1. General information

Aluminum Corporation of China Limited (中國鋁業股份有限公司) (the "Company") and its subsidiaries (together the "Group") are principally engaged in bauxite mining, alumina refining and aluminum smelting. Principal products are alumina and primary aluminum.

The Company is a joint stock company incorporated on September 10, 2001 in the People's Republic of China (the "PRC") with limited liability. The address of its registered office is No. 12B, Fuxing Road, Haidian District, Beijing, the PRC.

The Company has its dual listing on The Stock Exchange of Hong Kong Limited and New York Stock Exchange, Inc. in 2001.

These consolidated financial statements have been approved for issue by the Board of Directors on March 10, 2007.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(i) New standards, amendments to published standards and interpretations which are effective in 2006

- Amendment to HKAS 39, Amendment to "The Fair Value Option", effective for annual periods beginning on or after January 1, 2006. This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. This amendment has no material impact on the Group's accounting polices, as the Group's existing accounting policies comply with the amended requirements.

- Amendment to HKAS 39 and HKFRS 4, Amendment "Financial Guarantee Contracts", effective for annual periods beginning on or after January 1, 2006. This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value, and subsequently measured at the higher of (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on the Group's financial statements.

- HKFRS 6, "Exploration for and Evaluation of Mineral Resources", effective for annual periods beginning on or after January 1, 2006. It permits an entity to develop an accounting policy for exploration and evaluation assets without specifically considering the requirements of HKAS 8 "Accounting polices, changes in accounting estimates and errors". Thus, an entity adopting HKFRS 6 may continue to use the accounting policies applied immediately before adopting this HKFRS. This includes continuing to use recognition and measurement practices that are part of those accounting policies. This amendment has no material impact on the Group's accounting polices, as the Group's existing accounting policies comply with the amended requirements.

- HK(IFRIC)-Int 4, "Determining Whether an Arrangement Contains a Lease", effective for annual periods beginning on or after January 1, 2006. It requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Some of the Group's contracts are required to be accounted for as leases in accordance with HKAS 17, "Leases". However, these leases are operating leases, and their reclassifications have no impact on the expense recognized in respect of them.

2. Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following are the new standards and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after May 1, 2006 or later periods that the Group has not early adopted:

- HKFRS 7, "Financial Instruments: Disclosures" (effective for annual periods beginning on or after January 1, 2007), HKAS 1, "Amendments to capital disclosures" (effective for annual periods beginning on or after January 1, 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Group has assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will adopt HKFRS 7 and the amendment to HKAS 1 from annual periods beginning January 1, 2007.

- HK(IFRIC)-Int 8, "Scope of HKFRS 2" (effective for annual periods beginning on or after May 1, 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from January 1, 2007, but it is not expected to have any significant impact on the Group's financial statements.

- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after June 1, 2006). Management believes that this interpretation should not have significant impact on the Group's accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with HK(IFRIC)-Int 9.

2. Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- HK(IFRIC)-Int 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after November 1, 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from January 1, 2007, but it is not expected to have any significant impact on the Group's financial statements.

- HK(IFRIC)-Int 11, "HKFRS 2 - Group and treasury share transfer" (effective for annual periods beginning on or after March 1, 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply HK(IFIC)-Int 11 from January 1, 2008 but it is not expected to have any significant impact on the Group's financial statements.

(iii) Interpretation to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretation to existing standards has been published that is mandatory for accounting periods beginning on or after May 1, 2006 or later periods which is not relevant to the Group's operations:

- HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies" (effective from March 1, 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a Currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations.

2. Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(iv) Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2006 but which are not relevant to the Group's operations:

- HKAS 19 Amendment - "Employee Benefits";
- HKAS 21 Amendment - "New Investment in a Foreign Operation";
- HKAS 39 Amendment - "Cash Flow Hedge Accounting of Forecast Intragroup Transactions";
- HKFRS 1 Amendment - "First-time Adoption of Hong Kong Financial Reporting Standards"
- HK(IFRIC)-Int 5, "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"; and
- HK(IFRIC)-Int 6, "Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment"

(b) Consolidation

The consolidated financial statements included the results of the Company and its subsidiaries made up to December 31.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Minority interest represents the interests of outside shareholders in the operating results and net assets of subsidiaries.

2. Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2(c)(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(w)). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

2. Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(iii) Jointly controlled entities

A jointly controlled entity is 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.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2. Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2. Summary of significant accounting policies *(Continued)*

(c) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate / jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities and is tested annually for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The Group allocates goodwill to each business segment and is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that the Company expects to benefit from the business combination in which the goodwill arose.

(ii) Mining rights

Mining rights acquired, including exploration costs, are capitalized and stated at cost to the Group less accumulated amortization and accumulated impairment losses, if any. 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 no longer than 30 years.

2. Summary of significant accounting policies *(Continued)*

(c) Intangible assets *(Continued)*

(iii) Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(b) management intends to complete the intangible asset and use or sell it;

(c) there is an ability to use or sell the intangible asset;

(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

Development assets are tested for impairment annually.

During the year ended December 31, 2006, research expenditure of RMB113,529,000 (2005: RMB113,381,000) was recognized as an expense in the income statement, and no development assets were recognized (2005: Nil).

2. Summary of significant accounting policies *(Continued)*

(c) Intangible assets *(Continued)*

(iv) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

(d) Property, plant and equipment

Property, plant and equipment are stated at cost to the Group less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

2. Summary of significant accounting policies *(Continued)*

(d) Property, plant and equipment *(Continued)*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	15 to 40 years
Plant and machinery - electricity transmission equipment	32 years
Plant and machinery - others	10 to 20 years
Motor vehicles and transportation facilities	6 to 12 years
Office and other equipment	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(w)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized with other gains or losses in the income statements.

(e) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost. Cost comprises direct costs of construction as well as capitalized finance costs related to funds borrowed specifically for the purpose of obtaining a qualifying asset less any accumulated impairment losses. It is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

(f) Leases (as the lessee for operating lease)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Summary of significant accounting policies *(Continued)*

(h) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognized on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the income statement. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

2. Summary of significant accounting policies *(Continued)*

(h) Financial assets *(Continued)*

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains or losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in the income statement; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement - is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of accounts receivable and other receivables is described in Note 2(x).

2. Summary of significant accounting policies *(Continued)*

(i) Inventories

Inventories comprise raw materials, work-in-progress, finished goods and production supplies and are stated at the lower of cost to the Group and net realizable value. Work-in-progress and finished goods, calculated on the weighted average method, comprise materials, direct labor and an appropriate proportion of all production overhead expenditure. Borrowing costs are excluded. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

(j) Cash and cash equivalents

Cash and cash equivalents are cash in hand, deposits with banks and other cash investments with an original maturity of 3 months or less.

For the purpose of the cash flow statement, time deposits and other cash investments with original maturity more than 3 months are excluded from cash and cash equivalents.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

2. Summary of significant accounting policies *(Continued)*

(k) Foreign currency translation *(Continued)*

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the income statement as part of the fair value gain or loss. Translation difference on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(l) Provisions

Provisions are recognized 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 the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax cash flow projection that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2. Summary of significant accounting policies *(Continued)*

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(n) Accounts payable and other payables

Accounts payables and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(o) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. Summary of significant accounting policies *(Continued)*

(p) Revenue recognition *(Continued)*

(i) Sales of goods

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.

(ii) Sales of services

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

(iii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(iv) Dividend income

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

2. Summary of significant accounting policies (Continued)

(q) Employee benefits

(i) Bonus plans

The expected cost of bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(ii) Retirement benefit obligations

The Group pays contribution on a monthly basis to various defined contribution retirement benefit plans organized 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. Contributions to these plans are expensed as incurred.

(iii) Housing funds

The Group provides housing funds based on certain percentage of the wages and with no more than the upper limit of the requirement. The housing funds are paid to social security organization and corresponding amounts paid are expensed as incurred.

(r) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. Summary of significant accounting policies *(Continued)*

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Borrowing costs capitalized are those costs that would have been avoided if the expenditure on the qualifying assets had not been made, which are either the actual costs incurred on a specific borrowing or an amount calculated using the weighted average method, considering all borrowing costs incurred on general borrowings outstanding.

Other borrowing costs are expensed as incurred.

(t) Environmental expenditures

Environmental expenditures mainly include expenditures necessary to complete remediation efforts and expenses related to the handling of waste water, gas and materials. Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed as incurred.

Under the PRC law, the Group 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 Group's remediation efforts. Such activities are typically performed concurrently with production. However, remediation efforts at certain mines are expected to commence after 2007. The expenditures necessary to complete remediation efforts are not expected to be significant to cash flows or results of operations in any periods.

(u) Government subsidies

Grants or subsidies from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants or subsidies relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants or subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2. Summary of significant accounting policies *(Continued)*

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(w) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(x) Accounts receivable and other receivables

Accounts receivable and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

3. Financial risk management

The Group is subjected to the following market risk:

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a centralized treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The relevant departments assess the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group performs periodic credit evaluations of its customers and believes that adequate provision for doubtful receivables have been made in the financial statements. Management does not expect any losses from non-performance by these counterparties.

None of the Group's customers exceed 10% of the Group's total revenue and do not individually present a material risk to the Group's sales.

The Group maintains substantially all of its cash and cash equivalents in interest bearing accounts in several major financial institutions in the PRC. No other financial assets carry a significant exposure to credit risk.

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Interest rate risk

The Group is exposed to changes in interest rates due to its long-term debt obligations which are disclosed in Note 20 to the consolidated financial statements. The Group enters into debt obligations to support general corporate purposes including capital expenditures and working capital needs. The Group does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

(c) Foreign currency risk

The Group has assets and liabilities primarily with respect to the US Dollar ("US$") and Australian Dollar that are subject to fluctuations in foreign currency exchange rates. However, the Group does not use any derivative instruments to reduce its economic exposure to changes in exchange rates.

(d) Commodity price risk

As the Group sells alumina and primary aluminum at market prices, it is exposed to fluctuations in these prices. The Group uses a limited number of futures contracts to reduce its exposure to fluctuations in the price of primary aluminum.

The Group uses the majority of its futures contracts traded on the Shanghai Futures Exchange and London Metal Exchange to hedge against fluctuations in aluminum price. The futures contracts are marked to market at balance sheet date and corresponding unrealized holding losses are recorded in the income statement for the year.

(e) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and short-term deposits, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

3. Financial risk management *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, trade payable, other payables and accruals, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios as of December 31, 2006 and 2005 were as follows:

	2006	2005
	RMB'000	*RMB'000*
Total borrowings	**28,336,811**	23,628,877
Less: Cash and cash equivalents	**12,802,775**	7,597,727
Net debt	**15,534,036**	16,031,150
Total equity	**47,765,926**	34,204,894
Total capital	**63,299,962**	50,236,044
Gearing ratio	**24.5%**	31.9%

The decrease in the gearing ratio as of December 31, 2006 resulted primarily from the issuance of new H shares (Note 19 (a)) and significant increase in cash and cash equivalents generated from operations.

3. Financial risk management *(Continued)*

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying amounts of the Group's financial assets, including cash and cash equivalents, time deposits, investments, trade accounts receivable, bills receivable and other receivables and financial liabilities, including trade accounts payable, bills payable, short-term debt and other payables, approximate their fair values due to their short maturity.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. Critical accounting estimates and judgments *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(a) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

The impairment loss on property, plant and equipment is recognized for the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 2(w) of this section. The recoverable amounts have been determined based on fair value less costs to sell, which is based on the best information available to reflect the amount that obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

(b) Income taxes

The Group is subject to income taxes in various regions within the PRC. As a result of certain matters relating to the income taxes that have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provisions in the period in which the differences realize.

4. Critical accounting estimates and judgments *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(c) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation on each of the balance sheet date.

