of December 31, 2000: RMB1,813,188,000) and RMB2,187,760,000, respectively.

19. Investments in subsidiaries

	Company 2001 *RMB'000*
Investments at cost:	
Unlisted securities	385,581
Shares listed in the PRC	965,196
	1,350,777

Shares listed in the PRC represent those of Shandong Aluminum Industry Co., Ltd. The market value of those listed shares was RMB3,860,077,000 as of December 31, 2001.

The following is a list of the principal subsidiaries as of December 31, 2001:

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held	Principal activities
Shandong Aluminum Industry Co., Ltd.	PRC	Joint stock company with limited liability listed on the Shanghai Stock Exchange	560,000,000 A shares of RMB1 each	71.4%	Manufacture and distribution of alumina and primary aluminium
Shangdong Hengcheng Machinery Works	PRC	State-owned enterprise	Paid up capital of RMB14,087,000	100%	Manufacture of mechanical equipment
ShanxiLongmen Aluminum Co., Ltd.	PRC	Company with limited liability	Paid up capital of RMB40,000,000	55%	Manufacture and distribution of primary aluminum
Zibo Shengye Science Industrial Trading Co., Ltd.	PRC	Company with limited liability	Paid up capital of RMB2,134,000	100% (of which 43% is held indirectly)	Manufacture, installation and repair of testers
The Design Institute of Shandong Aluminum Corporation	PRC	State-owned enterprise	Paid up capital of RMB703,000	100%	Design of production process and provision of technical consulting services

19. Investments in subsidiaries *(continued)*

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held	Principal activities
Zibo Wancheng Industrial Trading Co., Ltd.	PRC	Company with limited liability	Paid up capital of RMB13,870,000	100%	Provision of repair and maintenance services for electrical plant and machinery
Zhengzhou Hicer Hitech Ceramics Co., Ltd.	PRC	Company with limited liability	Paid up capital of RMB5,000,000	80%	Manufacture and distribution of ceramic products
Zibo Kaipeng Hi-tech and Industrial Trading Co., Ltd.	PRC	Company with limited liability	Paid up capital of RMB922,000	100% (of which 32.5% is held indirectly)	Design of manufacturing automated systems
Hejing Hedong Carbon Plant	PRC	Collectively owned enterprise	Paid up capital of RMB1,750,000	72.6%	Manufacture and distribution of electrode
China Aluminum International Trading Co., Ltd.	PRC	Company with limited liability	Paid up capital of RMB100,000,000	100%	Import and export activities
Qinghai Haixing Aluminum Co., Ltd.	PRC	Company with limited liability	Paid up capital of RMB156,000,000	100%	Manufacture and distribution of primary aluminum
Shandong Aluminum Electronic Technology Co., Ltd	PRC	Company with limited liability	Paid up capital of RMB20,000,000	75%	Manufacture and distribution of electronic products

20. Investments in joint ventures

(a) Jointly controlled entity

	Group		Company
		Pro forma	
	Consolidated	combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Unlisted equity securities, at cost	**—**	—	**17,869**
Share of net assets	**17,949**	10,429	**—**
	17,949	10,429	**17,869**

The Company has a 50% interest in ownership, voting power and profit sharing in Shanxi JinXin Aluminum Co., Ltd , a joint venture incorporated and operated in the PRC which is engaged in the production of primary aluminum. The joint venture, which has paid up capital of RMB20,000,000 formed with an unrelated party, was established on April 8, 1996 for a period of 15 years.

(b) Jointly owned assets

Included in the pro forma combined balance sheet as of December 31, 2000 were aggregate amounts of fixed assets of RMB344,272,000 in relation to a jointly owned asset arrangement. An agreement was entered into with Guizhou Development whereby both investors contributed capital to acquire and construct assets to produce primary aluminium for sale in Guizhou province. Ownership of the assets was based on the amount of capital contributed and accordingly, the Group had a 75% participating interest in these jointly owned assets. The Group had control over the operations of these jointly owned assets. However, the joint venture partner was entitled to purchase 30% of the output produced using these assets, at cost. Pursuant to the Reorganization, as referred to in Note 1, shares were issued by the Company to Guizhou Development for the transfer of the latter's interest in these jointly owned assets. Accordingly, the Group has no jointly owned assets since the effective date of Reorganization through to December 31, 2001.

