The consolidated financial statements for the years ended December 31, 2004 and December 31, 2005 have made respective adjustments pursuant to the adoption of the new / revised standards and interpretations of HKFRSs as set out in Note 2(a) to the consolidated financial statements. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong ("HK GAAP") which may differ in various material respects from accounting principles generally accepted in the United States ("U.S. GAAP"). Such differences involve methods for measuring the amounts shown in these financial statements, as well as additional disclosures required by U.S. GAAP.

Effect on net income of significant differences between HK GAAP and U.S. GAAP is as follows:

		For the year ended December 31,		
		2004	**2005**	**2005**
	Note	*RMB'000*	***RMB'000***	***US$'000***
Profit after income taxes under HK GAAP (restated for 2004)		6,635,063	**7,246,434**	**897,847**
U.S. GAAP adjustments:				
Depreciation of revalued property, plant and equipment	(a)	269,999	**269,999**	**33,453**
Amortization of goodwill	(b)	24,648	**—**	**—**
Amortization of mining rights	(c)	9,307	**9,307**	**1,153**
Minority interest	(d)	(243,540)	**(224,012)**	**(27,756)**
Income tax effect of U.S. GAAP adjustments	(e)	(72,561)	**(72,561)**	**(8,991)**
Net income under U.S. GAAP		6,622,916	**7,229,167**	**895,706**
Basic and diluted net income per share under U.S. GAAP		RMB0.60	**RMB0.65**	**US$0.08**

Effect on equity of significant differences between HK GAAP and U.S. GAAP is as follows:

		As of December 31,		
		2004	**2005**	**2005**
	Note	*RMB'000*	***RMB'000***	***US$'000***
Equity under HK GAAP (restated for 2004)		28,805,878	**34,204,894**	**4,238,052**
U.S. GAAP adjustments:				
Revaluation of property, plant and equipment, net of related depreciation	(a)	(2,861,717)	**(2,591,718)**	**(321,119)**
Amortization of goodwill	(b)	73,944	**73,944**	**9,162**
Revaluation of mining rights, net of related amortization	(c)	(252,421)	**(243,114)**	**(30,122)**
Minority interest	(d)	(1,239,083)	**(1,560,455)**	**(193,343)**
Income tax effect of U.S. GAAP adjustments	(e)	910,005	**837,444**	**103,761**
Equity under U.S. GAAP		25,436,606	**30,720,995**	**3,806,391**

In preparing the summary of differences between HK GAAP and U.S. GAAP, the Directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates of revenue and expenses. Accounting estimates have been employed in these financial statements to determine reported amounts, including realizability, useful lives of tangible and intangible assets and income taxes. Actual results could differ from those estimates.

(a) Revaluation of property, plant and equipment

Under HK GAAP, property, plant and equipment transferred from Chinalco to the Group were accounted for under the acquisition accounting. As a result, the Group's property, plant and equipment were revalued at fair value under HK GAAP. Under U.S. GAAP, the new cost basis for the property, plant and equipment was not established for the Group as the transfer was a transaction under common control. When an asset is transferred from the parent to its wholly-owned subsidiary, the subsidiary records the asset at the parent's carrying value.

(b) Amortization of goodwill

Until December 31, 2004, under HK GAAP, goodwill resulting from acquisitions under purchase accounting is recognized as an intangible asset and amortized on a straight-line basis over its estimated useful economic life of not more than 20 years. Under U.S. GAAP, annual amortization of this amount ceased effective from January 1, 2002. Goodwill is subject to annual impairment testing and is written down if carrying value exceeds fair value. In accordance with the provisions of HKFRS 3 effective from January 1, 2005, the Group ceased amortization of goodwill and goodwill is subject to annual impairment testing. Accordingly, except for the differences recognized in prior years, there is no difference between HK GAAP and U.S. GAAP in relation to amortization of goodwill.

(c) Revaluation of mining rights

As part of the Group reorganization and pursuant to the Mining Rights Transfer Agreement, the Group acquired mining rights of eight bauxite mines and four limestone quarries from Chinalco for a consideration of RMB285,341,000. Under HK GAAP, mining rights acquired are capitalized and stated at acquisition cost less accumulated amortization and accumulated impairment losses. Amortization of mining rights is calculated on a straight-line basis over their estimated useful lives of not more than 30 years. Under U.S. GAAP, the new cost basis was not established for the Group as the transfer was a transaction under common control.

(d) Minority interest

Under HK GAAP, minority interest is presented on the face of the profit and loss account of the portion of profit and loss attributable to the minority interest and to the equity holders of the Company and presented as a component of equity. Under U.S. GAAP, the allocation amounts are not presented as a component of net income or loss and minority interest is not presented as a component of equity.

(e) Income tax effect of U.S. GAAP adjustments

Under U.S. GAAP, deferred tax assets relating to the reversal of the property, plant and equipment revaluation, goodwill amortization and mining rights are recognized.

(f) Recent U.S. accounting pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payment. This standard requires companies to measure and recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. In addition, SFAS No. 123 requires compensation expense to reflected using the non-substantive vesting period approach, in which the compensation expense is recognized ratably over the requisite service period following the date of grant. The Group does not expect a material impact on the Group's financial position and it's results of operation.

SFAS No. 154, Accounting Changes and Error Corrections, a replacement of Accounting Principles Board Opinion No. 20 and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, was issued in June 2005. SFAS No. 154 requires retrospective application to financial statements of prior periods for changes in accounting principle that are not adopted prospectively. This statement is effective January 1, 2006. This standard has no impact on the Group's 2005 financial statements.

(f) Recent U.S. accounting pronouncements *(Continued)*

In 2005, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 04-6, Accounting for Stripping Costs Incurred during Production in the Mining Industry. EITF 04-6 requires that stripping costs incurred during the production phase of a mine are to be accounted for as variable production costs that should be included in the costs of the inventory produced (that is, extracted) during the period that the stripping costs are incurred. EITF 04-6 is effective for the first reporting period in fiscal years beginning after December 15, 2005. The Group is currently evaluating the impact of this statement on the Group.

In March 2005, FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations ("FIN 47"). FIN 47 clarifies the accounting for conditional asset retirement obligations as used in SFAS No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of an entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Thus, the timing and/or method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred-generally upon acquisition, construction, or development and/or through the normal operation of the asset. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. This interpretation is effective December 31, 2005. The adoption of FIN 47 has no material impact on the Group's 2005 financial statements.