5. Business combinations - Group

During 2006, the Group completed the acquisition of the following entities incorporated and operated in the PRC, which are engaged in the manufacturing and trading of primary aluminum products.

Date of acquisition	Name of entity	Equity interest acquired	Consideration paid/payable *RMB'000*
March 11, 2006	Fushun Aluminum Co., Ltd (撫順鋁業有限公司) ("Fushun Aluminum")	100%	500,000
July 15, 2006	Zunyi Aluminum Co., Ltd (遵義鋁業股份有限公司) ("Zunyi Aluminum")	61.29%	202,251
July 18, 2006	Shandong Huayu Aluminum and Power Co., Ltd. (山東華宇鋁電有限責任公司) ("Huayu Aluminum")	55%	412,252
September 19, 2006	Gansu Hualu Aluminum Co., Ltd (甘肅華鷺鋁業股份有限公司) ("Hualu Aluminum")	51%	270,300
			1,384,803

The English names of certain subsidiaries represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

5. Business combinations - Group *(Continued)*

The acquired businesses contributed revenues in aggregate of RMB3,924,075,000 and net profits of RMB458,060,000 to the Group for the period from the respective dates of acquisition to December 31, 2006. Had all the acquisitions been occurred on January 1, 2006, the acquired businesses would have contributed in unaudited aggregate revenues of approximately RMB4,593,000,000 and unaudited net profits of approximately RMB495,000,000 to the Group for the period from January 1, 2006 to December 31, 2006. Contributions by each acquisition are summarized below:

	Contribution by the acquired business from the respective dates of acquisition to December 31, 2006		Had the acquisitions took place on January 1, 2006, contribution by the acquired business	
	Revenue	**Net profit**	Revenue (Unaudited)	Net profit (Unaudited)
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Fushun Aluminum	**1,607,961**	**86,240**	1,697,947	87,596
Zunyi Aluminum	**718,455**	**153,696**	1,297,348	189,584
Huayu Aluminum	**1,020,194**	**129,469**	1,020,194	129,469
Hualu Aluminum	**577,465**	**88,655**	577,465	88,655
	3,924,075	**458,060**	4,592,954	495,304

Details of net assets acquired and excess of cost over acquired interest of the above businesses during 2006 in aggregate are as follows:

	RMB'000
Purchase consideration - cash	1,384,803
Fair value of net identifiable assets acquired (See below)	1,562,775
Excess of interest in the net fair value of net assets acquired over cost *(Note 24)*	177,972

5. Business combinations - Group *(Continued)*

	Fushun Aluminum		Zunyi Aluminum		Huayu Aluminum		Hualu Aluminum		Total	
	Acquiree's carrying amounts	Fair value	Acquiree's carrying amounts	Fair value	Acquiree's carrying amounts	Fair value	Acquiree's carrying amounts	Fair value	Acquiree's carrying amounts	Fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment *(Note 7)*	832,546	832,546	585,711	673,153	1,659,986	1,665,169	829,798	830,065	3,908,041	4,000,933
Land use rights *(Note 8)*	194,175	194,175	53,285	91,379	110,737	119,552	172,252	172,252	530,449	577,358
Inventories	171,208	171,208	60,068	60,068	204,379	204,379	230,802	230,802	666,457	666,457
Deferred tax assets *(Note 16)*	—	—	22,821	22,821	—	—	10,353	10,353	33,174	33,174
Receivables	5,826	5,826	142,569	142,569	10,000	10,000	230,556	230,556	388,951	388,951
Cash and cash equivalents	1,392	1,392	241,402	241,402	—	—	269,879	269,879	512,673	512,673
Payables and accruals	(122,374)	(122,374)	(225,989)	(225,989)	(472,552)	(472,552)	(412,491)	(412,491)	(1,233,406)	(1,233,406)
Borrowings	(581,400)	(581,400)	(537,100)	(537,100)	(613,050)	(613,050)	(798,170)	(798,170)	(2,529,720)	(2,529,720)
Net assets	501,373	501,373	342,767	468,303	899,500	913,498	532,979	533,246	2,276,619	2,416,420
Minority interest		—		(181,281)		(411,074)		(261,290)		(853,645)
Net assets acquired		501,373		287,022		502,424		271,956		1,562,775

Purchase consideration	1,384,803
Purchase consideration remained unsettled as of December 31, 2006 (included in other payables *(Note18)*)	(400,000)
Cash and cash equivalents in subsidiaries acquired	(512,673)
Cash outflow on acquisitions	472,130

There was no acquisition of subsidiary during the year ended December 31, 2005.

6. Intangible assets

	Group and Company			
	Goodwill	Mining rights	Computer Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2005				
Cost	406,686	404,329	—	811,015
Accumulated amortization	—	(81,862)	—	(81,862)
Net book amount	406,686	322,467	—	729,153
Year ended December 31, 2005				
Opening net book amount	406,686	322,467	—	729,153
Additions	—	28,722	—	28,722
Amortization *(Note 27)*	—	(36,396)	—	(36,396)
Closing net book amount	406,686	314,793	—	721,479
As of December 31, 2005				
Cost	406,686	433,051	—	839,737
Accumulated amortization	—	(118,258)	—	(118,258)
Net book amount	406,686	314,793	—	721,479
Year ended December 31, 2006				
Opening net book amount	406,686	314,793	—	721,479
Additions	—	22,704	6,680	29,384
Reclassification	—	(10,514)	—	(10,514)
Amortization *(Note 27)*	—	(23,759)	(445)	(24,204)
Closing net book amount	406,686	303,224	6,235	716,145
As of December 31, 2006				
Cost	406,686	444,423	6,680	857,789
Accumulated amortization	—	(141,199)	(445)	(141,644)
Net book amount	406,686	303,224	6,235	716,145

6. Intangible assets *(Continued)*

Impairment tests for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill allocation is presented below:

	Group and the Company	
	2006	2005
Business segment	***RMB'000***	*RMB'000*
Alumina	**189,419**	189,419
Primary aluminum	**217,267**	217,267
	406,686	406,686

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flows projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The key assumptions used for value-in-use calculations included budgeted gross margin and pre-tax discount rate applied to cash flow projections.

As of December 31, 2006, there was no impairment loss in the value of goodwill.

7. Property, plant and equipment

	Group					
	Buildings	Plant and machinery	Motor vehicles and transportation facilities	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As January 1, 2005						
Cost	13,865,572	26,842,329	1,069,879	278,957	10,625,611	52,682,348
Accumulated depreciation and impairment	(4,710,847)	(13,199,429)	(590,502)	(134,015)	(21,322)	(18,656,115)
Net book amount	9,154,725	13,642,900	479,377	144,942	10,604,289	34,026,233
Year ended December 31, 2005						
Opening net book amount	9,154,725	13,642,900	479,377	144,942	10,604,289	34,026,233
Additions	54,504	77,409	6,835	19,142	8,183,093	8,340,983
Transfers/reclassification	2,766,263	9,171,673	390,699	4,377	(12,333,012)	—
Depreciation	(522,206)	(1,668,296)	(283,828)	(33,673)	—	(2,508,003)
Impairment loss *(Note 27)*	—	—	—	—	(4,225)	(4,225)
Disposals	(18,205)	(54,217)	(8,514)	(445)	—	(81,381)
Closing net book amount	11,435,081	21,169,469	584,569	134,343	6,450,145	39,773,607
As December 31, 2005						
Cost	16,597,541	35,765,040	1,357,423	279,679	6,467,021	60,466,704
Accumulated depreciation and impairment	(5,162,460)	(14,595,571)	(772,854)	(145,336)	(16,876)	(20,693,097)
Net book amount	11,435,081	21,169,469	584,569	134,343	6,450,145	39,773,607

7. Property, plant and equipment *(Continued)*

	Group					
	Buildings	Plant and machinery	Motor vehicles and transportation facilities	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2006						
Opening net book amount	11,435,081	21,169,469	584,569	134,343	6,450,145	39,773,607
Acquisition of subsidiaries *(Note 5)*	1,241,998	2,714,206	26,632	17,984	113	4,000,933
Additions	31,338	117,337	32,659	29,772	8,409,563	8,620,669
Transfers/reclassification	1,569,276	8,083,045	545,420	113,574	(10,311,315)	—
Depreciation	(625,497)	(2,681,667)	(123,128)	(38,231)	—	(3,468,523)
Impairment loss *(Note 27)*	(13,128)	(14,395)	(4,353)	(427)	—	(32,303)
Disposals	(20,671)	(90,680)	(8,484)	(547)	(136,461)	(256,843)
Closing net book amount	13,618,397	29,297,315	1,053,315	256,468	4,412,045	48,637,540
As December 31, 2006						
Cost	19,171,485	47,903,394	2,061,490	401,977	4,428,921	73,967,267
Accumulated depreciation and impairment	(5,553,088)	(18,606,079)	(1,008,175)	(145,509)	(16,876)	(25,329,727)
Net book amount	13,618,397	29,297,315	1,053,315	256,468	4,412,045	48,637,540

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

The carrying amount of RMB715,055,000 (2005: Nil) and RMB2,288,231,000 (2005:Nil) was pledged as security for certain of the Group's short-term bank loans (Note 20(b)) and long-term loans (Note 20(a)), respectively.

Depreciation expenses of RMB31,085,000 (2005: RMB30,126,000) had been capitalized in inventories, RMB3,336,313,000 (2005: RMB2,401,900,000) charged to cost of goods sold, RMB4,242,000 (2005: RMB2,473,000) charged to selling and distribution expenses and RMB96,883,000 (2005: RMB73,504,000) charged to general and administrative expenses.

7. Property, plant and equipment *(Continued)*

During the year, the Group had capitalized interest on borrowings in property, plant and equipment amounted to RMB193,857,000 (2005: RMB304,122,000) (Note 28).

	Company					
	Buildings	Plant and machinery	Motor vehicles and transportation facilities	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2005						
Cost	12,850,944	24,298,413	1,034,390	246,080	6,391,167	44,820,994
Accumulated depreciation and impairment	(4,439,254)	(12,257,050)	(578,361)	(122,391)	(21,322)	(17,418,378)
Net book amount	8,411,690	12,041,363	456,029	123,689	6,369,845	27,402,616
Year ended December 31, 2005						
Opening net book amount	8,411,690	12,041,363	456,029	123,689	6,369,845	27,402,616
Additions	120,406	189,117	11,921	22,130	6,600,792	6,944,366
Transfers/reclassification	1,416,014	5,663,701	368,903	9,502	(7,458,120)	—
Depreciation	(479,676)	(1,505,555)	(282,429)	(32,810)	—	(2,300,470)
Impairment loss	—	—	—	—	(4,225)	(4,225)
Disposals	(22,618)	(45,698)	(8,401)	(430)	—	(77,147)
Closing net book amount	9,445,816	16,342,928	546,023	122,081	5,508,292	31,965,140
As of December 31, 2005						
Cost	14,314,626	29,833,617	1,304,227	259,421	5,525,168	51,237,059
Accumulated depreciation and impairment	(4,868,810)	(13,490,689)	(758,204)	(137,340)	(16,876)	(19,271,919)
Net book amount	9,445,816	16,342,928	546,023	122,081	5,508,292	31,965,140

7. Property, plant and equipment *(Continued)*

	Company					
	Buildings	Plant and machinery	Motor vehicles and transportation facilities	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2006						
Opening net book amount	9,445,816	16,342,928	546,023	122,081	5,508,292	31,965,140
Additions	18,661	55,506	21,387	25,657	5,049,120	5,170,331
Transfers/reclassification	515,652	5,594,180	509,555	105,483	(6,724,870)	—
Depreciation	(471,758)	(2,038,758)	(113,620)	(35,966)	—	(2,660,102)
Impairment loss	(3,290)	(14,278)	(4,042)	(249)	—	(21,859)
Disposals	(6,354)	(62,701)	(7,028)	(385)	(118,004)	(194,472)
Closing net book amount	9,498,727	19,876,877	952,275	216,621	3,714,538	34,259,038
As of December 31, 2006						
Cost	14,200,886	35,688,431	1,913,039	347,176	3,731,414	55,880,946
Accumulated depreciation and impairment	(4,702,159)	(15,811,554)	(960,764)	(130,555)	(16,876)	(21,621,908)
Net book amount	9,498,727	19,876,877	952,275	216,621	3,714,538	34,259,038

8. Land use rights

The Group's and the Company's interests in land use rights represent prepaid operating lease payments in the PRC held on leases of between 10 to 50 years and their carrying amounts analyzed as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening	**62,275**	16,048	**56,849**	10,621
Acquisitions of subsidiaries *(Note 5)*	**577,358**	—	**—**	—
Additions	**44,269**	56,898	**36,501**	56,794
Amortization *(Note 27)*	**(35,298)**	(10,671)	**(26,840)**	(10,566)
Ending	**648,604**	62,275	**66,510**	56,849

All land use rights of the Group and of the Company are held on leases with remaining operating lease period within 45 years.