21. Long-term investments

	Group	
	2001	Pro forma combined 2000
	RMB'000	*RMB'000*
Unlisted equity securities, at cost	**2,956**	1,554

22. Inventories

	Group		Company
	Consolidated 2001	Pro forma combined 2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Raw materials	**964,650**	856 570	**814,463**
Work in progress	**1,170,200**	1,076,108	**994,811**
Finished goods	**1,088,184**	927,377	**829,230**
Production supplies	**577,100**	403,120	**570,051**
	3,800,134	3,263,175	**3,208,555**

At December 31, 2001, inventories of the Group and of the Company with cost of RMB254,911,000 (Pro forma combined as of December 1, 2000: RMB35,711,000) and RMB188,053,000, respectively, were stated at the net realizable value amounted of approximately RMB200,518,000 (Pro forma combined as of December 31, 2000: RMB9,294,000) and RMB143,345,000, respectively.

23. Accounts receivable

	Group		Company
	Consolidated 2001	Pro forma combined 2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Trade receivables (Note a)	**1,431,031**	854,191	**1,258,148**
Bills receivables (Note b)	**935,266**	858,518	**715,538**
	2,366,297	1,712,709	**1,973,686**

23. Accounts receivable *(continued)*

(a) Trade receivables

	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Gross trade receivables	**1,856,747**	1,412,337	**1,598,067**
Less: Allowances for doubtful accounts	**(425,716)**	(558,146)	**(339,919)**
	1,431,031	854,191	**1,258,148**

No specific credit period is granted by the Group to its customers. Certain of the Group's sales were on advance payment or documents against payment and sales to small, new or short-term customers are normally expected to be settled shortly after delivery. A credit period, which may be extended for up to one year, may be granted, subject to negotiation, in respect of sales to large or long-established customers.

At December 31, 2001, aging analyses of trade receivables were as follows:

	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Within 1 month	**789,891**	364,200	**675,511**
Between 2 and 6 months	**541,680**	146,587	**499,119**
Between 7 and 12 months	**45,955**	208,244	**34,730**
Between 1 and 2 years	**39,002**	105,539	**35,330**
Between 2 and 3 years	**14,503**	29,621	**13,458**
	1,431,031	854,191	**1,258,148**

(b) Bills receivable are bills of exchange with maturity dates of within six months.

24. Due from related parties

The amounts due from related parties can be analyzed as follows:

	Trade		
	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Holding company and fellow subsidiaries	**20,420**	67,067	**20,420**
Subsidiaries	**—**	—	**48,037**
Other related parties	**—**	11,170	**—**
	20,420	78,237	**68,457**

	Others		
	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Holding company and fellow subsidiaries	**666,469**	223,947	**371,057**
Subsidiaries	**—**	—	**259,850**
Jointly controlled entity	**17,618**	19,893	**17,618**
	684,087	243,840	**648,525**

	Total		
	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Holding company and fellow subsidiaries	**686,889**	291,014	**391,477**
Subsidiaries	**—**	—	**307,887**
Jointly controlled entity	**17,618**	19,893	**17,618**
Other related parties	**—**	11,170	**—**
	704,507	322,077	**716,982**

24. Due from related parties *(continued)*

At December 31, 2001, aging analyses of amounts due from related parties, which are trading in nature, were as follows:

	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Within 1 month	**13,409**	4,994	**13,092**
Between 2 and 6 months	**1,538**	1,906	**49,943**
Between 7 and 12 months	**2,554**	104	**2,503**
Over 1 year	**2,919**	71,233	**2,919**
	20,420	78,237	**68,457**

Other receivables from the holdings company, fellow subsidiaries, and other related parties are unsecured, non-interest bearing and are repayable on demand.

25. Other current assets

	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Purchase deposits to suppliers	**174,934**	444,703	**122,486**
Other deposits and prepayments	**160,908**	84,383	**99,128**
Value-added tax recoverable	**20,893**	47,731	**20,893**
Short-term listed investments, at fair value	**2,376**	7,887	**292**
Others	**287,553**	249,599	**491,665**
	646,664	834,303	**734,464**

(a) At of December 31, 2001, others of the Group and of the Company were stated net of provision for doubtful receivables of RMB178,808,000 (Pro forma combined 2000 as of 31st December: RMB236,298,000) and RMB178,114,000, respectively.

