The consolidated financial statements for the years ended December 31, 2005 and December 31, 2006 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which are the accounting principles generally accepted in Hong Kong and may differ in various material respects from accounting principles generally accepted in the United States ("U.S. GAAP"). Such differences involve methods for measuring the amounts shown in these financial statements, as well as additional disclosures required by U.S. GAAP.

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

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

		2005	**2006**	**2006**
	Note	*RMB'000*	***RMB'000***	***US$'000***
Net income under HKFRS		7,246,434	**12,386,684**	**1,587,202**
U.S. GAAP adjustments:				
Depreciation of revalued property, plant and equipment	(a)	269,999	**269,999**	**34,597**
Unrecognized excess of interest in the net fair value of net assets acquired over cost	(c)	—	**(224,950)**	**(28,825)**
Amortization of revalued mining rights	(d)	9,307	**9,307**	**1,193**
Minority interest	(e)	(224,012)	**(642,008)**	**(82,265)**
Income tax effect of U.S. GAAP adjustments	(f)	(72,561)	**(72,561)**	**(9,298)**
Net income under U.S. GAAP		7,229,167	**11,726,471**	**1,502,604**
Basic and diluted net income per share under U.S. GAAP		RMB0.65	**RMB1.03**	**US$0.13**

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

	Note	2005 RMB'000	**2006 RMB'000**	**2006 US$'000**
Equity under HKFRS		34,204,894	**47,765,926**	**6,120,619**
U.S. GAAP adjustments:				
Revaluation of property, plant and equipment, net of related depreciation	(a)	(2,591,718)	**(2,321,719)**	**(297,500)**
Amortization of goodwill	(b)	73,944	**73,944**	**9,475**
Unrecognized excess of interest in the net fair value of net assets acquired over cost	(c)	—	**(224,950)**	**(28,825)**
Revaluation of mining rights, net of related amortization	(d)	(243,114)	**(233,807)**	**(29,960)**
Minority interest	(e)	(1,560,455)	**(3,541,192)**	**(453,760)**
Income tax effect of U.S. GAAP adjustments	(f)	837,444	**764,881**	**98,010**
Equity under U.S. GAAP		30,720,995	**42,283,083**	**5,418,059**

(a) Revaluation of property, plant and equipment

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

(b) Amortization of goodwill

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

(c) Unrecognized excess of interest in the net fair value of net assets acquired over cost

Excess of interest in the net fair value of net assets acquired over cost arise from business combination or acquisition. Under HKFRS, the identification and measurement of acquiree's identifiable assets, liabilities and contingent liabilities are re-assessed. Any excess remaining after reassessment is recognized in income statement immediately. Under U.S. GAAP, any excess after reassessment is used to reduce proportionately the fair values assigned to non-current assets (with certain exceptions). Any remaining excess is recognized in the income statement immediately as an extraordinary gain.

(d) Revaluation of mining rights

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

(e) Minority interest

Under HKFRS, minority interest is included as a component of equity and profit and loss attributable to minority interest is included as a component of the Company's total net income. Under U.S. GAAP, minority interest is excluded from equity and presented as a separate item before net income.

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

Under U.S. GAAP, deferred taxes relating to the reversal of the property, plant and equipment revaluation, mining rights and the effect of unrecognized excess of interest in the net fair value of net assets acquired over cost are recognized.

(g) Other disclosure: Effects of tax holiday

Three branches and a subsidiary of the Company located in the western region of China 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.

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, the subsidiary is exempted from PRC income tax for the first 5 years and is at a preferential rate of 15% for the years after.

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

A subsidiary 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 aggregate amount and effect on earnings per share of the tax holiday under U.S. GAAP are as follows:

	2005 *RMB'000*	**2006** ***RMB'000***	**2006** ***US$'000***
The aggregate dollar effect of tax holiday	606,478	**1,032,399**	**132,289**
Effect on earnings per share - basic	RMB0.05	**RMB0.09**	**US$0.01**

(h) Recent U.S. accounting pronouncements

In July 2006, the financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN48"), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Company recognizes in its financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for the Company on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. The Group is currently evaluating the impact of adopting FIN 48 on its consolidated financial position, cash flows and results of operations.

In September 2006, the FASB issued SFAS No. 157 "Fair value measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. SFAS 157 becomes effective for the Company on January 1, 2008. Upon adoption, the provisions of SFAS 157 are to be applied prospectively with limited exceptions. The adoption of SFAS 157 is not expected to have a material impact on the Group's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which permits an entity to measure certain financial assets and financial liabilities at fair value. The objective of SFAS No. 159 is to improve financial reporting by allowing entities to mitigate volatility in reported earnings caused by the measurement of related assets and liabilities using different attributes, without having to apply complex hedge accounting provisions. Under SFAS No. 159, entities that elect the fair value option (by instrument) will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option election is irrevocable, unless a new election date occurs. SFAS No. 159 establishes presentation and disclosure requirements to help financial statement users understand the effect of the entity's election on its earnings, but does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. This statement is effective for fiscal year beginning after November 15, 2007. The Group is currently evaluating the impact of adopting SFAS 159 on its consolidated financial statements.

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

In September 2006, the Security Exchange Commission issued Staff Accountant Bulletin ("SAB") No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying the Misstatements in Current Year Financial Statements" that expresses the staff's views regarding the process of quantifying financial statement misstatements. This bulletin is effective for any interim period of the first fiscal year ending after November 15, 2006. SAB No. 108 requires that companies utilize a dual approach to assess the quantitative effects of financial statement misstatements. The dual approach includes both an income statement focus and balance sheet focus assessment. The adoption of this bulletin did not have any effect on the Group's consolidated financial statements.

In June 2006, Emerging Issues Task Force ("EITF") issued No. 06-3, "How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement" ("EITF 06-3"). EITF 06-3 requires disclosure of the presentation of taxes on either a gross or a net basis as an accounting policy decision. The provisions of EITF 06-3 are effective for the Group from the fiscal year ended December 31, 2006. The adoption of EITF 06-3 did not have a material effect on the presentation of the Group's consolidated financial statements.