Land use rights of the Group of RMB248,528,000 (2005: Nil) were pledged as security for the Group's short-term bank loans (Note20(b)).

9. Investments in subsidiaries - Company

(a) Investments in subsidiaries

	Company	
	2006	2005
	RMB'000	*RMB'000*
Investments, at cost:		
Listed securities in the PRC *(Note)*	**965,196**	965,196
Unlisted securities	**3,260,039**	1,177,636
	4,225,235	2,142,832
Market value of listed securities	**10,843,200**	5,280,000

Note:

Listed securities in the PRC represent shares in Shandong Aluminum Industry Co., Ltd. (山東鋁業股份有限公司) ("Shandong Aluminum"), whose A shares are listed on the Shanghai Stock Exchange.

9. Investments in subsidiaries - Company *(Continued)*

(a) Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries as of December 31, 2006:

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held 2006	Equity interest held 2005	Principal activities
Shandongi Aluminum Industry Co., Ltd. (山東鋁業股份有限公司) *(Note 19(a))*	PRC	Joint stock company with limited liability listed on the Shanghai Stock Exchange	672,000,000 A shares of RMB1 each	71.43%	71.43%	Manufacture and distribution of alumina and primary aluminum
Shanxi Longmen Aluminum Co., Ltd. (山西龍門鋁業有限公司)	PRC	Company with limited liability	Paid up capital of RMB35,978,000	55%	55%	Manufacture and distribution of primary aluminum
The Institute of Shandong Qiyun Colored Metallurgy Engineering Co., Ltd (山東齊韻有色冶金工程設計院有限公司)	PRC	*(Note (ii))*	Paid up capital of RMB9,900,000	100%	100%	Design of production process and provision of technical consulting services
Zibo Wancheng Industrial Trading Co., Ltd. (淄博萬成工貿有限公司)	PRC	Company with limited liability	Paid up capital of RMB13,830,000	100%	100%	Provision of repair and maintenance services for electrical plant and machinery
Zhengzhou Hicer Hitech Ceramics Co., Ltd. (鄭州海賽高科技陶瓷有限責任公司)	PRC	Company with limited liability	Paid up capital of RMB5,000,000	80%	80%	Manufacture and distribution of ceramic products
Shanxi Aluminum Factory Carbon Plant (山西鋁廠碳素廠)	PRC	*(Note (i))*	Paid up capital of RMB11,820,000	72.57%	72.57%	Manufacture and distribution of eleclrode
China Aluminum International Trading Corp., Ltd. (中鋁國際貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB200,000,000	90.5%	90.5%	Import and export activities

9. Investments in subsidiaries - Company *(Continued)*

(a) Investments in subsidiaries *(Continued)*

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held 2006	2005	Principal activities
Shandong Aluminum Electronic Technology Co., Ltd (山東山鋁電子技術有限公司)	PRC	Company with limited liability	Paid up capital of RMB20,000,000	53.57%	53.57%	Manufacture and distribution of electronic products
Research & Design Institute of China Great Wall Aluminum Corporation (中國長城鋁業公司設計院)	PRC	*(Note (i))*	Paid up capital of RMB2,000,000	100%	100%	Design provision of technical consulting services
Shanxi Huazhe Aluminum and Electicity Co., Ltd. (山西華澤鋁電有限公司)	PRC	Company with limited liability	Paid up capital of RMB1,500,000,000	60%	60%	Manufacture and trading of primary aluminum products, and the generation of electricity
Aluminum Corporation of China Hong Kong Ltd. (中國鋁業香港有限公司)	Hong Kong	Company with limited liability	Paid up capital of HK$7,000,000	100%	100%	Foreige investment and alumina import and export activities
China Aluminum Qinghai International Trading Corp., Ltd (中鋁青海國際貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB6,000,000	81.45%	81.45%	Import and export activities
Chalco Foshan Trading Co., Ltd (中鋁佛山貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB10,000,000	89.60%	89.60%	Trading of alumina and primary aluminum products
Chalco Chongqing Trading Co., Ltd (中鋁重慶銷售有限公司)	PRC	Company with limited liability	Paid up capital of RMB3,000,000	90.05%	90.05%	Trading of alumina and primary aluminum products

9. Investments in subsidiaries - Company *(Continued)*

(a) Investments in subsidiaries *(Continued)*

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held 2006	Equity interest held 2005	Principal activities
China Aluminum International Shipping and Forwarding (Beijing) Corp., Ltd (中鋁國貿(北京)貨運有限公司)	PRC	Company with limited liability	Paid up capital of RMB6,000,000	88.69%	88.69%	Transportation of services
Chalco Kelin Aluminum of Shanghai Co., Ltd (上海中鋁凱林鋁業有限公司)	PRC	Company with limited liability	Paid up capital of RMB3,000,000	89.60%	89.60%	Trading of colored metallurgy materials and bauxite
Chalco Western Qinghai Int'l Trading Co., Ltd. (中鋁青海西部國際貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB15,000,000	81.45%	81.45%	Import and export activities
Shanxi Huatai Coal Co., Ltd. (山西華泰炭素有限責任公司)	PRC	Company with limited liability	Paid up capital of RMB42,000,000	98.34%	98.34%	Production and distribution of coal related products
Chalco Shandong International Trading Co. Ltd. (中鋁山東國際貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB10,000,000	81.90%	81.90%	Import and export activities
Chalco Henan International Trading Co. Ltd. (中鋁河南國際貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB3,000,000	81.90%	81.90%	Import and export activities
Fushun Aluminum Co., Ltd (撫順鋁業有限公司)	PRC	Company with limited liability	Paid up capital of RMB500,000,000	100%	—	Production and trading of primary aluminum products
Zunyi Aluminum Co., Ltd (遵義鋁業股份有限公司)	PRC	Company with limited liability	Paid up capital of RMB330,000,000	61.29%	—	Production and trading of primary aluminum products

9. Investments in subsidiaries - Company *(Continued)*

(a) Investments in subsidiaries *(Continued)*

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held 2006	Equity interest held 2005	Principal activities
Shandong Huayu Aluminum and Power Co., Ltd. (山東華宇鋁電有限責任公司)	PRC	Company with limited liability	Paid up capital of RMB899,500,000	55%	—	Production and trading of primary aluminum products
Gansu Hualu Aluminum Co., Ltd (甘肅華鷺鋁業股份有限公司)	PRC	Company with limited liability	Paid up capital of RMB530,000,000	51%	—	Production and trading of primary aluminum products
Shanxi Huasheng Aluminum Co., Ltd (山西華聖鋁業有限責任公司)	PRC	Company with limited liability	Paid up capital of RMB1,000,000,000	51%	—	Production and trading of primary aluminum products
Chalco Zunyi Alumina Co., Ltd (中國鋁業遵義氧化鋁有限公司)	PRC	Company with limited liability	Paid up capital of RMB280,000,000	67%	—	Production and trading of alumina products

Notes:

(i) As of December 31, 2006, the legal status of these subsidiaries was "state-owned enterprise". The Company is in the process of rectifying the legal status of these subsidiaries which have been consolidated into the Group's financial statements as the Directors are of the opinion that these enterprises meet the criteria of being a subsidiary.

(ii) The Chinese name of the subsidiary had been changed to The Design Institute of Shandong Qiyun Colored Metallurgy Engineering Co., Ltd. (山東齊韻有色冶金工程設計院有限公司) from The Design Institute of Shandong Aluminum Corporation (山東鋁業公司設計院). Its paid-up capital was increased to RMB9,900,000 from RMB3,000,000 through utilizing its statutory surplus reserve.

The English names of the above subsidiaries represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

10. Interests/investments in jointly controlled entities/associates

(a) Interests/investments in jointly controlled entities

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investments, at cost	**—**	—	**590,633**	187,819
Share of net assets	**575,794**	184,399	**—**	—
	575,794	184,399	**590,633**	187,819

Movements in interests in jointly controlled entities are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beginning of the year	**184,399**	66,877	**187,819**	70,669
Additions	**402,814**	117,150	**402,814**	117,150
Share of (losses)/profits	**(11,419)**	372	**—**	—
End of the year	**575,794**	184,399	**590,633**	187,819

As of December 31, 2006, jointly controlled entities of the Group are as follows:

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held 2006	Equity interest held 2005	Principal activities
Shanxi JinXin Aluminum Co., Ltd (山西晉信鋁業有限公司)	PRC	Company with limited liability	Paid up capital of RMB20,000,000	50%	50%	Production and distribution of primary aluminum
Guangxi Huayin Aluminum Co. Ltd. (廣西華銀鋁業有限公司) *(Note 35(b)(i))*	PRC	Company with limited liability	Paid up capital of RMB1,735,650,000	33%	33%	Production and distribution of alumina

10. Interests/investments in jointly controlled entities/associates *(Continued)*

(a) Interests/investments in jointly controlled entities *(Continued)*

The English names of jointly controlled entities represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The Group's share of interests in its jointly controlled entities is as follows:

	2006	2005
	RMB'000	*RMB'000*
Assets:		
Non-current assets	**607,188**	157,963
Current assets	**615,473**	198,617
	1,222,661	356,580
Liabilities:		
Non-current liabilities	**639,506**	17,618
Current liabilities	**7,361**	154,563
	646,867	172,181
Net assets	**575,794**	184,399
Income	**14,644**	50,720
Expenses	**(26,063)**	(50,348)
(Loss)/profit after income tax	**(11,419)**	372
Proportionate interests in jointly controlled entities' commitments	**1,612,295**	2,116,552

There are no material contingent liabilities relating to the Group's interests in the jointly controlled entities, and no material contingent liabilities of the jointly controlled entities themselves.

10. Interests/investments in jointly controlled entities/associates *(Continued)*

(b) Interests/investments in associates

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted securities *(Note (i))*	**—**	—	**75,600**	75,600
Listed securities in the PRC *(Notes (ii) and (iii))*	**—**	—	**1,015,892**	768,438
Share of net assets	**1,273,226**	886,375	**—**	—
	1,273,226	886,375	**1,091,492**	844,038

As of December 31, 2006, the market value of listed securities held by the Company amounted to RMB3,130,111,000 (2005: RMB744,072,000).

Movements in interests in associates are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beginning of the year	**886,375**	45,000	**844,038**	45,000
Additions *(Note (ii))*	**305,382**	814,428	**247,454**	799,038
Share of profits	**105,141**	26,947	**—**	—
Dividend	**(23,672)**	—	**—**	—
End of the year	**1,273,226**	886,375	**1,091,492**	844,038

10. Interests/investments in jointly controlled entities/associates *(Continued)*

(b) Interests/investments in associates *(Continued)*

Notes:

(i) Unlisted securities represent investment in Jiaozuo Coal Group Xinxiang (Zhaogu) Energy Corporation Co. Ltd. (焦作煤業集團新鄉 (趙固) 能源有限責任公司) ("Jiaozuo Energy "), which was set up between the Company and Jiaozuo Coal (Group) Co., Ltd. (焦作煤業 (集團) 有限責任公司). The Company has invested RMB75,600,000 and has 30% equity interest in this associate. The principal activity of the associate is coal production in Henan. As of December 31, 2006, this associate was still at the development stage.