26. Bank balances and cash

Details of bank balances pledged are as follows:

	Assets pledged		Related liabilities	
	Nature	**Amount** *RMB'000*	**Nature**	**Amount** *RMB'000*
Group				
December 31, 2000 (Pro forma combined)	Bank balances	16,897	Bills payable	31,360
	Bank balances	23,000	Short-term bank loans	20,000
	Long-term deposit	60,000	Long-term bank loans	90,000
December 31, 2001	Bank balances	87,171	Bills payable	206,174
(Consolidated)	Bank balances	60,000	Long-term bank loans	90,000
Company				
December 31, 2001	Bank balances	87,171	Bills payable	206,174
	Bank balances	60,000	Long-term bank loans	90,000

27. Accounts payable

	Group		Company
	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*	**2001** *RMB'000*
Trade payables (Note a)	**1,462,577**	1,696,375	**1,287,705**
Bills payable (Note b)	**663,446**	284,360	**589,446**
	2,126,023	1,980,735	**1,877,151**

(a) Trade payables

At December 31, 2001, aging analyses of trade payables were as follows:

	Group		Company
	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*	**2001** *RMB'000*
Within 1 month	**866,481**	860,379	**767,440**
Between 2 and 6 months	**245,544**	449,218	**206,651**
Between 7 and 12 months	**150,564**	184,019	**135,592**
Between 1 and 2 years	**71,126**	62,031	**51,197**
Between 2 and 3 years	**47,347**	36,289	**46,770**
Over 3 years	**81,515**	104,439	**80,055**
	1,462,577	1,696,375	**1,287,705**

(b) Bills payable are repayable within six months.

28. Due to related parties

The amounts due to related parties can be analyzed as follows:

	Trade		
	Group		Company
	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*	**2001 *RMB'000***
Holding company and fellow subsidiaries	**30,206**	33,603	**19,144**
Subsidiaries	**—**	—	**9,123**
Other related parties	**741**	—	**741**
	30,947	33,603	**29,008**

	Others		
	Group		Company
	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*	**2001 *RMB'000***
Holding company and fellow subsidiaries	**1,184,307**	577,786	**1,029,146**
Subsidiaries	**—**	—	**142,694**
Other related parties	**36,960**	17,191	**36,960**
	1,221,267	594,977	**1,208,800**

	Total		
	Group		Company
	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*	**2001 *RMB'000***
Holding company and fellow subsidiaries	**1,214,513**	611,389	**1,048,290**
Subsidiaries	**—**	—	**151,817**
Other related parties	**37,701**	17,191	**37,701**
	1,252,214	628,580	**1,237,808**

28. Due to related parties *(continued)*

At December 31, 2001, aging analyses of amounts due to related parties, which are trading in nature, were as follows:

	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Within 1 month	**7,502**	833	**5,563**
Between 2 and 6 months	**23,445**	7,382	**23,445**
Between 7 and 12 months	**—**	21,131	**—**
Over 1 year	**—**	4,257	**—**
	30,947	33,603	**29,008**

The amounts due to holding company, fellow subsidiaries and other related parties are unsecured, non-interest bearing and are repayable on demand (At December 31, 2000 amounts due to holding company of RMB43,167,000 are interest bearing at rates between 7.2% and 11.2% per annum.).

29. Other payables and accruals

	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Interest payable	**786,335**	705,292	**786,335**
Sales deposits from customers	**411,176**	378,484	**315,167**
Accrued payroll	**760,680**	823,417	**648,749**
Staff welfare payable	**246,298**	860,253	**225,915**
Accrued construction costs	**837,298**	179,835	**514,592**
Taxes other than income taxes payable	**417,973**	619,735	**401,086**
Payable for purchase of minority interests (a)	**200,000**	—	**200,000**
Other accruals	**444,215**	493,568	**624,638**
	4,103,975	4,060,584	**3,716,482**

(a) Prior to the Reorganization, Chinalco acquired the remaining 25% equity interests in Qinghai Aluminum Co., Ltd. from the latter party's then minority shareholders. The consideration was pro rated for the core assets which were transferred to the Group upon the Reorganization. The amount represents balance of the consideration payable and which was transferred to the Group as part of the Reorganization.