(ii) In September 2006, the Company acquired 29% equity interest in Jiaozuo Wanfang Aluminum Manufacturing Company Ltd. (焦作萬方鋁業股份有限公司) ("Jiaozuo Wanfang"), a company principally engaged in manufacturing and trading of primary aluminium at a cash consideration of RMB247,454,000. The acquisition resulted in an excess of interest in the net fair value of net assets acquired over cost of RMB57,928,000 which is recognized in the income statement during the year (Note 24).

(iii) Listed securities represent investments in Lanzhou Aluminum Corporation Ltd. (蘭州鋁業股份有限公司) ("Lanzhou Aluminum") (Note 19(a)) and Jiaozuo Wanfang, both companies with their A shares listed on the Shanghai Stock Exchange in the PRC. The principal activities of Lanzhou Aluminum and Jiaozuo Wanfang are the manufacturing and trading of primary aluminium in the PRC.

As of December 31, 2006, associates of the Group are as follows:

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held 2006	Equity interest held 2005	Principal activities
Jiaozuo Energy	PRC	Company with limited liability	Paid up capital of RMB252,000,000	30%	30%	Coal production
Lanzhou Aluminum	PRC	Company with limited liability	Paid up capital of RMB542,326,578	28%	28%	Trading and production of primary aluminum and aluminum-fabricated products
Jiaozuo Wanfang	PRC	Company with limited liability	Paid up capital of RMB480,176,083	29%	—	Trading and production of primary aluminum products

10. Interests/investments in jointly controlled entities/associates *(Continued)*

(b) Interests/investments in associates *(Continued)*

The Group's share of interests in its associates is as follows:

Name	Assets	Liabilities	Revenues	Profit	% Interest held
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
As of December 31, 2005					
Jiaozuo Energy	95,118	19,518	—	—	30%
Lanzhou Aluminum	1,247,867	437,092	586,178	26,947	28%
	1,342,985	456,610	586,178	26,947	
As of December 31, 2006					
Jiaozuo Energy	150,876	75,276	—	—	30%
Lanzhou Aluminum	1,948,081	1,055,695	973,431	81,611	28%
Jiaozuo Wanfang	890,504	585,264	277,950	23,530	29%
As of December 31, 2006	2,989,461	1,716,235	1,251,381	105,141	

The English names of certain associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

11. Available-for-sale financial assets

Available-for-sale financial assets are investments in shares of fellow subsidiaries and other equity investments denominated in RMB, and are unquoted equity securities in which no quoted market prices for such financial assets are available in the PRC. They are stated at cost as a reasonable estimate of fair value could not be made without incurring excessive costs and they are not material to the Group's consolidated financial statements.

12. Inventories

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**3,337,349**	3,016,770	**2,396,812**	2,448,928
Work in progress	**3,199,175**	2,144,369	**2,283,194**	1,639,186
Finished goods	**1,929,092**	1,489,061	**952,652**	635,268
Production supplies	**570,766**	584,531	**478,806**	565,120
	9,036,382	7,234,731	**6,111,464**	5,288,502

The cost of inventories recognized as expenses and included in cost of goods sold in the consolidated income statement amounted to RMB41,016,734,000 (2005: RMB24,822,109,000).

13. Accounts receivable

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**671,178**	457,556	**325,810**	341,300
Less: Provision for impairment of receivables	**(312,572)**	(278,395)	**(229,942)**	(225,837)
	358,606	179,161	**95,868**	115,463
Trade receivables from related parties	**254,232**	246,919	**883,162**	608,836
Less: Provision for impairment of receivables	**(156,406)**	(176,458)	**(157,507)**	(176,458)
	97,826	70,461	**725,655**	432,378
	456,432	249,622	**821,523**	547,841
Bills receivable *(Note)*	**1,569,730**	711,569	**847,714**	494,943
	2,026,162	961,191	**1,669,237**	1,042,784

13. Accounts receivable *(Continued)*

Certain of the Group's sales were on advance payment or documents against payment. In respect of sales to large or long-established customers, subject to negotiation, a credit period for up to one year may be granted. As of December 31, 2006, the aging analysis of trade receivables, net of provision, is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**304,522**	112,013	**665,808**	453,815
Between 2 and 6 months	**113,671**	55,670	**37,679**	19,828
Between 7 and 12 months	**8,552**	39,973	**93,463**	39,214
Between 1 and 2 years	**10,627**	21,530	**8,618**	17,645
Over 2 years	**19,060**	20,436	**15,955**	17,339
	456,432	249,622	**821,523**	547,841

Note:

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

14. Other current assets

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Purchase deposits to suppliers	**1,072,882**	652,225	**143,397**	194,165
Deposits and prepayments	**350,295**	183,962	**229,647**	95,590
Value-added tax recoverable	**107,454**	42,073	**41,761**	25,732
Financial assets at fair value through profit or loss *(Note)*	**—**	5,540	**—**	5,040
Interest receivable	**28,267**	180	**28,153**	180
Other receivables	**74,001**	36,775	**58,013**	26,525
	1,632,899	920,755	**500,971**	347,232
Receivables from related parties	**229,692**	248,266	**1,031,045**	259,355
	1,862,591	1,169,021	**1,532,016**	606,587

Notes:

As of December 31, 2005, financial assets at fair value through profit or loss represented PRC treasury bonds and were disposed of during 2006.

As of December 31, 2006, the balances of the Group and of the Company were stated net of provision for doubtful receivables of RMB270,743,000 (2005: RMB249,428,000) and RMB253,647,000 (2005: RMB248,253,000), respectively.

The maximum exposure to credit risk in respect of the above other current assets at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

15. Cash and cash equivalents

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**9,802,775**	7,597,727	**6,982,831**	6,174,019
Time deposits	**3,000,000**	—	**3,000,000**	—
	12,802,775	7,597,727	**9,982,831**	6,174,019

The effective interest rate on time deposits ranged from 2.25% to 2.52% (2005: Nil of time deposits); these time deposits have an average maturity of 183 days to 365 days.

The Group and the Company's cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi denominated *(Note)*	**12,351,042**	7,536,106	**9,785,366**	6,173,535
U.S. Dollar denominated	**239,493**	57,976	**656**	484
Hong Kong Dollar denominated	**9,461**	2,745	**—**	—
Euro Dollar denominated	**3,983**	900	**—**	—
Australian Dollar denominated	**196,809**	—	**196,809**	—
Swiss Francs denominated	**1,987**	—	**—**	—
	12,802,775	7,597,727	**9,982,831**	6,174,019

Note:

RMB is not a freely convertible currency. The restrictions on foreign exchange imposed by the PRC government may result in material difference between future exchange rate and the current exchange rate or historical exchange rate. The Group believes that it is able to obtain sufficient foreign exchange for the performance of its relevant obligations.

15. Cash and cash equivalents *(Continued)*

For the purpose of the cash flow statement, time deposits with original maturity more than 3 months are excluded from cash and cash equivalents as follows:

	Group	
	2006	2005
	RMB'000	*RMB'000*
Cash at bank and in hand, and time deposits	**12,802,775**	7,597,727
Less: Time deposits with original maturity more than 3 months	**(3,000,000)**	—
Cash and cash equivalents for the purpose of the cash flow statement	**9,802,775**	7,597,727

16. Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using the respective applicable rates.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
- Deferred tax asset to be recovered after more than 12 months	**64,679**	90,229	**29,641**	33,140
- Deferred tax asset to be recovered within 12 months	**342,236**	318,645	**277,465**	282,395
	406,915	408,874	**307,106**	315,535
Deferred tax liabilities:				
- Deferred tax liabilities to be settled after more than 12 months	**197,070**	176,991	**192,960**	184,854
	209,845	231,883	**114,146**	130,681

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beginning of the year	**231,883**	140,316	**130,681**	96,276
Acquisition of subsidiaries *(Note 5)*	**33,174**	—	**—**	—
(Charged)/credited to the income statement *(Note 29)*	**(55,212)**	91,567	**(16,535)**	34,405
End of the year	**209,845**	231,883	**114,146**	130,681

16. Deferred income tax *(Continued)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement of deferred tax assets:

	Group											
	Provision for receivable and inventories		Impairment of property, plant and equipment		Accrued wages		Tax losses		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As of January 1,	**54,797**	60,681	**43,152**	46,902	**240,606**	182,790	**46,541**	—	**23,778**	16,997	**408,874**	307,370
Acquisition of subsidiaries *(Note 5)*	**12,860**	—	**12,453**	—	**6,732**	—	**—**	—	**1,129**	—	**33,174**	—
(Credited)/charged to the income statement	**(10,397)**	(5,884)	**(3,929)**	(3,750)	**17,869**	57,816	**(34,260)**	46,541	**(4,416)**	6,781	**(35,133)**	101,504
As of December 31,	**57,260**	54,797	**51,676**	43,152	**265,207**	240,606	**12,281**	46,541	**20,491**	23,778	**406,915**	408,874

	Company									
	Provision for receivable and inventories		Impairment of property, plant and equipment		Accrued wages		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As of January 1,	**39,635**	47,167	**32,603**	36,207	**222,108**	166,648	**21,189**	13,308	**315,535**	263,330
(Credited)/charged to the income statement	**(10,464)**	(7,532)	**(3,498)**	(3,604)	**10,922**	55,460	**(5,389)**	7,881	**(8,429)**	52,205
As of December 31,	**29,171**	39,635	**29,105**	32,603	**233,030**	222,108	**15,800**	21,189	**307,106**	315,535

16. Deferred income tax *(Continued)*

Movement of deferred tax liabilities:

	Capitalization of borrowing costs			
	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As of January 1,	**176,991**	167,054	**184,854**	167,054
Charged to the income statement	**20,079**	9,937	**8,106**	17,800
As of December 31,	**197,070**	176,991	**192,960**	184,854

17. Accounts payable

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**2,651,048**	2,584,557	**1,960,804**	1,991,259
Trade payables to related parties	**188,415**	54,526	**154,663**	87,469
	2,839,463	2,639,083	**2,115,467**	2,078,728
Bills payable *(Note)*	**48,010**	10,166	**—**	—
	2,887,473	2,649,249	**2,115,467**	2,078,728

17. Accounts payable *(Continued)*

As of December 31, 2006, the aging analysis of the trade payables is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**2,306,560**	1,804,096	**1,814,931**	1,418,098
Between 2 and 6 months	**434,248**	639,520	**213,951**	486,718
Between 7 and 12 months	**871**	131,596	**31,874**	126,701
Between 1 and 2 years	**46,348**	22,806	**25,137**	10,158
Between 2 and 3 years	**5,557**	7,279	**3,140**	6,380
Over 3 years	**45,879**	33,786	**26,434**	30,673
	2,839,463	2,639,083	**2,115,467**	2,078,728

Note:

Bills payable are repayable within six months.