30. Issued capital and reserves/owner's equity

(a) Share capital

	Company 2001 *RMB'000*
Registered, issued and fully paid:	
8,000,000,000 domestic shares of RMB1.00 each	**8,000,000**
2,352,942,000 H Shares of RMB1.00 each	**2,352,942**
	10,352,942

The initial registered capital of the Company was RMB8,000,000,000, consisting of 8,000,000,000 domestic shares of par value of RMB1.00 per share. Out of these 8,000,000,000 shares, 7,673,770,000 shares were issued to Chinalco, 196,800,000 shares were issued to Guangxi Development and 129,430,000 shares were issued to Guizhou Development, all of which were credited as fully paid, in consideration for the transfer of relevant assets, liabilities and interests to the Company pursuant to the Reorganization referred to in Note 1 to the financial statements.

In mid December 2001, the Company issued 2,352,941,827 new shares of RMB1 each to the public representing 2,088,198,727 H shares and 2,647,431 American Depositary Shares ("ADSs", each representing 100 H shares), at prices of HK$1.37 per H share and US$17.69 per ADS, respectively, for which the net proceeds to the Company were approximately RMB3.1 billion. Pursuant to the Articles of Association of the Company, except for the currency in which dividends are payable, the domestic shares and H shares issued pursuant to the public offering rank equally with each other in all respects. The H shares and ADSs were listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange, Inc., respectively in mid December 2001.

30. Issued capital and reserves/owner's equity *(continued)*

(b) Reserves

Group

	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Premium on issue of shares	3,492,536	—	—	—	3,492,536
Share issue expenses	(343,075)	—	—	—	(343,075)
Profit for the period/year	—	—	—	593,682	593,682
Transfer to					
— capital reserve (Note (i))	103,000	—	—	(103,000)	—
— statutory surplus reserve (Note (ii))	—	50,646	—	(50,646)	—
— statutory public welfare fund (Note (iii))	—	—	47,836	(47,836)	—
At December 31, 2001	3,252,461	50,646	47,836	392,200	3,743,143

Company

	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Premium on issue of shares	3,492,536	—	—	—	3,492,536
Share issue expenses	(343,075)	—	—	—	(343,075)
Profit for the period	—	—	—	566,855	566,855
Transfer to					
— capital reserve (Note (i))	103,000	—	—	(103,000)	—
— statutory surplus reserve (Note (ii))	—	43,799	—	(43,799)	—
— statutory public welfare fund (Note (iii))	—	—	43,799	(43,799)	—
At December 31, 2001	3,252,461	43,799	43,799	376,257	3,716,316

30. Issued capital and reserves/owner's equity *(continued)*

(b) Reserves *(continued)*

(i) Capital reserve

Capital reserve can only be used to increase share capital. The transfer is related to a gain arising from interest waived as set out in Note 7(a). Pursuant to the introduction of a PRC accounting standard on debt restructuring, which became effective on January 1, 2001, any gains arising from debt restructuring which represent the difference between the final settlement and the carrying value of the debt concerned are directly reflected in capital reserve and therefore not distributable. Accordingly, a transfer has been made from retained earnings to reflect its non-distributable nature.

(ii) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation prepared in accordance with PRC accounting standards to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital

(iii) Statutory public welfare fund

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer between 5% to 10% of the profits after taxation prepared in accordance with PRC accounting standards to the statutory public welfare fund. The use of this fund is restricted to capital expenditure for employees' collective welfare facilities, the ownership in respect of which belongs to the Group. The statutory public welfare fund is not available for distribution to shareholders except under liquidation. Once the capital expenditure on staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare fund to the discretionary surplus reserve, a reserve which can be used to reduce any losses incurred or to increase share capital. The Company decided to make a 10% transfer as statutory public welfare fund for the period ended December 31, 2001.

(c) The owner's equity and reserves on the pro forma combined balance sheet as of December 31, 2000 represented the total of the capital and reserves at that date of the enterprises and companies comprising the Group.

31. Long-term loans

Long-term loans include bank loans and other loans which are analysed as follows:

	Group		Company
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Loans			
Unsecured	**6,125,346**	6,967,199	**5,915,346**
Secured	**590,757**	372,003	**590,757**
	6,716,103	7,339,202	**6,506,103**
Current portion of long-term loans	**(1,324,242)**	(1,773,187)	**(1,324,242)**
	5,391,861	5,566,015	**5,181,861**

The repayment terms of the loans are analysed as follows:

Bank loans			
Wholly repayable within five years	**2,985,891**	1,552,495	**2,775,891**
Not wholly repayable within five years	**2,066,107**	4,443,954	**2,066,107**
	5,051,998	5,996,449	**4,841,998**
Other loans			
Wholly repayable within five years	**1,644,105**	221,073	**1,644,105**
Not wholly repayable within five years	**20,000**	1,121,680	**20,000**
	1,664,105	1,342,753	**1,664,105**
	6,716,103	7,339,202	**6,506,103**

31. Long-term loans *(continued)*

At December 31, 2001, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		
	Group		Company
	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*	**2001 *RMB'000***
Within one year	**691,707**	1,349,430	**691,707**
In the second year	**787,976**	693,579	**737,976**
In the third to fifth year	**2,763,427**	2,199,401	**2,603,427**
After the fifth year	**808,888**	1,754,039	**808,888**
	5,051,998	5,996,449	**4,841,998**

	Other loans		
	Group		Company
	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*	**2001 *RMB'000***
Within one year	**632,535**	423,757	**632,535**
In the second year	**447,550**	205,420	**447,550**
In the third to fifth year	**564,020**	513,576	**564,020**
After the fifth year	**20,000**	200,000	**20,000**
	1,664,105	1,342,753	**1,664,105**

31. Long-term loans *(continued)*

	Total		
	Group		Company
	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*	**2001 *RMB'000***
Within one year	**1,324,242**	1,773,187	**1,324,242**
In the second year	**1,235,526**	898,999	**1,185,526**
In the third to fifth year	**3,327,447**	2,712,977	**3,167,447**
After the fifth year	**828,888**	1,954,039	**828,888**
	6,716,103	7,339,202	**6,506,103**

The Group's bank loans as of December 31, 2001 of RMB1,124,878,000 (Pro forma combined as of December 31, 2000: RMB744,763,000) were secured by the following:

At December 31, 2001

(i) certain property, plant and equipment of the Group (Note 18); and

(ii) bank deposits of RMB60,000,000 of the Group (Note 26).

At December 31, 2000

(i) certain property, plant and equipment of the Group (Note 18); and

(ii) bank deposits of RMB60,000,000 of the Group (Note 26).

As of December 31, 2001, bank loans of the Group and of the Company of RMB2,750,110,000 (Pro forma combined as of December 31, 2000: RMB4,772,793,000) and RMB2,580,110,000, respectively were guaranteed by Chinalco.

31. Long-term loans *(continued)*

The characteristics of long-term loans as of December 31, 2001 can be analysed as follows:

Loan	Interest rate and final maturity	Consolidated 2001 *RMB'000*	Pro forma combined 2000 *RMB'000*
Bank Loans:			
Renminbi-denominated loans:			
Bank loans for development of production facilities	Variable interest rates ranging from interest free to 7.2% per annum as of December 31, 2001 with maturities through 2009	2,637,178	3,638,593
Bank loans for working capital	Majority variable interest rates ranging from 5.9% to 11.2% per annum as of December 31, 2001 with maturities through 2009	2,209,960	2,037,970
U.S. dollar-denominated loans:			
Bank loans for development of production facilities	Variable interest rates ranging from interest free to Libor + 1.5% per annum as of December 31, 2001 with maturities through 2002	9,532	78,280
French franc-denominated loans:			
Bank loans for development of production facilities	Fixed interest rates ranging from 2.8% to 9.4% per annum as of December 31, 2001 with maturities through 2021	178,378	218,968
Netherlands guilder-denominated Loans:			
Bank loans for development of production facilities	Fixed interest rate at 2.8% per annum as of December 31, 2001 with maturities through 2003	3,382	5,310
Danish krone-denominated loans:			
Bank loans for development of production facilities	Fixed interest rates ranging from interest free to 9.2% per annum as of December 31, 2001 with maturities through 2015	13,568	17,328
		5,051,998	5,996,449
Other Loans:			
Renminbi-denominated loans:			
Bank loans for working capital	Variable interest rates ranging from interest free to 6.5% per annum as of December 31, 2001 with maturities through 2006	1,664,105	1,342,753

32. Notes to the consolidated/pro forma combined cash flow statements

Consolidated cash flow statement

(a) Analysis of changes in financing during the period

	Share capital and capital reserve 2001 *RMB'000*	Minority interests 2001 *RMB'000*	Loans 2001 *RMB'000*
Acquisition pursuant to the Reorganization	**10,403,804**	**411,919**	**10,938,312**
Issue of shares	**3,441,674**	—	—
Share issue expenses	**(343,075)**	—	—
Profit for the period	**593,682**	—	—
Minority interests in share of profits	—	**17,961**	—
Net cash inflows/(outflows) from financing related to loans	—	—	**(68,902)**
At December 31, 2001	**14,096,085**	**429,880**	**10,869,410**

32. Notes to the consolidated/pro forma combined cash flow statements *(continued)*

Consolidated cash flow statement *(continued)*

(b) Purchase of a subsidiary

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2000
	RMB'000	*RMB'000*
Net assets acquired		
Fixed assets	**291,218**	—
Inventories	**832**	—
Other receivables	**13,560**	—
Bank balances and cash	**2,038**	—
Other payables	**(63,248)**	—
Short-term loan	**(65,000)**	—
	179,400	—
Satisfied by		
Cash	**179,400**	—

The subsidiary acquired during the year did not contribute (2000: Nil) to the Group's net operating cash flows, did not make payment (2000: Nil) in respect of the net returns on investments, servicing of finance and taxation and paid RMB819,134 (2000: Nil) for investing activities.

Analysis of the net outflow in respect of the purchase of a subsidiary:

	2001	2000
	RMB'000	*RMB'000*
Cash consideration	(179,400)	—
Bank balances and cash in hand acquired	2,038	—
Net cash outflow in respect of the purchase of a subsidiary	(177,362)	—

32. Notes to the consolidated/pro forma combined cash flow statements *(continued)*

Pro forma combined cash flow statement

(a) Analysis of changes in financing during the year

	Owner's equity/Share capital and reserve		Minority interests		Loans	
	2001	2000	**2001**	2000	**2001**	2000
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
At January 1,	**5,026,099**	(2,147,088)	**393,724**	283,091	**10,061,797**	14,864,792
Effect of the Reorganization (note)	**4,127,132**	—	**52,436**	—	**—**	—
Profit for the year	**1,588,077**	2,522,997	**—**	—	**—**	—
Minority interests in share of profits	**—**	—	**63,713**	134,666	**—**	—
Profit distribution	**(4,722)**	(106,352)	**—**	—	**—**	—
Net cash inflows/(outflows) from financing related to loans	**—**	—	**—**	—	**807,613**	(1,621,468)
Contributions from, net of distributions to, owner	**260,900**	(588,430)	**—**	1,200	**—**	—
Conversion of debts into equity	**—**	5,344,972	**—**	—	**—**	(3,181,527)
Dividends paid to minority shareholders	**—**	—	**(79,993)**	(25,233)	**—**	—
Issue of shares	**3,441,674**	—	**—**	—	**—**	—
Share issue expenses	**(343,075)**	—	**—**	—	**—**	—
At December 31,	**14,096,085**	5,026,099	**429,880**	393,724	**10,869,410**	10,061,797

Note: The effect of the Reorganization comprised the net impact of (i) the restatement of property, plant and equipment from their respective carrying value to cost to the Group pursuant to the Reorganisation, (ii) distribution of the Excluded Cash of RMB349,910,000 and (iii) net liabilities of Excluded Business of RMB94,262,000.

Fixed assets	**291,218**	—
Inventories	**832**	—
Other receivables	**13,560**	—
Bank balances and cash	**2,038**	—
Other payables	**(63,248)**	—
Short-term loan	**(65,000)**	—
	179,400	—
Satisfied by		
Cash	**179,400**	—

32. Notes to the consolidated/pro forma combined cash flow statements *(continued)*

Pro forma combined cash flow statement *(continued)*

(a) Analysis of changes in financing during the year *(continued)*

The subsidiary acquired during the year did not contribute (2000: Nil) to the Group's net operating cash flows, did not make payment (2000: Nil) in respect of the net returns on investments, servicing of finance and taxation and paid RMB819,134 (2000: Nil) for investing activities.

Analysis of the net outflow in respect of the purchase of a subsidiary:

	Pro forma combined December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2000 *RMB'000*
Cash consideration	**(179,400)**	—
Bank balances and cash in hand acquired	**2,038**	—
Net cash outflow in respect of the purchase of a subsidiary	**(177,362)**	—

33. Contingent liabilities

(a) Guarantees

At December 31, 2000, guarantees of RMB367,900,000 were given to banks in respect of banking facilities and loans granted to parties, including subsidiaries and associates of Chinalco, employees of the Group and Chinalco and unrelated parties. These guarantees, given by the entities which are retained in the Chinalco group have remained with the Chinalco group pursuant to the Reorganization. Pursuant to the indemnity provision in the Reorganization Agreement, Chinalco shall be responsible for any claims that may be made by the creditor banks against the Group.