18. Other payables and accruals

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Construction costs payable	**1,561,500**	1,629,934	**1,132,658**	1,232,748
Sales deposits from customers	**1,577,694**	1,571,884	**690,877**	1,143,621
Accrued payroll and bonus	**1,027,737**	934,869	**903,900**	875,081
Staff welfare payable	**304,356**	221,898	**220,312**	199,530
Accrued contributions to retirement schemes	**21,843**	12,174	**16,049**	8,497
Taxes other than income taxes payable *(Note (a))*	**454,033**	256,990	**376,157**	363,286
Unrealized loss on futures contracts *(Note (b))*	**5,703**	8,360	**—**	—
Consideration payable in respect of acquisition of business *(Note 5)*	**400,000**	—	**400,000**	—
Retention monies on construction projects	**131,083**	54,766	**104,687**	54,693
Dividend payable	**40,808**	—	**24,921**	—
Others	**409,127**	238,615	**280,024**	209,597
	5,933,884	4,929,490	**4,149,585**	4,087,053
Amount due to related parties	**936,749**	655,827	**718,236**	1,459,150
	6,870,633	5,585,317	**4,867,821**	5,546,203

18. Other payables and accruals *(Continued)*

Notes:

(a) *Taxes other than income taxes payable mainly comprise accruals for value-added tax, land use tax and city construction tax.*

(b) *The fair value of futures contracts are based on quoted market prices. As of December 31, 2006, the Group's position in futures contracts and options of aluminum is as follows:*

	As of December 31, 2006					As of December 31, 2005				
	Tonnes	**Contract value** *RMB'000*	**Market value** *RMB'000*	**Unrealized gain/(loss)** *RMB'000*	**Maturity**	Tonnes	Contract value *RMB'000*	Market value *RMB'000*	Unrealized gain/(loss) *RMB'000*	Maturity
Futures contracts:										
- Short	**13,500**	**283,896**	**295,042**	**(11,146)**	**January 2007 to April 2007**	5,000	83,644	92,004	(8,360)	February 2007 to May 2007
- Long	**20,000**	**438,423**	**440,178**	**1,755**	**January 2007**	—	—	—	—	—
Options:										
- Sales	**31,000**	**23,543**	**19,855**	**3,688**	**January 2007 to December 2007**	—	—	—	—	—
				(5,703)					(8,360)	

19. Issued capital and reserves

(a) Share capital - Company

	Group and the Company	
	Number of shares	Share capital
		RMB'000
At January 1, 2005 and January 1, 2006	11,049,876,153	11,049,876
Issuance of shares	600,000,000	600,000
At December 31, 2006	11,649,876,153	11,649,876

As of December 31, 2006 and 2005, all issued shares are registered and fully paid, divided into 11,649,876,153 shares (2005: 11,049,876,153 shares) of RMB1.00 each, comprising 7,705,910,185 domestic shares and 3,943,965,968 H shares (2005: 7,750,010,185 domestic shares and 3,299,865,968 H shares).

On May 9, 2006, the Company entered into a placing agreement to place 600,000,000 new H shares, representing approximately 5.43% of the issued shares of the Company (before the placement), at a price of HK$7.25 per share (the "Placement"). In connection with the Placement, the National Social Security Fund Council (the "NSSF") of the PRC entrusted the Company to effect a sale of a total of 44,100,000 H shares upon conversion of the same number of existing domestic shares that are to be allocated from Aluminum Corporation of China ("Chinalco"), the parent company of the Company (Note 37), to NSSF as part of the Placement. Total proceeds from the placement amounted to RMB4,502,492,000 and total issuance cost amounted to approximately RMB112,023,000.

At the 2005 Annual General Meeting held on May 10, 2006, the Board approved the Company to submit applications to China Securities Regulatory Commission for the issuance of a maximum of 1,500,000,000 A shares to the PRC public, and to the Shanghai Stock Exchange for the listing of its A shares thereon. The amount to be raised from the proposed A Share issuance is expected to be not more than RMB8 billion. On February 27, 2007, the Company's shareholders approved the Company to issue no more than 1,500,000,000 domestically listed Renminbi-denominated ordinary shares with nominal value of RMB1.00 each by way of share exchange to acquire the remaining equity interest in Shandong Aluminum and Lanzhou Aluminum. The issuance is structured by way of share exchange with the existing shareholders of Shandong Aluminum and Lanzhou Aluminum other than the Company, at an issuance price of RMB6.60 per share. The Company will not raise any funds from the public. As of the approval date of these financial statements, the preparation of the above transactions is currently in progress.

19. Issued capital and reserves *(Continued)*

(b) Reserves

	Company				
	Capital reserve *(Note (b)(i))* *RMB'000*	Statutory surplus reserve *(Note (b)(ii))* *RMB'000*	Statutory public welfare fund *(Note (b)(iii))* *RMB'000*	Retained earnings *(Note (b)(iv))* *RMB'000*	Total *RMB'000*
As of January 1, 2005	6,204,045	1,125,557	1,125,557	6,833,637	15,288,796
Profit for the year	—	—	—	6,772,745	6,772,745
Transfers	14,711	688,619	688,619	(1,391,949)	—
Dividends	—	—	—	(1,944,778)	(1,944,778)
As of December 31, 2005	6,218,756	1,814,176	1,814,176	10,269,655	20,116,763
Retained earnings represented by:					
2005 final dividend proposed				2,364,673	
Unappropriated retained earnings				7,904,982	
Retained earnings as of December 31, 2005				10,269,655	
As of January 1, 2006,	6,218,756	1,814,176	1,814,176	10,269,655	20,116,763
Transfers	—	2,963,839	(1,814,176)	(1,149,663)	—
Issuance of shares, net of issuance costs	3,790,469	—	—	—	3,790,469
Profit for the year	—	—	—	10,493,744	10,493,744
Dividends	—	—	—	(4,554,850)	(4,554,850)
As of December 31, 2006	10,009,225	4,778,015	—	15,058,886	29,846,126

As of December 31, 2006, all retained earnings were unappropriated.

19. Issued capital and reserves (Continued)

(b) Reserves (Continued)

(i) Capital reserve

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Capital reserve represents:				
Premium on issue of shares upon group reorganization	**2,403,804**	2,403,804	**2,403,804**	2,403,804
Premium on subsequent issue of shares to the public	**7,294,597**	3,504,128	**7,294,597**	3,504,128
Gain on waiver of interest	**171,964**	171,964	**171,964**	171,964
Other reserve	**138,860**	138,860	**138,860**	138,860
	10,009,225	6,218,756	**10,009,225**	6,218,756

Capital reserve can only be used to increase share capital. Pursuant to the PRC accounting standards on debt restructuring, 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.

Other reserve represents contributions from Chinalco in respect of subsidies contributed by the Ministry of Finance of the PRC to Chinalco to support certain technical improvement projects of the Group. Pursuant to relevant PRC regulations, these subsidies should be treated as the equity interest of Chinalco; therefore can only be used to increase Chinalco's shares in the Company in the event that new issuance of shares is made in the future.

(ii) Statutory surplus reserve

In accordance with 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. Statutory surplus reserve balance should not fall below 25% of the registered capital after the placing.

19. Issued capital and reserves *(Continued)*

(b) Reserves *(Continued)*

(iii) Statutory public welfare fund and discretionary surplus reserve

In accordance with relevant PRC laws and financial regulations, every year the Company is required to transfer between 5% to 10% of the profit 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 any 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.

Prior to January 1, 2006, the Board of Directors determined on an annual basis the percentage of the profit after tax, as determined under the PRC accounting standards and regulations, to be appropriated to the statutory public welfare fund. Starting from January 1, 2006 onward, the Company is prohibited from providing further appropriation out of net profit to statutory public welfare fund pursuant to the revised Company Law. The balance of statutory public welfare fund as at January 1, 2006 was converted into statutory surplus reserve fund.

(iv) Retained earnings (accumulated losses)

	Group		**Company**	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Company and subsidiaries	**17,097,679**	11,329,684	**15,058,886**	10,269,655
Jointly controlled entities	**(16,102)**	(4,683)	**—**	—
Associates	**132,088**	26,947	**—**	—
	17,213,665	11,351,948	**15,058,886**	10,269,655

20. Borrowings

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current:				
Long-term bank loans *(Note (a))*	**8,480,736**	9,690,493	**3,210,936**	5,620,493
Current:				
Long-term bank loans *(Note (a))*	**2,350,818**	1,353,980	**2,229,218**	1,353,980
Short-term bank loans *(Note (b))*	**2,762,040**	2,378,998	**—**	580,000
Short-term bonds *(Note (c))*	**4,985,111**	1,970,840	**4,985,111**	1,970,840
	10,097,969	5,703,818	**7,214,329**	3,904,820
Total	**18,578,705**	15,394,311	**10,425,265**	9,525,313
Estimated fair value of long-term loans *(Note (a))*	**10,829,715**	11,043,601	**5,438,315**	6,973,601

20. Borrowings *(Continued)*

(a) Long-term bank loans

The maturity of long-term bank loans is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**2,350,818**	1,353,980	**2,229,218**	1,353,980
In the second year	**2,082,658**	1,929,140	**1,361,058**	1,929,140
In the third to fifth year	**4,311,974**	4,866,941	**1,702,174**	3,686,941
After the fifth year	**2,086,104**	2,894,412	**147,704**	4,412
	10,831,554	11,044,473	**5,440,154**	6,974,473

As of December 31, 2006, long-term bank loans of the Group and of the Company of RMB494,000,000 and of Danish Krone 6,481,000 (equivalent to approximately RMB8,994,000) (2005: RMB494,000,000) and RMB494,000,000 and of Danish Krone 6,481,000 (equivalent to approximately RMB8,994,000) (2005: RMB494,000,000), respectively, were guaranteed by Chinalco, the Company's parent company (Note 36).

Long-term bank loans of a subsidiary of RMB780,000,000 (2005: RMB780,000,000) were guaranteed by a minority shareholder of a subsidiary of the Company.

As of December 31, 2006, long-term bank loans of a subsidiary of RMB1,170,000,000 (2005: RMB1,100,000,000) were guaranteed by the Company.

Long-term bank loans of the Group and of the Company of RMB1,187,400,000 (2005:Nil) were pledged by property, plant and equipment (Note7) at the carrying amounts of RMB2,288,231,000 (2005: Nil).

As of December 31, 2006, long term bank loans of RMB4,122,160,000 (2005: RMB5,165,160,000) were provided by shareholders of the Company.

20. Borrowings *(Continued)*

(a) Long-term bank loans *(Continued)*

The characteristics of the Group's long-term bank loans as of December 31, 2006 are analyzed as follows:

Loan	Interest rate and final maturity	**2006** ***RMB'000***	2005 *RMB'000*
Renminbi-denominated loans:			
Development of production facilities	Variable interest rates ranging from 5.2% to 6.4% per annum as of December 31, 2006 with maturity dates through 2013 (2005: 4.9% to 6.1% per annum with maturity date through 2010)	**9,649,560**	10,021,160
Working capital	Variable interest rates ranging from 3.6% to 6.4% per annum as of December 31, 2006 with maturity dates through 2011 (2005: 3.6% to 5.2% per annum with maturity dates through 2009)	**1,173,000**	1,014,000
Danish Krone-denominated loans:			
Development of production facilities	Fixed interest rates 0.3% per annum as of December 31, 2006 with maturity dates through 2015 (2005: fixed interest rates 0.3% per annum with maturity dates through 2015)	**8,994**	9,313
		10,831,554	11,044,473

The estimated fair values of long-term loans (current portion included) are calculated based on discounted cash flows using applicable discount rates from the prevailing market interest rates offered to the Group for debt with substantially the same characteristics and maturity dates. The discount rates as at December 31, 2006 and December 31, 2005 were approximately 5.2% and 4.0%, respectively. The estimated fair value of current borrowings approximates their carrying amounts.

20. Borrowings *(Continued)*

(b) Short-term bank loans

Short-term bank loans are dominated in following currencies:

	As of December 31,			
	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi	**2,762,040**	836,140	—	580,000
US Dollar	—	1,542,858	—	—
	2,762,040	2,378,998	—	580,000

The effective interest rates as of December 31, 2006 ranged from 4.86% to 5.85% (2005: 3.33% to 5.58%).

Short-term bank loans of RMB478,200,000 (2005: Nil) of certain subsidiaries were guaranteed by their then minority shareholders.

As of December 31, 2006, no short-term bank loans of subsidiaries were guaranteed by the Company (2005: RMB12,000,000 and US$191,180,000 (equivalent to RMB1,542,858,000)).

Short-term bank loans of RMB761,140,000 (2005: RMB264,140,000) were provided by a shareholder of the Company.

Short-term bank loans of RMB384,000,000 (2005: Nil) of a subsidiary were pledged by the related inventories.

Short-term bank loans of RMB612,700,000 (2005: Nil) of subsidiaries were pledged by property, plant and equipment (Note 7) and land use rights (Note 8) at the carrying amounts of RMB715,055,000 (2005: Nil) and RMB248,528,000 (2005: Nil), respectively.

The estimated fair value of short-term bank loans as of December 31, 2006 and 2005 approximates their carrying amounts.

20. Borrowings *(Continued)*

(c) Short-term bonds

In June 2005, the Company issued short-term bonds with a total face value of RMB2,000,000,000 at a discount (face value RMB100 per unit) with a maturity of one year for working capital purposes. The effective interest rate of these bonds was 3.33% per annum. These short-term bonds have matured and were fully redeemed in June 2006.

In May 2006, the Company issued short-term bonds with a total face value of RMB3,000,000,000 at par (face value RMB100 per unit) with a maturity of one year for working capital purposes. The coupon interest rate of these bonds is 3.13% per annum.

In December 2006, the Company was granted a qualification to issue the second tranche of corporate short-term bonds within a credit of RMB5 billion, and issued short-term bonds with a total face value of RMB2,000,000,000 at a discount (face value RMB100 per unit) and maturity of one year for working capital. The effective interest rate of these bonds is 3.44% (excluding other expenses). As of December 31, 2006, the short-term bonds were stated at net of discount of RMB1,934,312,000.

The estimated fair value of short-term bonds as of December 31, 2006 and 2005 approximates their carrying amounts.

(d) Banking facilities

As of December 31, 2006, the Group had total banking facilities of approximately RMB50,082 million (2005: RMB37,672 million), inclusive of long-term facilities of approximately RMB17,600 million (2005: RMB13,963 million) and other facilities of approximately RMB32,482 million (2005: RMB23,709 million). Out of the total banking facilities granted, amounts totaling RMB13,680 million have been utilized as of December 31, 2006 (2005: RMB13,423 million). Banking facilities of approximately RMB16,200 million will be subject to renewals in 2007. The Directors of the Company are confident that such banking facilities can be renewed upon expiration.

21. Turnover, revenue and segment information

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

	2006 RMB'000	2005 RMB'000
Revenue		
Sales of goods and services, net of value-added tax	**61,015,134**	37,110,319
Other revenues *(Note)*		
Rendering of services	**138,401**	114,211
Sales of scrap and other materials	**376,598**	303,200
Supply of electricity, heat, gas and water	**366,132**	298,756
	881,131	716,167
Total revenues	**61,896,265**	37,826,486

Note:

Total other revenues and related cost of sales were previously classified as "net other revenues and gains" for the year ended December 31, 2005, they were separately presented as part of the total revenue and cost of goods sold, respectively, in the income statement for the year ended December 31, 2006.

Rendering of services mainly comprises revenues from the provision of transportation, machinery processing and production design services.

21. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments

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

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

- Primary aluminum segment - comprising production of primary aluminum and the associated distribution activities.

In addition, the Group also provides other services.

Activities of the headquarters and other operations of the Group, comprising research and development related to alumina and primary aluminum business carried out by Zhengzhou Research Institute and minor production and distribution of alumina hydrate, are grouped under corporate and other services segment.

All inter-segment and inter-plant sales are made at prices approximate to market prices.

Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash, and exclude assets not dedicated to a particular segment. Segment liabilities consist primarily of operating liabilities and exclude liabilities not dedicated to a particular segment.

21. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries, investments in jointly controlled entities and associates.

	Year ended December 31, 2006					
	Alumina	Primary aluminum	Corporate and other services	Inter-segment elimination	Unallocated	Group total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales						
External sales	27,008,668	33,256,788	749,678	—	—	61,015,134
Inter-segment sales	10,603,395	—	—	(10,603,395)	—	—
	37,612,063	33,256,788	749,678	(10,603,395)	—	61,015,134
Operating profit (loss)/Segment results	13,341,914	4,476,108	(54,493)	(162,509)	(198,780)	17,402,240
Finance costs						(715,717)
Share of losses of jointly controlled entities	—	(11,419)	—	—	—	(11,419)
Share of profits of associates	—	105,141	—	—	—	105,141
Profit before income taxes						16,780,245
Income taxes						(4,393,561)
Profit for the year						12,386,684

Other segment items included in the income statement are as follows:

	Alumina	Primary aluminum	Corporate and other services	Inter-segment elimination	Unallocated	Group total
Depreciation and amortization	2,014,922	1,360,283	19,967	—	101,768	3,496,940
Impairment loss on property, plant and equipment	21,976	10,327	—	—	—	32,303
Provision for obsolete inventories	29,350	17,019	—	—	—	46,369
Provision for impairment of receivables	2,612	8,447	1,049	—	—	12,108

21. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

	Year ended December 31, 2005					
	Alumina	Primary aluminum	Corporate and other services	Inter-segment elimination	Unallocated	Group total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales						
External sales	22,853,792	14,128,496	128,031	—	—	37,110,319
Inter-segment sales	5,191,749	—	—	(5,191,749)	—	—
	28,045,541	14,128,496	128,031	(5,191,749)	—	37,110,319
Operating profit (loss)/Segment results	10,312,306	231,940	(48,438)	(107,968)	(306,604)	10,081,236
Finance costs						(366,908)
Share of profits of jointly controlled entities	—	372	—	—	—	372
Share of profits of an associates	—	26,947	—	—	—	26,947
Profit before income taxes						9,741,647
Income taxes						(2,495,213)
Profit for the year						7,246,434

Other segment items included in the income statement are as follows:

	Alumina	Primary aluminum	Corporate and other services	Inter-segment elimination	Unallocated	Group total
Depreciation and amortization	1,713,281	743,264	41,177	—	27,222	2,524,944
Impairment loss on property, plant and equipment	4,225	—	—	—	—	4,225
Provision for obsolete inventories	11,337	1,847	—	—	—	13,184
Provision for impairment of receivables	19,566	5,267	635	—	—	25,468

21. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

The segment assets and liabilities as of December 31, 2006 for the year then ended are as follows:

	Alumina	Primary aluminum	Corporate and other services	Inter-segment elimination	Unallocated	Group total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets	42,512,021	25,776,569	8,647,645	(1,028,076)	2,096,157	78,004,316
Liabilities	7,070,077	11,463,285	8,700,147	(1,028,076)	4,032,957	30,238,390
Capital expenditure	3,554,884	4,324,238	122,214	—	692,986	8,694,322

The segment assets and liabilities as at 31 December, 2005 for the year then ended are as follows:

	Alumina	Primary aluminum	Corporate and other services	Inter-segment elimination	Unallocated	Group total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets	35,445,213	16,563,819	6,153,200	(643,867)	1,491,514	59,009,879
Liabilities	9,373,274	6,332,311	4,767,800	(643,867)	4,975,467	24,804,985
Capital expenditure	5,369,606	2,793,892	124,811	—	129,623	8,417,932

Secondary reporting format - geographical segments

The Group's operations are principally carried out in the PRC and the related assets are located there. Accordingly, no geographical segments are presented.

22. Selling and distribution expenses

	2006	2005
	RMB'000	*RMB'000*
Transportation and loading	**567,522**	396,652
Packaging expenses	**183,871**	157,570
Port expenses	**44,147**	32,197
Salaries and welfare expenses	**28,615**	30,939
Sales commission and other handling fee	**16,150**	23,206
Marketing and advertising *(Note)*	**39,073**	33,780
Depreciation - non production property, plant and equipment	**4,242**	2,473
Others	**74,513**	43,680
	958,133	720,497

Note:

Marketing and advertising expenses were previously classified as "general and administrative expenses" for the year ended December 2005. They were reclassified as "selling and distribution expenses" for the year ended December 31, 2006.

23. General and administrative expenses

	2006	2005
	RMB'000	*RMB'000*
Salaries and welfare expenses	**561,149**	466,196
Taxes other than income taxes *(Note)*	**599,291**	383,925
Depreciation - non production property, plant and equipment	**96,883**	73,504
Amortization - land use rights	**35,298**	10,671
Traveling and entertainment	**152,859**	84,023
Utilities and office supplies	**60,473**	47,442
Repairs and maintenance	**33,883**	23,209
Insurance	**54,512**	46,539
Rental expenses		
- Head office	**57,045**	45,217
- Other branches and subsidiaries	**37,668**	12,783
Pre-operation expenses	**7,934**	42,379
Legal and professional fees	**73,979**	44,971
Auditor's remuneration		
- audit fees	**30,000**	14,660
- audit related fees	**4,253**	9,291
- other fees	**781**	978
Others	**286,661**	183,749
	2,092,669	1,489,537

Note:

Taxes other than income taxes mainly comprise land use tax, property tax and stamp duty.

24. Other income and other gains/(losses), net

	2006 RMB'000	2005 RMB'000
Other income		
Interest income	183,514	89,363
Income from held-to-maturity investments	—	193
Interest waived *(Note (a))*	—	14,711
Government grants *(Note (b))*	58,515	5,440
	242,029	109,707
Other gains/ (losses)		
Realized and unrealized gain on future contracts, net	86,633	5,760
Gain on sales of financial assets at fair value through profit or loss	—	5,582
Excess of interest in the net fair value of net assets acquired over cost arising from acquisitions of		
- subsidiaries *(Note 5)*	177,972	—
- an associate *(Note 10(b)(ii))*	57,928	—
Others	57	(329)
	322,590	11,013
	564,619	120,720

Notes:

(a) In 2005, the Company entered into an interest waiver agreement with the State Development Planning Commission to settle in full the outstanding loans of RMB19 million, under which agreement the interest payable on the outstanding loans was waived.

(b) The Group obtained and recognized government grants as income in respect of certain qualified technical improvement projects and capital investments.

25. Staff costs

	2006	2005
	RMB'000	*RMB'000*
Wages, salaries and bonus	**2,687,982**	2,317,347
Housing fund	**189,840**	154,977
Contributions to retirement schemes *(Note (a))*	**442,562**	390,713
Welfare and other expenses *(Note (b))*	**648,298**	546,531
	3,968,682	3,409,568

Notes:

(a) The employees of the Group participate in various retirement benefit schemes organized by the relevant provincial and municipal governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 15% to 20% (2005: 15% to 25%) of the employees' basic wages / salaries for the respective years. The Group's contributions to these defined contribution schemes are expensed as incurred and are not reduced by forfeited contributions. The assets of these schemes, which are operated by the respective governments, are held separately from the Company and its subsidiaries.

(b) Welfare and other expenses, including welfare, staff committee expenses, education expenses, unemployment insurance expenses are accrued based on 14% (2005: 14%) of the wages and recognized in the income statement.

Staff costs include remuneration payable to Directors, Supervisors and senior management as set out in Note 26.