No guarantee was given by the Group or the Company as of December 31, 2001.

33. Contingent liabilities *(continued)*

(b) Pending litigation

Certain lawsuits, where Chinalco or entities retained by Chinalco are the defendants or plaintiffs and such lawsuits are related to businesses and operations transferred to the Group, were also transferred to the Group as part of the Reorganization. The results of these proceedings cannot be determined at present, the Directors of the Company are of the opinion that any resulting liabilities will not have a material impact on the financial position of the Group and of the Company.

(c) Compensation with regard to the formation of an equity joint venture

Pursuant to a memorandum of understanding dated November 12, 2001 (the "MOU") signed between the Company and Alcoa International (Asia) Limited ("Alcoa"), the two parties have agreed to form a 50/50 equity joint venture which will own and operate the alumina and primary luminium production facilities owned by a branch of the Company in Pingguo, Guangxi (the "Pingguo JV"). Pursuant to the MOU, if the final joint venture agreement of the Pingguo JV is not executed within eight months of the closing of the Company's global offering, or if all necessary relevant PRC governmental approvals for the Pingguo JV are not obtained within 12 months of the closing of the global offering due to the failure of the Company to abide by its expressions of intent in the MOU, then the Company will be obliged to pay US$7.5 million to Alcoa as compensation.

34. Commitments

(a) Capital commitments for property, plant and equipment

	Group		**Company**
	Consolidated	Pro forma combined	
	2001	2000	**2001**
	RMB'000	*RMB'000*	***RMB'000***
Contracted but not provided for	**3,241,135**	146,933	**3,241,135**
Authorised but not contracted for	**2,427,418**	2,935,511	**2,427,418**
	5,668,553	3,082,444	**5,668,553**

34. Commitments *(continued)*

(b) Commitments under operating leases

At December 31, 2001, the Group and the Company had future aggregate minimum lease payments in relation to land and buildings under non-cancellable operating leases as follows:

	2001
	RMB'000
Not later than one year	**141,968**
Later than one year and not later than five years	**567,873**
Later than five years	**6,087,845**
	6,797,686

The Group had no significant future payments under non-cancellable operating leases as of December 31, 2000.

35. Related party transactions

Related parties refer to entities in which Chinalco has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or Directors or officers of the Company. Given that the PRC government still owns a significant portion of the productive assets in the PRC despite the continuous reform of the government structure, the majority of the Group's business activities had been conducted with enterprises directly or indirectly owned or controlled by the PRC government ("state-owned enterprises"), including Chinalco, in the ordinary course of business. The management of the Company are of the view that the Group is not to disclose transactions with state-owned enterprises whose relationships with the Group were merely by virtue of common control or significant influence by the PRC government as related party transactions.

35. Related party transactions *(continued)*

Saved as disclosed in Note 1(a) in respect of the transactions with respect to the Reorganization and elsewhere in the financial statements and the pro forma financial information. Significant related party transactions which were carried out in the normal course of the Group's business are as follows:

	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	**Pro forma combined year ended December 31, 2001**	Pro forma combined year ended December 31, 2000
	RMB'000	***RMB'000***	*RMB'000*
Sales of materials and finished goods to:			
Holding company and fellow subsidiaries	66,744	333,211	467,029
Jointly controlled entity	6,851	20,078	38,902
Other related parties	84,603	250,281	370,294
	158,198	603,570	876,225
Provision of utility services to the holding company	50,034	167,034	109,059
Provision of engineering, construction and supervisory services by the holding company and fellow subsidiaries	219,703	519,634	764,651
Purchases of key and auxiliary materials from: holding company and fellow subsidiaries	60,025	255,450	194,642
Other related parties	33,471	126,100	107,167
	93,496	381,550	301,809
Provision of social services and logistics services by the holding company	141,231	472,555	443,335
Land and building rental charged by the holding company	43,635	71,559	—
Building rental charged to the holding company	805	1,311	—
Interest expenses in relation to loans from related parties	—	1,554	—
Net temporary advances to related parties	—	72,663	14,163
Net temporary advances from related parties	—	—	24,462