26. 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 year are as follows:

	2006	2005
	RMB'000	*RMB'000*
Fees	**1,098**	1,097
Basic salaries, housing allowances, other allowances and benefits in kind	**3,107**	2,956
Discretionary bonus	**2,016**	2,265
Contributions to the retirement scheme	**106**	80
	6,327	6,398

The remuneration of each Director for the year ended December 31, 2006 is set out below:

Name of Director	**Fees**	**Salary**	**Discretionary bonus**	**Employer's contribution to retirement schemes**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2006:					
Xiao Yaqing	—	754	622	19	1,395
Xiong Weiping (Resigned on August 23, 2006)	—	423	346	12	781
Wang Dianzuo	266	—	—	—	266
Kang Yi	266	—	—	—	266
Luo Jianchuan	—	555	351	19	925
Chen Jihua	—	506	282	19	807
Joseph C. Muscari	150	—	—	—	150
Shi Chungui	150	—	—	—	150
Poon Yiu Kin	266	—	—	—	266
Zhang Chengzhong (Appointed on October 13, 2006)	—	506	282	19	807
	1,098	2,744	1,883	88	5,813

26. Directors, Supervisors and senior management's remuneration *(Continued)*

(a) Directors' and Supervisors' remuneration *(Continued)*

Name of Director	Fees	Salary	Discretionary bonus	Employer's contribution to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2005:					
Xiao Yaqing	—	762	594	20	1,376
Xiong Weiping	—	640	495	20	1,155
Wang Dianzuo	276	—	—	—	276
Chiu Chi Cheong, Clifton (Resigned on October 14, 2005)	212	—	—	—	212
Chen Xiaozhou (Resigned on March 27, 2005)	38	—	—	—	38
Kang Yi	276	—	—	—	276
Luo Jianchuan	—	566	335	20	921
Chen Jihua	—	508	269	20	797
Joseph C. Muscari	150	—	—	—	150
Shi Chungui (Appointed on June 9, 2005)	88	—	—	—	88
Poon Yiu Kin, Samuel (Appointed on October 14, 2005)	57	—	—	—	57
	1,097	2,476	1,693	80	5,346

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

	Number of individuals	
	2006	2005
Nil to RMB1,000,000	**14**	12
RMB1,000,001 - RMB1,500,000	**1**	2

No Directors or Supervisors of the Company waived any remuneration during the respective years.

26. 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:

	Number of individuals	
	2006	2005
Directors and supervisors	**4**	3
Senior management	**1**	2

The five individuals whose remuneration were the highest in the Group for the year include four (2005: three) Directors whose remuneration are reflected in the analysis presented above. The remuneration payable to the remaining one individual (2005: two) during the year, are as follows:

	2006	2005
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**506**	1,046
Discretionary bonus	**282**	538
Contributions to the retirement scheme	**19**	29
	807	1,613

27. Expenses charged to the income statement

	2006	2005
	RMB'000	*RMB'000*
Amortization of intangible assets *(Note 6)*	**24,204**	36,396
Amortization of land use rights *(Note 8)*	**35,298**	10,671
Depreciation of property, plant and equipment, net of capitalization in inventories *(Note 7)*	**3,437,438**	2,477,877
Loss on disposal of property, plant and equipment *(Note 33)*	**55,579**	63,355
Impairment loss on property, plant and equipment *(Note 7)*	**32,303**	4,225
Operating lease rentals in respect of land and buildings	**334,357**	242,619
Provision for obsolete inventories	**46,369**	13,184
Provision for impairment of receivables	**12,108**	25,468

28. Finance costs

	2006	2005
	RMB'000	*RMB'000*
Interest on borrowings	**867,472**	708,600
Less: Amount capitalized in construction in progress *(Note (a))*	**(193,857)**	(304,122)
	673,615	404,478
Exchange loss/(gain), net *(Note (b))*	**42,102**	(37,570)
	715,717	366,908

Notes:

(a) Borrowing costs arising on financing entered into for the construction of production facilities were capitalized during the year as property, plant and equipment (Note 7). A capitalization rate used was 5.15% (2005: 5.21%) per annum, representing the borrowing cost of the loan used to finance the construction of production facilities.

(b) The net exchange loss for the year ended December 31, 2006 was mainly due to the appreciation of RMB as the proceeds from the issuance of new H shares were received in Hong Kong Dollar. The net exchange gain for the year ended December 31, 2005 was mainly related to foreign currency denominated loans.

29. Income tax expense

(a) The amount of taxation charged to the income statement represents:

	2006	2005
	RMB'000	*RMB'000*
Current taxation:		
PRC enterprise income tax	**4,382,581**	2,627,246
Over provision in prior years	**(44,232)**	(40,466)
Deferred tax *(Note 16)*	**55,212**	(91,567)
	4,393,561	2,495,213

29. Income tax expense *(Continued)*

(b) Three branches and a subsidiary of the Company located in the western region of China (namely Guangxi branch, Qinghai branch, Guizhou branch, China Aluminum Qinghai International Trading Corp., Ltd. (中鋁青海國際貿易有限公司) were granted a tax concession to pay PRC income tax at a preferential rate of 15%. The preferential tax rate is applicable to qualified operations of the three branches and of the subsidiary in specified regions with effect from January 1, 2001 for a ten-year period to December 31, 2010 and from January 1, 2003 for a nine-year period to December 31, 2011, respectively, as long as they continue to engage in qualified operations in their respective regions. The relevant tax concessions are subject to review on a regular basis. In 2006, the above tax concessions had been confirmed and approved by respective tax authorities.

Chalco Western Qinghai Int'l Trading Co., Ltd. ("Western Trading"), a subsidiary of the Company, located in Xining Economic and Technology Developing District had registered and commenced business in October 2003. Pursuant to Qinghai Province Development of Western Region Policy (Qing Zheng 2003 No.35), starting from the commencement of its business, Western Trading is exempted from PRC income tax for the first 5 years and is at a preferential rate of 15% for the years after. The exemption of PRC income tax amounting to RMB44,007,000 (2005: RMB35,346,000) for the year ended December 31, 2005 was approved by the Qinghai Province Tax Bureau and the whole amount has been written-back in the current year.

Pursuant to the Statement on Supporting Fund for Development of Enterprises issued by the local government of Caolu Town, Pudong New Areas, Shanghai, Chalco Kelin Aluminum of Shanghai Co., Ltd., a subsidiary of the Company, was exempted from PRC income tax for the first year and at a preferential rate of 15% for the two years after.

Zunyi Aluminum, a subsidiary of the Company, is granted a tax concession and is taxed at a rate of 15% from January 1, 2005 for a 5-year period to December 31, 2010.

The current PRC income taxes of the Company, its subsidiaries and jointly controlled entities have been provided at the basic tax rate of 33% (2005: 33%) on the assessable profits for the respective years, except for those related to the above operations in the Group.

29. Income tax expense *(Continued)*

(c) 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:

	2006	2005
	RMB'000	*RMB'000*
Profit before income tax	**16,780,245**	9,741,647
Tax calculated at a tax rate of 33%	**5,537,481**	3,214,744
Tax losses for which no deferred income tax asset was recognized	**5,369**	5,493
Income not subject to tax	**(218,644)**	(58,977)
Expenses not deductible for tax purposes	**244,564**	67,092
Utilization of prior years' unrecognized tax losses	**(30,109)**	(12,307)
Differential tax rates on the profit of certain branches and subsidiaries	**(1,032,399)**	(606,478)
Tax credit for capital expenditure *(Note)*	**(68,469)**	(73,888)
Over provision in prior years *(Note 29(b))*	**(44,232)**	(40,466)
Tax charge	**4,393,561**	2,495,213
Weighted average effective tax rate	**26.18%**	25.6%

Note:

This primarily represents incentive in the form of tax credit given by the relevant tax authorities in respect of production plant and equipment purchased in the domestic market.

Share of associates' income tax expenses for the year amounted RMB28,084,000 (2005: RMB4,166,000), were included in the consolidated income statement as share of profits of associates.

The jointly controlled entities did not incur any income tax expenses for the year (2005: Nil).

30. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB10,493,744,000 (2005: RMB6,772,745,000).

31. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the year ended December 31, 2006 of RMB11,744,676,000 (2005: RMB7,022,422,000) and the weighted average number of 11,439,465,194 shares (2005: 11,049,876,153 shares) in issue during the year.

As there are no dilutive securities, there is no difference between basic and diluted earnings per share.

32. Dividends

	2006	2005
	RMB'000	*RMB'000*
Interim - RMB0.188 (2005: Nil) per share	**2,190,177**	—
Proposed final - (Note) (2005: RMB0.214) per share	**—**	2,364,673
Total	**2,190,177**	2,364,673

Note:

Given the pending A share listing by the Company and the acquisitions of Shandong Aluminum and Lanzhou Aluminum by the Company, the Company will after completion of the proposed A share listing and the acquisitions of Shandong Aluminum and Lanzhou Aluminum declare the final dividend for the year ended December 31, 2006, which, based on 35% of the profit after tax and after deducting the interim dividend paid, would amount to a distributable profit of approximately RMB1,482,633,000. Such dividend, when declared, will be distributed to the new and existing shareholders of the Company. Due to the same reason, both Shandong Aluminum and Lanzhou Aluminum will not declare final dividend for the year ended December 31, 2006 and their retained earnings and reserves are distributable to the Company after the completion of the acquisitions.

33. Notes to the consolidated cash flow statement

(a) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2006	2005
	RMB'000	*RMB'000*
Net book amount	**256,843**	81,381
Loss on disposal *(Note 27)*	**(55,579)**	(63,355)
Proceeds from disposal	**201,264**	18,026

(b) During the year, capital injection of RMB490,000,000 (2005: Nil) made by a minority shareholder of a subsidiary was in form of injection of net assets.

34. Litigation and contingent liabilities

(a) 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 aluminum production facilities owned by the Guangxi branch of the Company (the "Pingguo JV"). Pursuant to the Subscription Agreement pertaining to which Alcoa acquired shares in the Company, if the final joint venture agreement of the Pingguo JV is not executed within 8 months of the closing of the Company's global offering or if all necessary relevant PRC government approvals for the Pingguo JV are not obtained within 12 months of the closing of the Company's global offering due to the failure of a party to abide by its expressions of intent in the MOU, then that party would be obligated to pay approximately US$7.5 million (approximately RMB59 million) to the other party as compensation.

Although the final joint venture agreement was not executed, pursuant to the Supplementary Agreement of the Strategic Investor Subscription Agreement, the Company continues to work actively and closely with Alcoa to conclude the joint venture agreement consistent with its expressed intentions in the MOU.

With effort contributed by both parties, significant progress was noted, including the finalization of the joint venture agreement, articles of association and electricity supply arrangement. On March 29, 2004, the establishment of the Pingguo JV was approved by the National Development and Reform Commission.

As of December 31, 2006, the Company has not made a claim against Alcoa nor, according to the Directors, has Alcoa asserted a claim against the Company for compensatory payment. Based on currently available information, the Directors believe that no provision is necessary.

(b) In 2006, Fushun Aluminum, a subsidiary of the Company, was claimed by several banks to be jointly liable for repayment of loans lent by the several banks to a third party and the claims by the banks are for repayment of a total bank loan of RMB971,193,000. In March 2007, Fushun Aluminum was claimed by another bank to be liable to the bank for repayment of bank loans lent by that bank to the third party in the sum of RMB283,681,000. Fushun Aluminum was acquired by the Company from the third party. The Directors, after obtaining independent legal advice, are of the opinion that as the acquisition was conducted on a fair principle and the consideration was set close to the asset value of the assets acquired, no contingency provision for such claim is necessary as of December 31, 2006.

35. Commitments

(a) Capital commitments for property, plant and equipment as of December 31, 2006 and 2005 were as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted but not provided for	**2,167,295**	560,600	**1,889,328**	555,921
Authorized but not contracted for	**6,033,229**	8,465,177	**5,940,091**	7,898,976
	8,200,524	9,025,777	**7,829,419**	8,454,897

(b) Commitments for capital contribution

(i) Pursuant to the resolution on June 19, 2005, of the Board of Directors of Guangxi Huayin Aluminum Co., Ltd. (廣西華銀鋁業有限公司) ("Guangxi Huayin"), a jointly controlled entity of the Company, it was resolved that the total investment in Guangxi Huayin be increased from RMB10 million to approximately RMB8,491 million. Pursuant to relevant PRC regulations, 25% of such total investment, i.e. an aggregate of approximately RMB2,133 million (of which RMB701 million represent the Company's share of contribution), have to be contributed by the shareholders in proportion to their equity interests in Guangxi Huayin as registered capital, which has agreed to be made by the shareholders in three instalments in each of 2005, 2006 and 2007.