35. Related party transactions *(continued)*

(a) Materials and finished goods sold to Chinalco, fellow subsidiaries and other related companies (including an associated company of a minority shareholder, namely Guangxi Aluminum Development and Investment Stock Co., Ltd. (“Guangxi Associate”), during the period mainly comprised sales of alumina, primary aluminium and scrap materials and were conducted in the normal course of business at normal commercial terms as covered by the following agreements:

(i) General agreement on Mutual Provision of Production Supplies and Ancillary Services entered into between the Company and Chinalco. The pricing policy is summarised below:

- Adoption of the price prescribed by the PRC government (“State-prescribed price”);
- If there is no State-prescribed price then adoption of State-guidance price;
- If there is neither State-prescribed price nor State-guidance price, then adoption of market price (being price charged to and from independent third parties); and
- If none of the above is available, then adoption of a contractual price (being reasonable costs incurred in providing the relevant services plus not more than 5% of such costs).

(ii) Aluminum Ingots and Alumina Supply Agreement entered into between the Company and Guangxi Associate and, under which the Company supply luminium ingots and alumina products to Guangxi Associates for a three-year period commencing from July 1, 2001. The prevailing market price is adopted for pricing purposes.

(b) Utility, including electricity, gas, heat and water, were supplied to Chinalco at the pricing policy as set out in (a)(i) above during the period.

(c) Engineering, project construction and supervisory services were provided by Chinalco and other related parties to the Company mainly for construction projects during the period at prevailing market prices and on commercial terms no more favourable than terms available to third parties as covered by the Provision of Engineering, Construction and Supervisory Services Agreement. The State-guidance price or prevailing market price (including tender price where by way of tender) is adopted for pricing purposes.

(d) Key and auxiliary materials were purchased from Chinalco, fellow subsidiaries and other related companies (including bauxite, limestone, carbon, cement, coal) at normal commercial terms as covered by the General Agreement on Mutual Provision Production Supplies and Ancillary Services and Mineral Supply Agreement.

35. Related party transactions *(continued)*

(e) Social services and logistics services were provided by Chinalco and cover public security and fire services, education and training, school and hospital services, cultural and physical education, newspaper and magazines, publications and broadcasting and printing as well as property management, environmental and hygiene, greenery, nurseries and kindergartens, sanatoriums and canteens, guesthouses and offices, public transport and retirement management, and other services as covered by the Comprehensive Social and Logistics Services Agreement entered into between the Company and Chinalco. The pricing policy is the same as that adopted in the General Agreement on Mutual Provision Production Supplies and Ancillary Services Agreement.

(f) Rental fee were paid to Chinalco for land, inclusive of both for industrial or for commercial purposes, occupied and used by the Company during the period at prevailing market lease rates as covered by the Land Use Rights Leasing Agreement entered into between the Company and Chinalco. The annual rent payable is approximately RMB134 million.

(g) According to the Buildings Leasing Agreement entered into between the Company and Chinalco, the Company is entitled to receive rental fee for buildings and properties transferred to the Group but occupied by Chinalco while the Group is required to pay rental fee for the use of buildings and properties which are retained by Chinalco.

(h) During the period, certain of the Group's debts were covered by guarantees granted by Chinalco to banks and other enterprises for loans borrowed by the Group as covered by the Guarantee of Debts Contract entered into between the Company and Chinalco.

(i) During the period, pursuant to the Trademark Licence Agreement entered into between the Company and Chinalco in 2001, the Company granted a non-exclusive right to use two trademarks to Chinalco for a period of ten years at no cost. The Company will be responsible for the payment of a total annual fee of no more than RMB1,000 to maintain effective registration. Under the terms of the agreement, Chinalco may negotiate extensions upon terms to be agreed upon. The transfer of these trademarks is essential to enable the continuous operations of the assets and businesses transferred to the Company.

36. Significant subsequent events

In January 2002, the Company issued 146,958,153 new H shares of RMB1.0 each at HK$1.38 per H share upon the exercise of the Over-allotment Option by the Joint Global Coordinators of the Global Offering. The net proceeds to the Company from the issue of the additional new H shares amounted to approximately RMB205 million.

37. Ultimate holding company

The Directors regard Chinalco, a company incorporated in the PRC, as being the ultimate holding company.

38. Approval of accounts

The financial statements were approved by the Board of Directors on April 14, 2002.