On July 31, 2005, the shareholders of Guangxi Huayin (including the Company) entered into a supplemental agreement (the "Supplemental Agreement") to amend the Shareholders' Capital Contribution Agreement dated February 15, 2003, which further sets out the plan to increase the total investment and registered capital as required by Guangxi Huayin to carry out its initial alumina project (estimated initial annual production capacity of 1,600,000 tonnes).

According to the Supplemental Agreement, the Company will contribute an aggregate of approximately RMB701 million to the registered capital of Guangxi Huayin. Up to the date of the approval of these financial statements, the Company had made approximately RM573 million as capital contribution to Guangxi Huayin.

(ii) At December 31, 2006, the Company had commitment in respect of the injection of additional capital into Chalco Zunyi Alumina Co., Ltd (中國鋁業遵義氧化鋁有限公司), a subsidiary of the Company, of approximately RMB750,400,000.

35. Commitments *(Continued)*

(c) Commitments under operating leases as of December 31, 2006 and 2005 were as follows:

The Group and the Company had future aggregate minimum lease payments in relation to land and buildings under non-cancelable operating leases as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Not later than one year	**300,877**	315,454	**278,959**	298,464
Later than one year and not later than five years	**1,203,507**	1,138,518	**1,115,838**	1,070,560
Later than five years *(Note)*	**10,928,245**	9,546,886	**10,483,182**	9,085,148
	12,432,629	11,000,858	**11,877,979**	10,454,172

Note:

These mainly represent commitments under operating leases in relation to land later than five years but not later than 45 years.

36. Related party balances and transactions

Related parties refer to entities in which Chinalco has the ability, directly or indirectly, to control or jointly 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 and of its holding company, jointly controlled entities and associates. Given that the PRC government still owns a significant portion of the productive assets in the PRC despite the continuous reform of the governments 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, its subsidiaries, associates and jointly controlled entities (collectively "Chinalco Group") in the ordinary course of business. The management of the Company are of the view that it has provided meaningful disclosures of related party transactions through the disclosure of transactions with Chinalco and 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. State-owned enterprises and their subsidiaries, other than entities under Chinalco (also a state-owned enterprise), directly or indirectly controlled by the PRC government are also defined as related parties of the Group in accordance with HKAS 24 "Related Party Disclosures". In the normal course of its business, the Group may either enter into various transactions with one or more of such state-owned enterprises and their subsidiaries. Neither Chinalco nor the PRC government publishes financial statements for public use.

36. Related party balances and transactions *(Continued)*

(a) Related party balances with Chinalco Group

(i) Due from Chinalco Group

As of December 31, 2006, included in accounts receivable and other current assets, were amounts due from Chinalco Group as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**225,167**	230,609	**198,910**	228,291
Other receivables	**258,314**	317,691	**237,713**	292,959
	483,481	548,300	**436,623**	521,250
Less: Provision for impairment of receivables	**(220,052)**	(263,501)	**(220,052)**	(263,374)
	263,429	284,799	**216,571**	257,876

Other receivables from Chinalco Group are unsecured, non-interest bearing and are repayable on demand.

36. Related party balances and transactions *(Continued)*

(a) Related party balances with Chinalco Group *(Continued)*

(ii) Due to Chinalco Group

As of December 31, 2006, included in accounts payable and other payables, were amounts due to Chinalco Group as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**179,674**	52,256	**120,310**	43,005
Other payables	**798,615**	623,994	**626,867**	531,021
	978,289	676,250	**747,177**	574,026

Other payables to Chinalco Group are unsecured, non-interest bearing and are repayable on demand.

(b) Other related party balances

(i) Due from other related parties

As of December 31, 2006, amounts due from other related parties were as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jointly controlled entities	**14,618**	17,618	**14,618**	17,618
Associates	**13,799**	13,587	**438**	438
Subsidiaries	**—**	—	**1,522,350**	413,078
Others	**35,672**	2,723	**2,723**	2,723
	64,089	33,928	**1,540,129**	433,857

Amounts due from other related parties are unsecured, non-interest bearing and are repayable on demand.

36. Related party balances and transactions *(Continued)*

(b) Other related party balances *(Continued)*

(ii) Due to other related parties

As of December 31, 2006, amounts due to other related parties were as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jointly controlled entities	**1,155**	1,748	**1,155**	1,748
Associates	**25,211**	30,085	**25,211**	26,075
Subsidiaries	**—**	—	**90,252**	942,500
Others	**120,509**	2,270	**9,104**	2,270
	146,875	34,103	**125,722**	972,593

Amounts due to other related parties are unsecured, non-interest bearing and are repayable on demand.

36. Related party balances and transactions *(Continued)*

(c) Related party balances with other state-owned enterprises

Included in the consolidated balance sheet, were balances with other state-owned enterprises as follows:

	Group	
	2006	2005
	RMB'000	*RMB'000*
Current assets		
Accounts receivable and other current assets, net	**803,036**	1,531,743
Cash and cash equivalents	**12,802,775**	7,597,727
Non-current liabilities		
Long-term bank loans *(Note 20(a))*	**8,480,736**	9,690,493
Current liabilities		
Accounts payable and other liabilities	**1,527,451**	1,227,076
Current portion of long-term bank loans *(Note 20(a))*	**2,350,818**	1,353,980
Short-term bank loans *(Note 20(b))*	**2,762,040**	2,378,998
Short-term bonds *(Note 20(c))*	**4,985,111**	1,970,840

Except for cash at banks, loans and available-for-sale investments (included in other current assets) stated above, all the balances of assets and liabilities are unsecured, non-interest bearing and receivable or repayable within one year.

36. Related party balances and transactions *(Continued)*

(d) Related party transactions with Chinalco Group and other related parties

Save as disclosed elsewhere in the consolidated financial statements, significant related party transactions which were carried out in the normal course of the Group's business during the year were as follows:

	Note	2006 RMB'000	2005 RMB'000
Sales of materials and finished goods to:	(I)		
Chinalco Group		**4,030,852**	3,088,968
Jointly controlled entity		**11,109**	45,480
Associates		**1,342,997**	570,470
Others		**155,885**	85,509
		5,540,843	3,790,427
Provision of utility services to Chinalco Group	(II)	**298,259**	310,438
Provision of engineering, construction and supervisory services by Chinalco Group	(III)	**1,453,848**	2,176,041
Purchases of key and auxiliary materials from:	(IV)		
Chinalco Group		**2,558,883**	700,829
Associates		**585,835**	220,772
		3,144,718	921,601
Provision of social services and logistics services by Chinalco Group	(V)	**1,044,401**	951,247
Land and building rental charged by Chinalco Group	(VI)	**295,408**	253,805
Headquarters' office rental charged by Chinalco Group	(VI)	**50,660**	44,575

36. Related party balances and transactions *(Continued)*

(d) Related party transactions with Chinalco Group and other related parties *(Continued)*

(I) Materials and finished goods sold to Chinalco Group during both periods mainly comprised sales of alumina, primary aluminum and scrap materials. Transactions entered into during the periods are as covered by general agreement on Mutual Provision of Production Supplies and Ancillary Services entered into between the Company and Chinalco. The pricing policy is summarized below:

(i) Adoption of the price prescribed by the PRC government ("Stated-prescribed price");

(ii) If there is no State-prescribed price then adoption of State-guidance price;

(iii) 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

(iv) 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) Utility services, including electricity, gas, heat and water, are supplied at the pricing policy as set out in (I)(i) above.

(III) Engineering, project construction and supervisory services were provided by Chinalco Group to the Company mainly for construction projects during the period. Provisions of these services are covered by the Provision of Engineering, Construction and Supervisory Services Agreement. The State-guidance price as stated in (I)(ii) or prevailing market price (including tender price where by way of tender) is adopted for pricing purposes.

(IV) Purchases of key and auxiliary materials (including bauxite, limestone, carbon, cement, coal) from Chinalco Group are covered by the General Agreement on Mutual Provision of Production Supplies and Ancillary Services and Mineral Supply Agreement. The pricing policy is the same as that set out in (I)(i) above.

(V) Social services and logistics services were provided by Chinalco Group 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. Provisions of these services are covered by the Comprehensive Social and Logistics Services Agreement entered into between the Company and Chinalco Group. The pricing policy is the same as that adopted in the General Agreement on Mutual Provision of Production Supplies and Ancillary Services Agreement.

36. Related party balances and transactions *(Continued)*

(d) Related party transactions with Chinalco Group and other related parties *(Continued)*

(VI) Rental fee is payable to Chinalco Group for:

(i) Use of land, inclusive of land for industrial or commercial purposes, occupied and used by the Company during the period covered by the Land Use Rights Leasing Agreement entered into between the Company and Chinalco Group.

(ii) For the year ended December 31, 2006, rental fee paid/payable was amounted to approximately RMB346 million (2005: RMB298 million).

(iii) Use of property as office premises according to the rental agreement signed in March 2005. The annual rent payable is about RMB62 million.

As of December 31, 2006, there existed the following arrangements entered into between the Group and Chinalco, fellow subsidiaries and other related parties:

(i) The Company granted to Chinalco a non-exclusive right to use two trademarks for a period of ten years from July 1, 2001 to June 30, 2011 at no cost pursuant to the Trademark License Agreement. 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 extension upon terms to be agreed upon.

(ii) Guarantees granted by Chinalco to banks for the loans borrowed to the Group are covered by the Guarantee of Debts Contract entered into between the Company and Chinalco.

36. Related party balances and transactions *(Continued)*

(e) Related party transactions with other state-owned enterprises:

	2006	2005
	RMB'000	*RMB'000*
Purchases of electricity	**7,877,466**	5,429,103
Sale of alumina	**16,905,474**	13,835,273
Sale of primary aluminum	**6,164,850**	1,930,230
Purchases of raw materials	**9,453,601**	3,221,041
Purchase of property, plant and equipment (including construction services and materials)	**2,856,005**	1,221,608
Long-term bank loans (repaid)/borrowed	**(212,919)**	2,579,152
Short-term bank loans borrowed	**383,042**	1,069,912
Interest income received	**183,514**	89,363
Issuance of short-term bonds	**3,014,271**	1,970,840
Bank charges paid	**7,186**	2,159
Interest expense paid	**867,472**	708,600

Related party transactions with other state-owned enterprises were conducted in the normal course of business at market rates.

(f) Key management compensation

	2006	2005
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**3,789**	4,023
Contributions to retirement scheme	**126**	116
Discretionary bonues	**2,493**	2,511
	6,408	6,650

37. Ultimate holding company

The Directors regard Chinalco, a company incorporated in the PRC, as being the ultimate holding company. As of December 31, 2006 and March 10, 2007 (being the date of the approval of the consolidated financial statements), Chinalco held 39.59% (2005: 42.14%) of the Company's issued share capital.

38. Subsequent events

Apart from those disclosed elsewhere in these financial statements, the following subsequent events occurred:

In February 2007, the Board approved the Company to issue long-term bonds up to RMB5 billion. The details as to the amount to be issued, its duration and interest rate will be determined subject to the approval by the relevant authorities and the prevailing market condition at the time of the issue. The proceeds raised from the bonds will be used mainly for renovation expansion projects of alumina and aluminum.

In March 2007, the Board revolved and approved the Company to issue short-term bonds with a principal amount of not more than RMB5 billion with a maturity period of one year, subject to shareholders' approval. The specific proposal and schedule of the issue will be subject to the approval of relevant authorities and the market condition. The net proceeds of the issue of short-term bonds will be principally used as working capital of the Company.